淮北綠金產業投資股份有限公司

HUAIBEI GREENGOLD INDUSTRY INVESTMENT CO., LTD.*

(A joint stock company incorporated in the People's Republic of China with limited liability)

STOCK CODE : 2450

GLOBAL OFFERING

Sole Sponsor, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

光大證券 | 國際
EVERBRIGHT SECURITIES | INTERNATIONAL

* *For identification purposes only*

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

淮北綠金產業投資股份有限公司
(Huaibei GreenGold Industry Investment Co., Ltd.*)

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**66,000,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of International Offer Shares	**:**	**59,400,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**6,600,000 H Shares (subject to adjustment)**
Maximum Offer Price	**:**	**HK$2.31 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**2450**

Sole Sponsor, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

光大證券 | 國際
EVERBRIGHT SECURITIES INTERNATIONAL

Joint Bookrunners and Joint Lead Managers (in alphabetical order)

農銀國際 ABC INTERNATIONAL
BOC INTERNATIONAL
交銀國際 BOCOM International
兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL
中国平安 平證證券 PA SECURITIES (HK)
Citrus 鉅誠證券
民銀資本 CMBC CAPITAL HOLDINGS LIMITED
華安證券(香港) HUAAN SECURITIES (HONG KONG)
ICBC 工银国际
申萬宏源香港 SHENWAN HONGYUAN
浦銀國際 SPDB INTERNATIONAL
中泰國際 ZHONGTAI INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix IX – Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 13 January 2023 (Hong Kong time) and, in any event, not later than Wednesday, 18 January 2023 (Hong Kong time). The Offer Price will be not more than HK$2.31 and is currently expected to be not less than HK$1.91. If, for any reason, the Offer Price is not agreed by Wednesday, 18 January 2023 (Hong Kong time) between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and us, the Global Offering will not proceed and will lapse. Investors applying for Offer Shares must pay, on application, the maximum Offer Price of HK$2.31 per H Share, unless otherwise announced, together with brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% subject to refund if the Offer Price finally determined is lower than HK$2.31 per H Share.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published at the websites of our Company at www.ljgfjt.com and the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are established, and all of our businesses are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-established companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set out in the section headed "Risk Factors" in this prospectus, and "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of Articles of Association" in this prospectus. Prior to making an investment decision, potential investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in our Shares commences on the Stock Exchange. For further details, see the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of our Company at **www.ljgfjt.com** and the Stock Exchange at **www.hkexnews.hk**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

* *For identification purposes only*

30 December 2022

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 1,500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
1,500	3,499.95	15,000	34,999.45	210,000	489,992.24	1,500,000	3,499,944.53
3,000	6,999.89	30,000	69,998.89	240,000	559,991.12	1,800,000	4,199,933.44
4,500	10,499.84	45,000	104,998.34	270,000	629,990.02	2,100,000	4,899,922.34
6,000	13,999.77	60,000	139,997.78	300,000	699,988.90	2,400,000	5,599,911.25
7,500	17,499.73	75,000	174,997.23	450,000	1,049,983.36	2,700,000	6,299,900.15
9,000	20,999.66	90,000	209,996.67	600,000	1,399,977.81	3,000,000	6,999,889.06
10,500	24,499.61	120,000	279,995.56	750,000	1,749,972.27	3,300,000*	7,699,877.95
12,000	27,999.56	150,000	349,994.46	900,000	2,099,966.71		
13,500	31,499.50	180,000	419,993.34	1,200,000	2,799,955.62		

* Maximum number of Hong Kong Offer Shares you may apply for

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Hong Kong Public Offering commences . . . . .9:00 a.m. on Friday, 30 December 2022

Latest time for completing electronic applications under the **HK eIPO White Form** service through one of the below ways:(2)

(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

(2) the designated website **www.hkeipo.hk** . . . . .11:30 a.m. on Friday, 13 January 2023

Application lists for the Hong Kong Public Offering open(3) . . . . .11:45 a.m. on Friday, 13 January 2023

Latest time for (a) completing payment for the **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC(4) .12:00 noon on Friday, 13 January 2023

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close(3) . . . . .12:00 noon on Friday, 13 January 2023

Expected Price Determination Date(5) . . . . .Friday, 13 January 2023

(1) Announcement of:

- the Offer Price;
- an indications of the level of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Public Offer Shares

to be published on the websites of our Company at **www.ljgfjt.com** and the Stock Exchange at **www.hkexnews.hk** on or before(9) . . . . .Thursday, 19 January 2023

(2) Announcement of results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" from[9] . . . . .Thursday, 19 January 2023

(3) Announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the websites of our Company at **www.ljgfjt.com**[6] and the Stock Exchange at **www.hkexnews.hk** from[9] . . . . .Thursday, 19 January 2023

Results of allocation for the Hong Kong Public Offering will be available at "IPO Results" function in the **IPO App** or **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function from[9] . . . . .Thursday, 19 January 2023

Dispatch of H Share certificates or deposit of H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][9] . . . . .Thursday, 19 January 2023

Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques (if applicable) on or before[8][9] . . Thursday, 19 January 2023

Dealings in the H Shares on the Stock Exchange expected to commence at[9] . . . . 9:00 a.m. on Friday, 20 January 2023

The application for the Hong Kong Offer Shares will commence on Friday, 30 December 2022 through Friday, 13 January 2023. Such time period is longer than the normal market practice of 3.5 days. The application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) will be held by the receiving banks on behalf of our Company, and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 19 January 2023. Investors should be aware that the dealings in our H Shares on the Stock Exchange are expected to commence on Friday, 20 January 2023.

(1) All dates and times refer to Hong Kong local times and dates, except as otherwise stated.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 13 January 2023, the application lists will not open and close on that day. See section headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists".

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to section headed "How to Apply for Hong Kong Offer Shares – 6. Applying through the **CCASS EIPO** Service".

(5) The Price Determination Date is expected to be on or about Friday, 13 January 2023 and, in any event, not later than Wednesday, 18 January 2023, or such other date as agreed among the parties. If, for any reason, the Offer Price is not agreed by Wednesday, 18 January 2023, or such other date as agreed among the parties, between the Sole Global Coordinator (for itself and on behalf of and the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) The H Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Friday, 20 January 2023, provided that the Global Offering has become unconditional in all respects and none of the Underwriting Agreements have been terminated in accordance with its terms at or before that time. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of the H Share certificates and prior to the H Share certificates becoming valid do so entirely at their own risk.

(8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.

(9) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Friday, 30 December 2022 to Friday, 20 January 2023, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of H Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the H Shares on the Stock Exchange may be postponed and an announcement may be made in such event. The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details relating to the structure and conditions of the Global Offering, procedures on the applications for Hong Kong Offer Shares, and expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and H Share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide prospective investors with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by prospective investors as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, affiliates, representatives, professional advisers or any other person or party involved in the Global Offering.

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

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

OVERVIEW

We are a construction materials provider with state-owned background located in Huaibei City, Anhui Province. Despite our Company is wholly-owned by Huaibei Construction Investment, a wholly state-owned company held by Huaibei SASAC, before Listing, the three subsidiaries of our Company are not wholly-owned by us, namely (i) Tongming Mining, which is primarily engaged in mining and processing of aggregate products and owned as to 67% by our Company and 33% by Leiming Blasting. As such, we only own a proportion of the Gaoloushan Mine and the aggregate product business in view of our equity interest of 67% in Tongming Mining; (ii) Liantong Municipal, which is a concrete producer and owned as to 55% by our Company and 45% by Shanghai Hanglong. As such, we only own a proportion of the concrete product business, in view of our equity interest of 55% in Liantong Municipal; and (iii) Tongtai Tongjin, which is primarily engaged in mining and processing of copper and gold and owned as to 55% by our Company and 45% by Zhongjue International. As at the Latest Practicable Date, Tongtai Tongjin has not commenced business.

Our major products include (i) aggregate products, which we mine in our Gaoloushan Mine and process at our nearby production facilities located in Lieshan District, Huaibei City; and (ii) concrete products, which we manufacture at our production facilities located in Xiangshan District, Huaibei City. During the Track Record Period, we mainly sold our aggregate products and concrete products to construction companies, building materials companies and wholesalers. According to the CIC Report, (i) our market share in terms of sales volume in construction aggregates in 2021 was approximately 0.02% and 0.29% of the construction aggregates market in China and Anhui Province, respectively; and (ii) we are the third largest construction aggregates producers in the markets of Huaibei City and its surrounding cities including Suzhou City and Bozhou City with the market share of approximately 12.9% in terms of sales volume in 2021.

For the three years ended 31 December 2021 and the nine months ended 30 September 2022, our revenue was approximately RMB492.5 million, RMB506.4 million, RMB370.3 million and RMB313.3 million, respectively. Our profits for the same years/periods were approximately RMB168.9 million, RMB182.5 million, RMB98.9 million and RMB77.6 million, respectively.

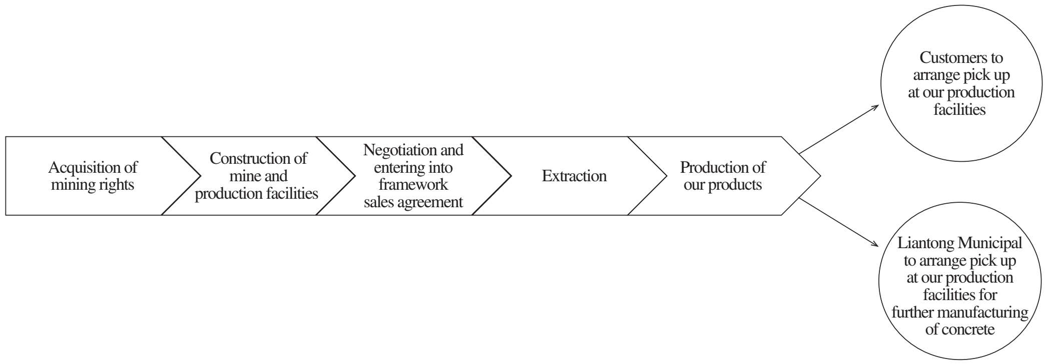
Our Gaoloushan Project (Phase I) commenced commercial production in June 2018. Pursuant to the Phase I Mining Licence, the designated mining area is 0.3330 km^2, the permitted elevation is +247 m to +150 m and the permitted annual production volume is 3.5 million tonnes per annum. Our aggregate products are produced by way of conventional open-pit mining and on-site crushing and screening. On 30 June 2021, we obtained the Phase II Mining Licence, which increased the permitted maximum production volume from 3.5 million tonnes per annum to 8 million tonnes per annum. The designated mining area also increased from 0.3330 km^2 to 0.8777 km^2 pursuant to the Phase II Mining Licence. According to the Independent Technical Report, as at 30 September 2022, the estimated Resources of our Gaoloushan Mine was approximately 184.3 million tonnes, comprising Indicated Resources of approximately 178.9 million tonnes and Inferred Resources of approximately 5.4 million tonnes; and the Probable Reserves of approximately 126.8 million tonnes. Our Gaoloushan Mine does not have any Proven Ore Reserve. The estimated mine life of our Gaoloushan Mine was approximately 18 years based on the Probable Reserves of approximately 126.8 million tonnes and an anticipated annual production up to 8 million tonnes in 2031 upon implementation of our development plan, according to the Independent Technical Report. Our Gaoloushan Mine in essence is a quarry.

We plan to gradually increase our annual production volume from 3.5 million tonnes to ultimately 8 million tonnes in 2031 with a view to meeting the increasing demand of aggregate products from our existing customers and potential customers who are expected to benefit from the economic development in Huaibei City and surrounding cities, including Suzhou City and Bozhou City. To achieve such production volume, we plan to increase our extraction capacity as well as build a new production plant.

BUSINESS MODEL

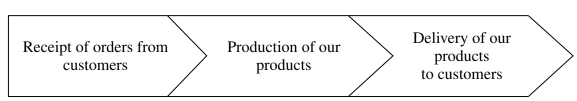
The business model of our aggregate products segment mainly encompasses entering into framework sales agreements with and receiving orders from customers, limestone mining at our Gaoloushan Mine, processing of the mined limestone at our production facilities and customers taking delivery of our aggregate products at our Gaoloushan Project. Our aggregate products mainly comprise of (i) scalping; (ii) sand powder; (iii) 0.5-1 construction aggregate; (iv) 1-2 construction aggregate; and (v) 1-3 construction aggregate. We also sell overburden (i.e. a mixture of weathered rocks and soils) which is a by-product generated during the mining operations. The prices for our aggregate products are determined with reference to the general market trend, the prices of products of similar specifications and quality offered by our competitors, and the quality of our aggregate products.

The following diagram illustrates our business model for the aggregate products segment:



The business model of our concrete products segment involves mainly receiving orders from customers, production of concrete products pursuant to customers' specification, and selling and delivering of concrete products to our customers. Our concrete products mainly comprise of (i) ready-mixed concrete; (ii) cement stabilised macadam; and (iii) asphalt concrete. The prices for our concrete products are determined based on the following factors: the monthly market indicative price on construction materials published by Huaibei Construction Standard Rating Station (淮北市建設標準定額站), market demand, our production capacity, transportation costs borne by our customers, our production costs, competitors' prices and credit terms.

The following diagram illustrates our business model for the concrete products segment:



LOCATION AND ACCESS TO OUR GAOLOUSHAN PROJECT

Our Gaoloushan Project is located in Huaibei City, Anhui Province. More specifically, it is situated in Gaoloushan in Song Tuan Town, Lieshan District of Huaibei City. Our Phase I Processing Plant is situated at the west of Gaoloushan Mine and connected through paved roads. Our Gaoloushan Project is connected to other parts of Huaibei City via the Anhui Provincial Highway S101 and other paved roads. Apart from Huaibei City, we have access to Suzhou City in the south via the G3 Expressway and other all-weather roads, and Bozhou City in the west via National Expressway G237 and other paved roads. Such transportation network provides a convenient network for the transportation of our aggregate products to Huaibei City and the surrounding areas, including Suzhou City and Bozhou City.

OUR MINERAL RESOURCES AND MINING RIGHTS

Resources

According to the Independent Technical Report, the Mineral Resource of Gaoloushan Mine has been classified as Indicated and Inferred according to increasing degrees of geological confidence in the geological continuity, sample density, data quality, surface mapping and drilling spacing; and the estimated Resources of our Gaoloushan Mine under the JORC Code as at 30 September 2022 were approximately 184.3 million tonnes.

Domain	Mineral Resource category	Volume	Tonnes
		('000 m^3)	*(kt)*
Limestone	Indicated	60,780	164,108
	Inferred	1,601	4,323
	Total	62,381	168,431
Diorite	Indicated	5,656	14,819
	Inferred	403	1,056
	Total	6,059	15,875
Total	Indicated	66,436	178,927
	Inferred	2,004	5,379
	Total	68,440	184,306

Reserves

According to the Independent Technical Report, the Probable Reserves of our Gaoloushan Project under the JORC Code as at 30 September 2022 were approximately 126.8 million tonnes. The estimated mine life of our Gaoloushan Mine was 18 years based on the Probable Reserves and the anticipated annual production pursuant to our development plan. The following table sets forth the Probable Reserves of our Gaoloushan Mine as at 30 September 2022:

Domain	Reserve Category	Volume	Tonnes
		('000 m^3)	*(kt)*
Limestone	Probable	46,956	126,781
Total		46,956	126,781

Note:

(1) Ore Reserve is inclusive of the Mineral Resource and factored in a 2% mining loss.

Our Phase II Mining Licence

The following table sets forth particulars of our Phase II Mining Licence:

Name of mine	:	Gaoloushan aggregate mine
Address	:	Lieshan District, Huaibei City, Anhui Province, the PRC
Holder of mining licence	:	Tongming Mining
Mining licence number	:	C3406002021067160152182
Mining method	:	Open-pit
Approved production volume	:	8,000,000 tonnes per year
Mining licence area	:	0.8777 km^2
Mining elevation	:	+216 m to +50 m
Period of validity	:	30 June 2021 to 30 June 2024(1)
Issuing authority	:	Natural Resources and Planning Bureau of Huaibei City (淮北市自然資源和規劃局)

Note to the above table is set forth on page 201 in this prospectus.

For details of our other licences, permits and approvals which are material to our business operations, please refer to the paragraph headed "Licences, Approvals and Permits" in the "Business" section.

DEVELOPMENT PLAN

In order to implement our business strategy, we plan to gradually increase our production of aggregate products to 8 million tonnes per annum in 2031. During the ramp-up period, it is expected that we will reach an annual production volume of 4.0 million tonnes, 5.0 million tonnes, 6.0 million tonnes, 7.0 million tonnes, and 8.0 million tonnes in 2023, 2025, 2027, 2029 and 2031, respectively. By the end of the third quarter of 2023, it is expected that Phase II Processing Plant will begin trial production, while production will continue at our Phase I Processing Plant until the end of 2026. During the transition period, we expect to operate both Phase I Processing Plant and Phase II Processing Plant for the production of our aggregate products. From 2027, we expect that all production will be from our Phase II Processing Plant.

Our Directors identified the site for our Phase II Processing Plant, which is located at the immediate west of our current Phase I Processing Plant. The site is estimated to be of approximately 114,703 m^2, of which approximately 103,703 m^2 (the "**Subject Site**") is located outside of the land where our Phase I Processing Plant was constructed upon. The Subject Site will be available through the bid invitation, auction or listing for sale procedure (招標、拍賣、掛牌程序). On 23 November 2022, an announcement was made to invite public bidding of the land use right of the Subject Site. Pursuant to the sale and purchase confirmation (the "**Sale and Purchase Confirmation**") dated 13 December 2022 entered into among (i) Villagers Committee of Taishan Community, Song Tuan Town, Lieshan District, Huaibei City* (淮北市烈山區宋疃鎮太山社區居民委員會) and Villagers Committee of Xinyuan Community, Song Tuan Town, Lieshan District, Huaibei City* (淮北市烈山區宋疃鎮新園村村民委員會) (as joint sellers) and (ii) Tongming Mining (as successful bidder), Tongming Mining won the bid of the land use rights of the Subject Site at the auction with the bid price of RMB33.8 million and paid the price in December 2022. Tongming Mining shall proceed with the registration procedures with relevant government department within three months and enter into the Lieshan District Collective Management Construction Land Use Rights Grant Contract (烈山區集體經營性建設用地使用權出讓合同) within ten business days, from the date of the Sale and Purchase Confirmation. Should we fail to complete the acquisition of the land use right of the Subject Site, we will explore the option of leasing the land from relevant right owners.

The below table sets forth a breakdown of the historical production volume of aggregate products during the Track Record Period and target production volume of aggregate products between 2022 and 2031 based on our production schedule. The Independent Technical Consultant is of the view that the forecasted target production volume is achievable.

	Historical Volume			Target Volume									
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
	(tonnes)	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*
	'000	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*
Phase I Processing Plant	3,300	4,300	3,500	3,500	3,500	3,500	3,500	3,500	–	–	–	–	–
Phase II Processing Plant	–	–	–	–	500	1,000	1,500	2,000	6,000	6,500	7,000	7,500	8,000
Total	3,300	4,300	3,500	3,500	4,000	4,500	5,000	5,500	6,000	6,500	7,000	7,500	8,000

Contingency Plan

To cater for the remote possibility that we are unable to secure the Subject Site for our Phase II Processing Plant, our Directors devised a contingency plan. We have identified a piece of land ("**Back-up Land**") located approximately 10 km from the Subject Site as an alternative site for our Phase II Processing Plan to be constructed upon. The Back-up Land is state-owned construction land (國有建設用地) in nature and available for leasing or acquisition without going through the process of land conversion into construction land. In case of acquisition, the acquisition costs of the Back-up Land is estimated to be comparable to the Subject Site given both lands are located in proximate region in Lieshan District, Huaibei City with comparable site area, and therefore no additional cost is projected, whereas in case of leasing, the cost of leasing is estimated to be not more than RMB10,000/year per mu. Based on our preliminary estimation, in case we adopt the contingency plan, we expect to delay the commencement of commercial production of our Phase II Processing Plant for around 12 months to by the end of forth quarter of 2024 since, among others, (i) we need to engage a contractor to modify the current construction plan and safety design plan of our Gaoloushan Project (Phase II) and submit for the governing authority's approvals at an estimated costs of approximately RMB3 million; (ii) we will have to construct additional mine roads, drainage and other infrastructure in connection to our Gaoloushan Mine (Phase II) at an estimated costs of approximately RMB20 million, as the Back-up Land is located further from the Subject Site and (iii) we need to renew or reapply for the required approvals, licences, permits and consents, including Preliminary design review opinion for non-coal mine construction project (非煤礦山建設項目初步設計審查意見), Approval of Water and Soil Conservation Plan and Approval of the environmental impact report in respect of Gaoloushan Project (Phase II). According to a confirmation issued by the Lieshan People's Government, if Tongming Mining fails to obtain the Subject Site, the Lieshan People's Government will actively coordinate the sale or lease of the Back-up Land, being state-owned construction land (國有建設用地), to Tongming Mining, so as to ensure the term of the sale or lease of the Back-up Land is at least equal to the grant period of Tongming Mining's mining rights in respect of Phase II Gaoloushan Mine and the Back-up Land is leased or sold to Tongming Mining on or before the end of the third quarter of 2023. At the same time, in order to maintain our growth momentum and keep up with the production targets notwithstanding the delay, we plan to ramp up the annual production volume of our Phase I Processing Plant to 4.0 million tonnes in 2023 and 4.5 million tonnes in 2024. To achieve that, we will have to (i) obtain the required approvals and consents for us to increase the permitted annual production volume of our Phase I Processing Plant to 4.5 million tonnes; and (ii) hire additional staff for the longer working hours to fulfil the additional production volume. The estimated additional staff costs are approximately RMB1 million per year. Our Directors are of the view that there will not be material difficulties to ramp up the annual production volume to 4.5 million tonnes, as we produced approximately 4.3 million tonnes of aggregate products during the year ended 31 December 2020. For details, please refer to the subsection headed "Business – Utilisation Rate – Historical Production Volume of Gaoloushan Project (Phase I)" in this Prospectus.

For further details, please refer to the section headed “Business – Our Production Schedule and Development Plan – Our Development Plan” in this prospectus.

Our development plan may bring impact on the environmental protection aspect of our Gaoloushan Mine (Phase II). The landform and topography in our Gaoloushan Mine (Phase II) area may be changed by mining activities, waste rock dumps, haulage roads, office buildings and dormitories, and other infrastructure. The development of our Gaoloushan Project (Phase II) may result in an impact on or loss of flora and fauna habitats. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land may be polluted and the land utilisation function will be changed, causing an increase in land desertification, water loss and soil erosion. We are subject to and will ensure the compliance with relevant national and local laws and policies to our Gaoloushan Project (Phase II) in relation to environmental protection, including but not limited to the laws on discharge and dispose of toxic and dangerous substances such as wastewater, waste gas and solid waste, land rehabilitation, deforestation, landscape and land use change. For further details on laws and regulation related to environmental protection to which we are subject, please refer to the paragraph headed “Laws and regulations related to environmental protection” under the section headed “Regulatory Overview”.

CAPITAL COSTS

With reference to the Independent Technical Report, our Directors confirmed that the estimated aggregate capital costs for the development of our Gaoloushan Project (Phase II) with an annual production volume of 8 million tonnes is RMB1,674.5 million (excluding sustaining). The Independent Technical Consultant has reviewed the breakdown of the capital costs forecast and considered appropriate capital has been allocated to support the development of our Gaoloushan Project (Phase II) and the basis of the capital cost estimation is considered reasonable.

The following table sets forth a breakdown of the historical capital costs incurred during the Track Record Period and projected capital costs for the development of our Gaoloushan Project (Phase II) for the period between 2022 and 2030, which is based on the Independent Technical Report and confirmed by our Directors.

	Historical capital costs					Projected capital costs									
	For the year ended 31 December			For the nine months ended 30 September		For the three months ending 31 December	For the year ending 31 December								
	2019	2020	2021	2022	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
	(million) (RMB)					*(million) (RMB)*									
Land-related fee(1)	63.8	–	–	37.2	101.0	14.9	(5.3)(12)	–	–	–	–	–	–	–	9.6
Mining equipment(2)	–	–	–	3.9	3.9	2.3	–	2.3	–	4.8	–	4.4	–	2.3	16.0
Mine roads, drainage and others(3)	1.4	23.8	10.6	1.1	36.9	2.6	4.5	–	0.3	–	–	–	–	–	7.4
Processing plant equipment(4)	2.3	0.4	2.2	–	4.9	28.9	14.5	–	4.8	–	–	–	–	–	48.2
Processing plant foundation and structure(5)	0.1	–	–	–	0.1	20.3	71.1	10.2	–	–	–	–	–	–	101.5
Supporting facilities (power and water supplies and dust removal facility)(6)	0.3	–	–	–	0.3	–	34.0	–	3.8	–	–	–	–	–	37.8
Processing plant roads and other infrastructure(7)	–	–	–	–	0.0	6.7	13.3	2.2	–	–	–	–	–	–	22.2
Detailed design, construction supervision(8)	0.3	0.0	1.2	3.5	5.0	1.1	4.1	–	–	–	–	–	–	–	5.1
Contingency(9)	–	–	–	–	–	3.8	7.7	0.7	0.4	0.2	0.0	0.2	0.0	0.1	13.3
Subtotal	68.1	24.3	14.0	45.7	152.1	80.5	143.8	15.4	9.4	5.0	0.0	4.6	0.0	2.4	261.2
Mining licence fee(10)	–	–	683.9	136.8	820.6	–	136.8	136.8	136.8	136.8	–	–	–	–	547.1
Sustaining(11)	–	–	–	–	–	0.3	1.4	1.5	1.7	1.9	17.9	2.2	6.0	2.5	35.3
Total	68.1	24.3	697.9	182.4	972.7	80.8	282.0	153.7	147.8	143.6	17.9	6.8	6.0	4.9	843.6

Notes to the above table are set forth on page 219 in this prospectus.

With reference to the Independent Technical Report, our Directors confirmed that the estimated capital costs for the development of our Gaoloushan Project (Phase II) is approximately RMB1,674.5 million (approximately HK$1,860.6 million) (excluding sustaining), amongst which, HK$86.3 million (approximately RMB78.0 million) is expected to be paid by the proceeds of the Listing and the remaining to be paid by bank borrowings and/or internal resources.

For further details, please refer to the section headed "Financial Information – Capital Costs" in this prospectus.

OPERATING COSTS

Historical operating costs

Our Directors confirmed that the historical average operating cash unit cost for the Gaoloushan Project (Phase I) for the three years ended 31 December 2021 and the nine months ended 30 September 2022 were approximately RMB24.1/tonne, RMB21.0/tonne, RMB26.0/tonne and RMB19.4/tonne, respectively. The following table sets forth a breakdown of the historical cash operating cost during the Track Record Period.

Cash operating cost		For the year ended 31 December 2019	2020	2021	For the nine months ended 30 September 2022
Blasting	RMB million	14.9	19.3	15.8	14.4
Diesel	RMB million	6.5	7.1	7.4	5.9
Environmental and safety	RMB million	3.8	4.4	6.8	1.4
Water and electricity	RMB million	5.5	5.2	5.4	3.6
Consumables	RMB million	5.1	5.8	4.3	3.1
Employment	RMB million	13.6	14.7	14.0	10.2
Administrative	RMB million	5.6	5.6	8.0	5.4
Other	RMB million	1.4	0.8	2.0	1.4
Royalty and government charges	RMB million	22.4	25.4	27.6	18.2
Total	RMB million	78.8	88.3	91.3	63.5
Operating cash unit cost	RMB/t	24.1	21.0	26.0	19.4

Projected operating costs

Our Directors confirmed that, based on the projection, between October 2022 and 2031 (when our Gaoloushan Project (Phase II) reaches its target production capacity of 8 million tonnes per year), the average operating cash unit cost per tonne of ore over the life of mine is estimated at RMB22.7 per tonne, with a minimum of RMB22.4 per tonne and a maximum of RMB24.5 per tonne. The operating cash unit cost will gradually lower when the production gradually ramps up.

The following table sets forth a breakdown of the projected cash operating costs for the development of our Gaoloushan Project (Phase II) for the period between October 2022 and 2031:

Production Profile	Unit	For the three months ending 31 December 2022	For the year ending 31 December 2023	2024	2025	2026	2027	2028	2029	2030	2031
Limestone	Mt	0.8	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0
Waste	Mt	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.8
Total materials moved	Mt	0.8	4.1	4.6	5.1	5.6	6.1	6.7	7.2	7.8	8.8
Cash operating cost											
Blasting	RMB million	3.6	18.6	20.9	23.2	25.5	27.8	30.5	32.8	35.4	39.8
Diesel	RMB million	2.3	10.8	12.2	12.8	14.4	15.7	17.2	18.5	19.9	22.4
Environmental and safety	RMB million	0.7	3.8	4.3	4.7	5.2	5.7	6.2	6.7	7.2	7.9
Water and electricity	RMB million	1.7	8.7	9.8	10.9	11.9	13.0	14.1	15.2	16.3	17.4
Consumables	RMB million	1.4	7.0	7.9	8.8	9.7	10.5	11.5	12.4	13.3	14.7
Transportation of workforce	RMB million	–	–	–	–	–	–	–	–	–	–
Employment cost	RMB million	1.8	9.1	9.8	10.4	11.1	11.6	12.2	12.8	13.3	13.8
Product marketing and transport	RMB million	–	–	–	–	–	–	–	–	–	–
Administrative	RMB million	2.1	9.4	10.6	11.8	13.0	14.1	15.3	16.5	17.7	18.9
Other	RMB million	0.6	3.1	3.3	3.5	3.7	3.9	4.1	4.3	4.5	4.7
Royalty and government charges	RMB million	4.9	20.3	23.0	25.8	29.0	32.4	35.1	37.7	40.3	43.5
Contingency allowances	RMB million	–	–	–	–	–	–	–	–	–	–
Total	RMB million	19.1	90.8	101.8	112.0	123.4	134.9	146.2	156.8	168.0	183.0
Operating cash unit cost	RMB/t	24.5	22.7	22.6	22.4	22.4	22.5	22.5	22.4	22.4	22.9

For further details, please refer to the section headed "Financial Information – Operating Costs" in this prospectus.

SENSITIVITY ANALYSIS

The Independent Technical Consultant has conducted a sensitivity analysis for our after-tax NPV with respect to the capital costs, operating costs and sales revenue. In this analysis, the Independent Technical Consultant adopted a discount rate of 10%, which is based on the considerations of the real, risk-free, long-term interest rate (2.8% for the ten year PRC Government Bond Rate), mining project risk (2% to 4%) and country risk (2% to 4%). Any finance costs or company debt have not been taken into account in this analysis. The analysis shows that the after-tax NPV at a discount rate of 10%, returned a positive NPV as of 30 September 2022. The breakeven analysis shows that the NPV will become zero when the weighted average sales price of all products reach RMB30.3 per tonne. The estimated payback period is 7.3 year. For the basis of the 10% discount rate for after-tax NPV, please refer to the paragraph "Independent Technical Report – 12. Capital and Operating Costs – 12.3 Economic analysis" in Appendix VII to this prospectus.

The analysis reveals the following changes:

- A 1% increase in operating cost will result in a decrease of 0.46% in NPV;

- A 1% increase in capital cost will result in a decrease of 0.37% in NPV; and

- A 1% increase in sales revenue will result in an increase of 1.62% in NPV.

For further details, please refer to the paragraph headed "Financial Information – Sensitivity Analysis" in this prospectus.

OUR PRODUCTS AND PRODUCTION PROCESS

We mine the limestone in our Gaoloushan Mine and process the mined limestone at our nearby production facilities into our aggregate products. We adopt a conventional open pit mining method for our operation at our Gaoloushan Mine, which comprises of drilling, blasting, loading and haulage. The mined limestone is hauled and tipped into our production facilities, which then goes through a two-stage closed circuit process with pre-screening. According to the Independent Technical Consultant, a series of tests were carried out to determine the suitability of the sample limestone extracted from Gaoloushan Mine for use as construction aggregate. The results of the testing indicate that the sample limestone mainly meet the requirements of the Technical Requirements for Geological Prospecting of Building Stones (安徽省建築石料用礦地質勘查技術要求) issued by the Department of Natural Resources of Anhui Province (安徽省自然資源廳) for Classes 2 aggregate and Class 3 aggregate and generally meet the standard for Class 1 aggregate as in some cases, a small proportion of samples are outside the requirements. We produced approximately 3.3 million tonnes, 4.3 million tonnes, 3.5 million tonnes and 3.3 million tonnes of aggregate products for each of the year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, respectively.

Our production processes of concrete products mainly involve the mixing and blending of the respective raw materials to produce ready-mixed concrete, cement stabilised macadam and asphalt concrete. Prior to mixing and blending, raw materials are inspected to ensure that their quantities are sufficient for the production and their quality complies with contract specification or requirements. Raw materials are mixed in a proportion according to pre-set formula for each type of the products and blended to produce the finished products. For each of the year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, we produced (i) approximately 204,000 m^3, 161,000 m^3, 202,000 m^3 and 162,000 m^3 of ready mixed concrete; (ii) approximately 219,000 tonnes, 120,000 tonnes, 32,000 tonnes and 30,000 tonnes of cement stabilised macadam; and (iii) approximately 55,000 tonnes, 82,000 tonnes, 25,000 tonnes and 20,000 tonnes of asphalt concrete, respectively. We also processed approximately 14,900 tonnes and 7,500 tonnes of asphalt concrete through the provision of consignment processing service during the year ended 31 December 2021 and the nine months ended 30 September 2022, respectively.

The table below sets forth the breakdown our average selling price, sales volume, revenue, gross profit and gross profit margin by product categories provided during the Track Record Period:

	For the year ended 31 December														
	2019					2020					2021				
	Average selling price(1)	Sales volume(2)	Revenue(3)	Gross profit	Gross profit margin	Average selling price(1)	Sales volume(2)	Revenue(3)	Gross profit	Gross profit margin	Average selling price(1)	Sales volume(2)	Revenue(3)	Gross profit	Gross profit margin
Products	*(RMB per m³/tonne)*	*(thousand m³ in the case of ready-mixed concrete; thousand tonnes in the case of other products)*	*RMB'000*	*RMB'000*	%	*(RMB per m³/tonne)*	*(thousand m³ in the case of ready-mixed concrete; thousand tonnes in the case of other products)*	*RMB'000*	*RMB'000*	%	*(RMB per m³/tonne)*	*(thousand m³ in the case of ready-mixed concrete; thousand tonnes in the case of other products)*	*RMB'000*	*RMB'000*	%
Aggregate products															
Scalping	54.0	60.3	3,254	1,709	52.5	46.7	96.2	4,495	2,173	48.3	39.5	41.2	1,625	517	31.8
Sand powder	83.4	964.7	80,454	55,626	69.1	72.9	1,255.4	91,551	61,238	66.9	61.1	1,047.3	63,964	35,727	55.9
0.5-1 construction aggregate	107.0	816.3	87,371	65,986	75.5	93.4	1,167.2	108,995	80,237	73.6	79.9	982.4	78,464	51,979	66.2
1-2 construction aggregate	111.0	1,065.7	118,331	90,337	76.3	99.6	1,336.4	133,083	100,415	75.5	86.8	935.6	81,193	55,970	68.9
1-3 construction aggregate	108.7	310.2	33,725	25,776	76.4	95.1	313.7	29,844	22,268	74.6	81.0	359.5	29,132	19,441	66.7
Sub-total	100.4	3,217.2	323,135	239,435	74.1	88.3	4,168.8	367,967	266,330	72.4	75.6	3,366.0	254,378	163,634	64.3
Others(4)	21.6	33.0	713	459	64.4	20.6	79.3	1,636	1,061	64.9	19.2	78.5	1,510	875	57.9
Subtotal (including others)		3,250.2	323,848	239,894	74.1		4,248.1	369,603	267,391	72.3		3,444.5	255,888	164,509	64.3

	For the year ended 31 December														
	2019					2020					2021				
	Average selling price[1]	Sales volume[2]	Revenue[3]	Gross profit	Gross profit margin	Average selling price[1]	Sales volume[2]	Revenue[3]	Gross profit	Gross profit margin	Average selling price[1]	Sales volume[2]	Revenue[3]	Gross profit	Gross profit margin
Products	*(RMB per m^3/tonne)*	*(thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)*	*RMB'000*	*RMB'000*	%	*(RMB per m^3/tonne)*	*(thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)*	*RMB'000*	*RMB'000*	%	*(RMB per m^3/tonne)*	*(thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)*	*RMB'000*	*RMB'000*	%
Concrete products															
Ready-mixed concrete	552.8	204.3	112,937	13,403	11.9	531.9	160.9	85,588	13,930	16.3	486.8	202.2	98,407	11,426	11.6
Cement stabilised macadam	150.7	218.5	32,933	4,941	15.0	145.0	120.1	17,415	3,114	17.9	140.7	31.6	4,453	658	14.8
Asphalt concrete[5]	414.2	55.1	22,824	1,070	4.7	412.4	81.9	33,776	4,089	12.1	471.1	24.6	11,579	1,756	15.2
Sub-total			168,694	19,414	11.5			136,779	21,133	15.5			114,439	13,840	12.1
Total			492,542	259,308	52.6			506,382	288,524	57.0			370,327	178,349	48.2

Products	For the nine months ended 30 September									
	2021					2022				
	Average selling price[1]	Sales volume[2]	Revenue[3]	Gross profit	Gross profit margin	Average selling price[1]	Sales volume[2]	Revenue[3]	Gross profit	Gross profit margin
	(RMB per m^3/tonne)	*(thousand m3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)*	*RMB'000 (unaudited)*	*RMB'000*	*%*	*(RMB per m^3/tonne)*	*(thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)*	*RMB'000*	*RMB'000*	*%*
Aggregate products										
Scalping	39.7	37.7	1,499.4	572	38.1	37.4	36.1	1,351	453	33.5
Sand powder	58.6	852.6	49,938	28,984	58.0	59.0	993.8	58,665	33,968	57.9
0.5-1 construction aggregate	79.6	782.8	62,347	43,110	69.1	74.7	880.1	65,769	43,897	66.7
1-2 construction aggregate	87.4	733.8	64,155	46,122	71.9	80.2	961.5	77,122	53,228	69.0
1-3 construction aggregate	81.0	291.1	23,569	16,415	69.6	76.7	299.4	22,964	15,524	67.6
Subtotal	74.7	2,698.0	201,509	135,202	67.1	71.2	3,170.8	225,871	147,070	65.1
Others[4]	18.0	39.2	704	415	59.0	15.1	76.8	1,162	590	50.7
Subtotal (including others)		2,737.2	202,213	135,617	67.1			227,033	147,660	65.0

	For the nine months ended 30 September									
	2021					2022				
Products	**Average selling price[(1)]** (RMB per m^3/tonne)	**Sales volume[(2)]** (thousand m3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)	**Revenue[(3)]** RMB'000 (unaudited)	**Gross profit** RMB'000	**Gross profit margin** %	**Average selling price[(1)]** (RMB per m^3/tonne)	**Sales volume[(2)]** (thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)	**Revenue[(3)]** RMB'000	**Gross profit** RMB'000	**Gross profit margin** %
Concrete products										
Ready-mixed concrete	484.5	133.1	64,492	8,538.0	13.2	452.9	161.7	73,243	8,473	13.2
Cement stabilised macadam	139.7	27.9	3,902	704	18.0	141.0	29.9	4,210	761	18.0
Asphalt concrete[(5)]	157.2	22.2	10,134	2,219	21.9	448.9	19.6	8,803	1,203	21.9
Subtotal			78,528	11,461	14.6			86,256	10,437	12.1
Total			280,741	147,078	52.4			313,289	158,097	50.5

Notes to the above table are set forth on page 229 in this prospectus.

For further details, please refer to the paragraphs headed "Business – Our products" and "Business – Production Process and Production Facilities" in this prospectus.

CUSTOMERS

Our customers primarily comprise (i) construction companies; (ii) building materials companies; and (iii) wholesalers. Our Group's sales to our five largest customers in each year during the year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 accounted for approximately RMB190.5 million, RMB231.1 million, RMB211.0 million and RMB170.2 million, respectively, representing approximately 38.7%, 45.7%, 57.0% and 54.3% of our total revenue. Sales to the largest customer of our Group in each year during the year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 amounted to approximately RMB51.3 million, RMB92.1 million, RMB114.0 million and RMB91.4 million, respectively, representing approximately 10.4%, 18.2%, 30.8% and 29.2% of our total revenue.

For further details, please refer to the paragraph headed "Business – Customers" in this prospectus.

SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers and subcontractors were mainly (i) suppliers/subcontractors of utilities and raw materials including, among others, asphalt, cement, aggregates and sand, and (ii) suppliers/subcontractors of services including, among others, blasting operations, equipment rental services, labour dispatch services, and transportation and paving of our concrete products. For each of the year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, purchases from our five largest suppliers and subcontractors accounted for approximately RMB74.0 million, RMB64.0 million, RMB102.9 million and RMB51.5 million, representing approximately 49.2%, 48.4%, 60.6% and 46.5% of our total purchases, respectively, and purchases from our largest supplier/subcontractor accounted for approximately RMB30.8 million, RMB21.0 million, RMB73.9 million and RMB15.5 million, representing approximately 20.5%, 15.9%, 43.6% and 14.0% of our total purchases in the same periods, respectively.

For further details, please refer to the paragraph headed "Business – Suppliers and Subcontractors" in this prospectus.

RELATIONSHIP WITH HUAIBEI CONSTRUCTION INVESTMENT GROUP

During the Track Record Period, the sales to Huaibei Construction Investment Group, amounted to approximately RMB3.1 million, RMB62.4 million, RMB114.0 million and RMB91.4 million, respectively, representing approximately 0.6%, 12.3%, 30.8% and 29.2% of our total revenue for the same periods. The increase in our sales to Huaibei Construction Investment Group for the two years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 was mainly attributable to the increase in sale of our ready-mixed concrete to Huaibei Investment Trading. During the Track Record Period, the sale of our ready-mixed concrete to Huaibei Investment Trading amounted to nil, approximately RMB37.3 million, RMB96.7 million and RMB63.6 million, respectively, representing nil, approximately 59.8%, 84.8% and 69.6% of our sales to Huaibei Construction Investment Group and nil, approximately 7.4%, 26.1% and 20.3% of our total revenue, for the same periods.

During the Track Record Period, our purchase from Huaibei Construction Investment Group amounted to approximately RMB1.5 million, RMB1.3 million, RMB73.9 million and RMB12.8 million, respectively, accounting for approximately 1.0%, 1.0%, 43.6% and 11.5%, respectively of our total purchase for the same period. The increase in our purchase from Huaibei Construction Investment Group for the year ended 31 December 2021 was mainly attributable to (i) the purchase of cement from Huaibei Investment Trading and (ii) the one-off construction services provided by Huaihai Construction including, improvement of road connecting to our Gaoloushan Mine, construction of our second ready-mixed concrete production line and greening construction. During the Track Record Period, the purchase of cement from Huaibei Investment Trading amounted to nil, nil, approximately RMB25.6 million and RMB5.2 million, respectively, accounting for nil, nil and approximately 15.1% and 4.7%, respectively, of our total purchase for the same periods and the purchase of construction services from Huaihai Construction amounted to nil, nil, approximately RMB44.8 million and RMB2.4 million, respectively, accounting for nil, nil, approximately 26.4% and 2.2%, respectively, of our total purchase for the same periods.

Huaibei Construction Investment Group is a group of companies in Huaibei City whose principal businesses include investment and management of infrastructure construction projects. As at the Latest Practicable Date, Huaibei Construction Investment held 99% of our total issued share capital directly and 1% of our total issued share capital indirectly through Cultural Tourism Investment. Accordingly, Huaibei Construction Investment and Cultural Tourism Investment are a group of Controlling Shareholders. Our Directors are of the view that, although we recorded a certain percentage of sales from our transactions with Huaibei Construction Investment Group during the Track Record Period, we do not rely unduly on Huaibei Construction Investment Group in order for us to maintain the sustainability and growth of our business. For details, please refer to the paragraph headed "Business – Customers – Relationship with Huaibei Construction Investment Group" of this prospectus.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and are essential to our future growth, details of which are set out in the section headed "Business – Our Competitive Strengths" in this prospectus:

(i) We are well-positioned to capture to the rising opportunities in Huaibei City and its surrounding cities.

(ii) We are the third largest construction aggregates producers in the region with state-owned background.

(iii) Our Gaoloushan Mine possesses plentiful resources and reserves and allows us to operate in a cost-effective manner.

(iv) We have put in place a safety management system which contributed to our safety track record and success.

OUR BUSINESS STRATEGY

With the aim of further developing our business and continuing our growth, we plan to expand gradually increase our production of aggregate products to 8 million tonnes per annum in 2031 through implementing our Gaoloushan Project (Phase II). For details, please refer to the section headed "Business – Our Business Strategy".

COMPETITIVE LANDSCAPE OF THE CONSTRUCTION MATERIALS MARKET

As of 2021, the sales volume of construction aggregates in Huaibei City and its surrounding cities, including Suzhou City and Bozhou City, reached approximately 26.8 million tonnes. The construction aggregates manufacturing market in Huaibei City and its surrounding cities, including Suzhou City and Bozhou City, is highly concentrated, with the top-five construction aggregates manufacturers accounting for nearly 63.6% of the market in terms of annual sales volume of the construction aggregates in 2021. Tongming Mining ranked the third in the construction aggregates manufacturing market in Huaibei City and its surrounding cities, including Suzhou City and Bozhou City, accounting for approximately 12.9% of the total market in terms of sales volume of construction aggregates in 2021. In 2021, Huaibei City has 28 ready-mixed concrete enterprises, and the ready-mixed concrete manufacturing market in Huaibei City is relatively concentrated, with the top-five ready-mixed concrete manufacturers accounting for approximately 31.7% of the market in terms of annual sales volume of the ready-mixed concrete in 2021. Liantong Municipal produced approximately 0.2 million cubic metres ready-mixed concrete in 2021, accounting for approximately 3.1% of the market in Huaibei City in terms of sales volume. In 2021, the sales volume of cement stabilised macadam products in Huaibei City reached approximately 3.7 million tonnes. The cement stabilised macadam products manufacturing market in Huaibei City is relatively fragmented, with many small manufacturers actively participating in the market due to relatively low entry barriers. The top-five cement stabilised macadam products manufacturers accounted for approximately 27.1% of the total market share in terms of annual sales volume of the cement stabilised macadam products in 2021. Liantong Municipal sold approximately 0.03 million tonnes of cement stabilised macadam products in 2021, accounting for approximately 0.85% of the total market in Huaibei City. The asphalt concrete manufacturing market in Huaibei City is highly concentrated, with the top-five asphalt concrete manufacturers accounting for approximately 75.6% of the market in terms of annual sales volume of the asphalt concrete in 2021. Liantong Municipal sold approximately 24.6 thousand tonnes, accounting for approximately 2.5% of the market in terms of annual sales volume of the asphalt concrete in 2021.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the H Shares and the Global Offering. A detailed discussion of all the risk factors involved are set forth in the section headed "Risk Factors" in this prospectus and you are advised to read the whole section carefully and evaluate the specific risks set forth therein before you decide to invest in the Offer Shares.

We believe a few of the more significant risks relating to our business are as follows:

- we derive revenue from a limited number of products categories and any change in customer preferences could materially affect our growth and profitability;
- the quality of our products is subject to uncertainties and may experience variability;
- our operations are subject to various potential risks as identified by our Independent Technical Consultant, which may disrupt our business operations;
- we are subject to the uncertainty surrounding our Resources and Reserves estimates which are based on a number of assumptions. The volume and grade of aggregate products we produce may not conform to the estimate amounts; and
- our development plan is capital-intensive and we may not have adequate financial resources to fund our capital expenditure.

For further details, please refer to the section headed "Risk Factors" in this prospectus.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set out our summary consolidated financial information as at and for the three years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022. You should read this summary together with the consolidated financial information set forth in the Accountants' Report of our Group in Appendix I to this prospectus, including the related notes, as well as the information set forth in the "Financial Information" section in this prospectus.

Selected information from consolidated statements of profit or loss and other comprehensive income of our Group for the Track Record Period

The table below sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Years ended 31 December			For the nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	492,542	506,382	370,327	280,741	313,289
Gross profit	259,308	288,524	178,349	147,078	158,097
Profit from operations	229,419	248,756	187,118	142,446	158,129
Profit before taxation	225,334	243,642	132,771	106,258	103,768
Profit for the year/period					
Attributable to:					
Equity shareholders of the Company	114,000	124,188	64,706	53,474	50,850
Non-controlling interests	54,876	58,325	34,188	25,768	26,746
	168,876	182,513	98,894	79,242	77,596

Our net profit increased by approximately RMB13.6 million, or 8.1% from approximately RMB168.9 million for the year ended 31 December 2019 to approximately RMB182.5 million for the year ended 31 December 2020, mainly due to the increase of gross profit by approximately RMB29.2 million attributable to (i) the increase in revenue which was due to, among others, the increase in revenue from sales of aggregate products and others resulted from the increase in the sales volume as driven by the development of infrastructure encouraged by the local government policies such as the "Implementation Plan for Strengthening Urban Infrastructure Construction in Huaibei City" (《淮北市加強城鎮基礎設施建設實施方案》) published in March 2020; and partially offset by (a) the decrease in average selling price of aggregate products and others resulted from the remediation process of abandoned quarries (山體整治) encouraged by local government in 2020 which led to the increased supply to fill up the shortage resulted from the strict implementation of policies in 2019; and (b) the decrease in revenue from sales of concrete products as we reduced our sales to certain customers with long outstanding receivables during the year. For details, please refer to the sub-section headed "Financial information – Management's discussion and analysis of the results of the operation – Review of historical results of operations – Year ended 31 December 2020 as compared to year ended 31 December 2019 – Revenue" in this prospectus; and (ii) the increase in proportion of sales of aggregate products and others (which increased from approximately 65.8% of total revenue for year ended 31 December 2019 to approximately 73.0% of total revenue for year ended 31 December 2020), which had a higher gross profit margin when compared to that of concrete products partially offset by the increase in impairment losses on trade receivables of approximately RMB14.1 million from the increase in loss allowance made to the long-aged trade receivables from certain customers in relation to the sales of concrete products.

Our net profit decreased by approximately RMB83.6 million, or 45.8%, from approximately RMB182.5 million for the year ended 31 December 2020 to approximately RMB98.9 million for the year ended 31 December 2021, mainly due to (i) the decrease in revenue of approximately RMB136.1 million which was due to, among others, (a) the decrease in sales volume of our aggregate products and others which our Directors believe was due to our adjustment on the production volume of our aggregate products and others in accordance with our permitted production volume of 3.5 million tonnes per year from the historical higher production volume in 2020 and the repair and maintenance of the road connecting to Anhui Provincial Highway S101 in the first half of 2021 which affected the transportation condition and led to the detour of some of our customers; and the decrease in average selling price due to the continued remediation process of abandoned quarries (山體整治); and (b) the decrease in revenue from sales of concrete products resulted from (1) the decrease in the sales volume of our cement stabilised macadam and asphalt concrete as we reduced the sales of concrete products to certain customers with long outstanding balance; and (2) the decrease in average selling price of our ready-mixed concrete products as we offered a lower price to Huaibei Investment Trading who was willing to make prepayment. For details, please refer to the sub-section headed "Financial information – Management's discussion and analysis of the results of the operation – Review of historical results of operations – Year ended 31 December

2021 as compared to year ended 31 December 2020 – Revenue" in this prospectus; and (ii) the increase in finance costs from approximately RMB5.1 million for the year ended 31 December 2020 to approximately RMB54.3 million for the year ended 31 December 2021 resulted from (a) the increase in two interest-bearing bank borrowings of RMB946.9 million in total for the purpose of settling the premium of Phase II Mining Licence; and (b) the interest expenses incurred from long-term payables of the mining rights of the Phase II Gaoloushan Mine according to the relevant accounting standards, partially offset by the impairment reversal on trade receivables of approximately RMB6.1 million for the year ended 31 December 2021 comparing to the impairment losses on trade receivables of approximately RMB33.0 million resulted from our escalated effort to collect the long outstanding trade receivables and we sold the ready-mixed concrete products to Huaibei Investment Trading who would make prepayment for the purchase of our ready-mixed concrete.

Our net profit decreased slightly by approximately RMB1.6 million, or 2.0%, from approximately RMB79.2 million for the nine months ended 30 September 2021 to approximately RMB77.6 million for the nine months ended 30 September 2022, due to the net effect of, among others, (i) the increase in our revenue by approximately RMB32.6 million, or 11.6%, from approximately RMB280.7 million for the nine months ended 30 September 2021 to approximately RMB313.3 million for the nine months ended 30 September 2022, which was primarily due to the increase in revenue generated from the sale of aggregate products and others from approximately RMB202.2 million for the nine months ended 30 September 2021 to approximately RMB227.0 million for the nine months ended 30 September 2022 which was in turn resulted primarily from the increase in sales volume of our aggregate products and others; (ii) the increase in cost of sales by approximately RMB21.5 million, or 16.1%, from approximately RMB133.7 million for the nine months ended 30 September 2021 to approximately RMB155.2 million for the nine months ended 30 September 2022, which was attributable to, among others, the increase in our depreciation and amortisation charge in relation to our mining rights and assets; and (iii) the increase in our finance cost by approximately RMB18.2 million, or 50.3%, from approximately RMB36.2 million for the nine months ended 30 September 2021 to approximately RMB54.4 million for the nine months ended 30 September 2022 due to, among others, (a) the increase in interest expenses of our interest-bearing borrowings for the purpose of settling the premium for the mining rights of the Phase II Gaoloushan Mine which were borrowed in February 2021; and (b) the interest expenses incurred from long-term payables of our mining rights of the Phase II Gaoloushan Mine recognised in accordance with the relevant accounting standards.

For further details, please refer to the subsection headed "Financial information – Description of certain items from the consolidated statements of profit or loss and other comprehensive income" in this prospectus for further information.

Selected information from consolidated statements of financial position

The table below sets forth a summary of our consolidated statements of financial position as of the dates indicated:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	491,699	454,372	1,712,705	1,717,030
Current assets	304,689	247,643	627,634	557,079
Non-current liabilities	17,512	16,588	1,391,954	1,290,516
Current liabilities	179,634	178,355	490,896	468,308
Net current assets	125,055	69,288	136,738	88,771
Total equity attributable to equity shareholders of the Company	390,522	334,506	304,124	354,974
Non-controlling interests	208,720	172,566	153,365	160,311
Total equity	599,242	507,072	457,489	515,285

For further details, please refer to the subsection headed "Financial information – Discussion of selected items from the consolidated statements of financial position" in this prospectus.

Selected information from consolidated statements of cash flows

The table below sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash and cash equivalents at beginning of year/period	155,668	180,773	61,504	61,504	581,670
Net cash generated from operating activities	164,832	291,717	244,843	175,972	112,271
Net cash used in investing activities	(166,751)	(133,430)	(620,385)	(611,366)	(238,970)

	For the year ended 31 December			For the nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net cash generated from/(used in) financing activities	27,024	(277,556)	895,708	954,423	(177,800)
Net increase/(decrease) in cash and cash equivalents	25,105	(119,269)	520,166	519,029	(304,499)
Cash and cash equivalents at end of year/period	180,773	61,504	581,670	580,533	277,171

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth our certain key financial ratios for the periods and as at the dates indicated:

	As at 31 December/ For the year ended 31 December			As at 30 September/ For the nine months ended 30 September
	2019	2020	2021	2022
Current ratio[(1)]	1.7 times	1.4 times	1.3 times	1.2 times
Quick ratio[(2)]	1.7 times	1.4 times	1.3 times	1.2 times
Gearing ratio[(3)]	11.3%	13.4%	204.3%	181.2%
Interest coverage ratio[(4)]	56.2 times	48.6 times	3.4 times	2.9 times
Return on total assets[(5)]	21.2%	26.0%	4.2%	N/A[(7)]
Return on equity[(6)]	28.2%	36.0%	21.6%	N/A[(7)]

Notes to the above table are set forth on page 494 in this prospectus.

Our gearing ratio increased significantly from approximately 13.4% for the year ended 31 December 2020 to approximately 204.3% for the year ended 31 December 2021. The increase in our gearing ratio was mainly due to the increase in two interest bearing borrowings during year ended 31 December 2021 of approximately RMB946.9 million in total for the purpose of settling the premium of Phase II Mining Licence.

Our interest coverage ratio decreased from approximately 48.6 times for the year ended 31 December 2020 to approximately 3.4 times for the year ended 31 December 2021. The decrease in our interest coverage ratio was mainly due to increase in finance cost resulted from (i) the interest-bearing borrowings for the acquisition of Phase II Mining Licence; and (ii) the interest expenses incurred from the long-term payables of our mining rights of the Phase II Gaoloushan Mine according to the relevant accounting standards.

Our return on total assets substantially decreased from approximately 26.0% for the year ended 31 December 2020 to approximately 4.2% for the year ended 31 December 2021, which was primarily attributable to (i) our substantial decrease in profit for the year from approximately RMB182.5 million for the year ended 31 December 2020 to approximately RMB98.9 million for the year ended 31 December 2021 as a result of the factors discussed in the sub-section headed"Financial Information - Review of historical results of operations" in this prospectus; and (ii) the significant increase in our total assets from approximately RMB702.0 million as at 31 December 2020 to approximately RMB2,340.3 million as at 31 December 2021 as a result of (a) the increase in property, plant and equipment of approximately RMB1,260.0 million from the acquisition of the mining rights in respect of the Phase II Gaoloushan Mine; and (b) the increase in cash and cash equivalents of approximately RMB520.2 million in 2021 from the cash advance from Leiming Kehua and bank borrowings.

For further details, please refer to the section headed "Financial Information – Key Financial Ratios" in this prospectus.

PROPERTY VALUATION

Roma Appraisals Limited ("**Roma**"), an independent valuer, valued our properties as at 31 October 2022 by adopting the depreciated replacement cost approach, which is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser. According to the Property Valuation Report, the market value of the properties held by our Group in the PRC for owner occupation purpose as at 31 October 2022 is approximately RMB175.2 million. For further details, please refer to the Property Valuation Report set out in Appendix VI to this prospectus.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, there were no significant changes to the general business model of the Group, and our business generally maintained a stable growth despite the occurrence of recurrent waves and outbreaks of COVID-19. For the month ended 31 October 2022, we sold approximately 405,000 tonnes of aggregated products and others, representing an increase of approximately 8.4% as compared to the corresponding period in 2021. Such increase is generally in line with the increasing trend as demonstrated by the increase in sales volume of aggregate products and others for the nine months ended 30 September 2022 against the corresponding period in 2021. For the month ended 31 October 2022, we sold approximately 39,100 tonnes of concrete products, representing an increase of approximately 74.7% as compared to the corresponding period in 2021. Such increase was primarily due to the commencement of certain construction project in the second half of 2022 which required the use of our cement stabilised macadam and asphalt concrete by our customers in October 2022. In addition, as of the Latest Practicable Date, we have commenced the construction of mine roads, drainage and other infrastructure of our Gaoloushan Project (Phase II) and the construction process is expected to be completed by the end of fourth quarter of 2022 pursuant to the development plan. During the construction process, which includes levelling, drilling and blasting, minerals mixtures comprising sand, limestone, and soil are generated incidentally, these would be processed into our aggregate products through our Phase I Processing Plant and sold to our customers.

In order to stabilise the real estate sector, several favourable policies have been adopted. The "Implementation Opinions on Preferential Policies for Housing Purchases in Huaibei City" (《關於淮北市購房優惠政策的實施意見》) ("**Implementation Opinions**") was issued in April 2022, pursuant to which, local and non-local residents or enterprises could enjoy financial incentives and/or subsidies from the local government, financial institutions, and/or property developers when they purchase commodity properties in the urban area of Huaibei City. Such policy aims to support the residents' need for properties and promote the healthy development of the real estate market in Huaibei City. In May 2022, "Ten Measures for Huaibei City to Respond to the Epidemic Warming and Relief to Help the Real Estate Market Development Steady and Orderly",《淮北市應對疫情暖企紓困助力房地產市場平穩有序發展十條措施》 was introduced to provide preferential policies to support aspects including land transfer, provident funds and financing etc. so as to promote the healthy development of the real estate market in Huaibei City. In June 2022, the Bengbu Housing and Urban-Rural Development Bureau (蚌埠市住房和城鄉建設局) issued the "Several Measures to Promote the Stable and Healthy Development of the Real Estate Market" (關於促進房地產市場平穩健康發展的若干措施), which sets out measures to promote the development of real estate industry, such as the provision of allowances to first-time homeowner who can fulfil the eligibility requirement (i.e. academic or occupational qualifications) and the provision of further credit support for real estate companies. "Several Measures to Continuously Promote the High-quality Development of the Construction Industry in Huaibei City" (《淮北市持續推進建築業高質量發展若干措施》) ("**Several Measures**") was announced in June 2022, which sets out measures to enhance the competitiveness of construction companies and promotes the development of the city's construction industry, including encouraging financial institutions to provide financing to major construction companies, providing financial incentives to construction companies reaching certain amount of output value, and optimising the bidding procedure of housing and infrastructure projects etc. On the supply side, our Directors are of the view that the above governmental measures could provide support and incentive to the property developers and construction companies to continue to invest in the real estate market and build properties, while on the demand side, measures such as (i) providing financial incentives and/or subsidies to the local and non-local residents or enterprises by the local government, financial institutions, and/or property developers when residents purchase commodity properties in the urban area of Huaibei City pursuant to the Implementation Opinions; and (ii) providing allowances to first-time homeowner who can fulfil the eligibility requirements (i.e. academic and occupational qualifications) pursuant to the Several Measures could boost up the demand of private properties. While the exact effect and actual trend from these governmental measures remain to be seen in the longer term, our Directors believe that these measures may have begun to generate some positive results. The sale unit of residential properties in Huaibei City increased from approximately 1,000 units in April 2022 to approximately 1,600 units in September 2022, representing an increase of approximately 60%; the sales floor area of residential properties in Huaibei City increased from approximately 84,600 m^2 in April 2022 to approximately 165,800 m^2 in September 2022, representing an increase of approximately 96.0%; and the unit price per m^2 of residential properties slightly decreased from approximately RMB8,000/m^2 in April 2022 to approximately RMB7,800/m^2 in September 2022. In light of the above, our Directors believe, and CIC concurs, that the above measures could help stimulate and stabilise the real estate market in the foreseeable future and the construction materials industry would benefit from the future growth in the property market in Huaibei City and its surrounding cities (including Suzhou City and Bozhou City) as concrete is the key construction materials in the PRC and construction aggregate is one of the primary raw materials in producing concrete products.

Leveraging on our established presence in the region as we are the third largest construction aggregates producers in the markets of Huaibei City and its surrounding cities (including Suzhou City and Bozhou City), our Directors believe that we are able to capture the increasing demand arises from the effective implementation of the above governmental measures and therefore bring positive impact on the business and financial performance of our Group in the future. In addition, our Directors are of the view that on top of the above governmental measures which bring in benefits to the real estate sector, our Group are also well diversified to overcome any potential adverse impact brought by the private real-estate industry. Apart from the private property market, our Group also supplied our products to a range of public infrastructure construction projects in Anhui Province, including Huaibei People's Hospital (淮北市人民醫院), Huaibei City – S101 Hexiang Road renovation project (淮北市S101合相路改建工程), Huaibei Longshan North Road (淮北龍山北路項目) and Huaibei City Bus Passenger Transport Complex Building Hub Station (淮北市公交客運綜合樓樞紐站). The fixed assets investment (including but not limited to investment in infrastructure construction, industrial construction and urban renewal) in (i) Huaibei City increased from approximately RMB105.6 billion in 2017 to approximately RMB153.2 billion in 2021, a CAGR of approximately 9.7%; (ii) Bozhou City increased from approximately RMB106.7 billion in 2017 to approximately RMB139.0 billion in 2021, a CAGR of approximately 6.8%;

and (iii) Suzhou City increased from approximately RMB140.3 billion in 2017 to approximately RMB225.3 billion in 2021, a CAGR of approximately 12.6%. It is forecasted that the fixed assets investment (including but not limited to investment in infrastructure construction, industrial construction and urban renewal) in (i) Huaibei City will rise to approximately RMB228.6 billion in 2026, at a CAGR of approximately 8.3% between 2021 and 2026; (ii) Suzhou City is expected to increase from approximately RMB225.3 billion to approximately RMB357.9 billion between 2021 and 2026 with a CAGR of approximately 9.7% between 2021 and 2026; and (iii) Bozhou City is expected to increase from approximately RMB139.0 billion to approximately RMB187.2 billion, with a CAGR of approximately 6.1% between 2021 and 2026. In light of the above, our Directors are of the view that the construction materials industry and our Group will also be able to benefit from the projected increase in fixed assets investments in Huaibei City and its surrounding cities (including Suzhou City and Bozhou City).

To the best knowledge of our Directors having made all reasonable enquiries, our Directors estimated that the revenue derived from end customers who were involved in the development and construction of residential properties were estimated to be approximately RMB158.9 million, RMB123.0 million, RMB113.7 million and RMB88.8 million for the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively, representing approximately 32.3%, 24.3%, 30.7% and 28.3% of our total revenue for the corresponding periods. Therefore, our revenue which was attributable to the real estate sector, on average, has been less than 30% of our total revenue during the Track Record Period. Such exposure was approximately 28.9% during the Track Record Period, and that this exposure has been decreasing from approximately 32.3% for the year ended 31 December 2019 to approximately 28.3% for the nine months ended 30 September 2022. The remaining portion of our revenue was related to public infrastructure construction in Huabei City and its Surrounding Cities (including Suzhou City and Bozhou City). On the other hand, our revenue which was attributable to public infrastructure construction was approximately 67.7%, 75.7%, 69.3% and 71.7% for the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively. Such exposure has been increasing from approximately 67.7% for the year ended 31 December 2019 to approximately 71.7% for the nine months ended 30 September 2022. For details of the construction projects utilising our products, please refer to the subsection headed "Business – Major construction projects utilising our products" in this prospectus.

In light of the above, the revenue which was attributable to the real estate sector has been relatively limited. Therefore, our Group will not be affected substantially by the current conditions of the real estate sector. Further, the local government implemented measures aiming to stabilise the real estate sector, which generated positive results in Huaibei City on the sales of residential properties. On the other hand, public infrastructure construction is estimated to continue to be our major revenue source, and that such revenue contribution has been increasing during the Track Record Period. The public infrastructure construction sector in Huabei City has been experiencing good and healthy growth during the Track Record Period. As such, our Directors believe that the public infrastructure construction sector in Huaibei City will continue to deliver business volume and revenue growth to our Group.

According to the Independent Technical Consultant, there had been no material change to the Mineral Resource and Ore Reserve estimates of our Gaoloushan Mine since 30 September 2022, which is the effective date of the Independent Technical Report, and up to the Latest Practicable Date.

OUTBREAK OF COVID-19

The World Health Organisation declared the outbreak of COVID-19 epidemic as a pandemic on 11 March 2020. As a result of this outbreak, the PRC government authorities have taken various measures, such as mandatory quarantine for residents and travellers, lock-down of certain cities and postponement of business operation following the Chinese New Year holidays until mid of February 2020, in an attempt to control the outbreak of the disease. Our mining site and production facilities in Huaibei City were required by the PRC government authorities to postpone their resumption of operations following the Chinese New Year holidays until 10 February 2020. Our Directors confirm that our production facilities have resumed its normal operation since 18 February 2020. In mid-2021 and early 2022, certain areas across the PRC have been suffering from regional outbreaks of COVID-19 and its variants, including the Omicron virus variant. In response, the government of Huaibei City rolled out regulations to eliminate the gatherings of people, reduce travelling and enhance social distancing due to regional outbreak of COVID-19 in the Eastern part of China. As far as we are aware, some of our customers experienced delays in their construction projects due to the restrictive measures. In addition, there were temporary traffic restrictions on the travelling between Huaibei City and its surrounding cities, which may temporarily affect inter-city transportation of our products. On 5 July 2022, Huaibei City New Coronary Pneumonia Epidemic Prevention and Control Emergency Comprehensive Headquarters Office (淮北市新冠肺炎疫情防控應急綜合指揮部辦公室) issued the "Notice on further measures to the current epidemic prevention and control work" (《關於進一步做好當前疫情防控工作的通告》), requiring factories, mines and construction sites, etc. to implement strict management to prevent the spread of COVID-19 and regularly carry out nucleic acid testing for all their employees. Persons who are leaving Huaibei City, especially to medium and high-risk areas and areas with local epidemics, are required to be registered, tracked and reported to the local community or village. However, since 1 October 2022 and up to the Latest Practicable Date, our production did not experience any material disruption and we were able to fulfil the orders placed by our customers. As at the Latest Practicable Date, as far as we are aware, 18 of our employees has been infected with COVID-19. Our Directors confirm that we did not encounter any material issues with the procurement or delivery.

Our Directors are of the view that the COVID-19 outbreak is unlikely to result in any material adverse impact on our production, business operation and financial performance in the long run, based on the followings: (i) according to the CIC Report, the rapid growth of investment in infrastructure construction in Huaibei City and its surrounding cities ensure the stable increase in demand for construction materials; and (ii) to the best knowledge of our Directors, there has been no material change to the major business operations of our Group; (iii) our Directors believe that supply of raw materials necessary for our production is unlikely to be affected by the COVID-19 outbreak; (iv) none of our customers who had placed orders with us had cancelled their orders and/or terminated their agreements with us as a result of the COVID-19 outbreak; and (v) most of our employees are local residents who are able to report to work. Further, our Group has implemented measures aiming at preventing the spread of COVID-19 in our mining site and production facilities such as providing face masks and sanitiser to our employees and requiring them to undergo mandatory temperature checks or a daily basis. All employees are required to wear masks when they are on duty. We also require our subcontractors to conduct similar precautionary measures to their employees. In case if any of our employees and/or employees of our subcontractors contracted or is suspected to have contracted with COVID-19, we are required to report to the relevant PRC government authorities and such employee would be taken to hospital for treatment.

Accordingly, our Directors consider that despite the outbreak of COVID-19, there would have no material adverse impact on our business, including our Group's operation and financial performance.

The above analysis is based on information concerning COVID-19 currently available to our management. Since our business could be impacted by the continuance or reoccurrence of COVID-19, it is difficult to predict the impact that COVID-19 will have on our business. Please refer to the sub-paragraph headed "The outbreak of any severe communicable disease, such as COVID-19, if uncontrolled, could adversely affect our Group's results of operations" under the paragraph headed "Risks Relating to Our Business" under the section headed "Risk factors" in this prospectus for further details of the risks relating to the continuing spread and prolonged occurrence of COVID-19.

USE OF PROCEEDS

We estimate the net proceeds from the Global Offering which we will receive, assuming an Offer Price of HK$2.11 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$95.8 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds from the Global Offering for the following purposes assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$2.11 per Share, being the mid-point of the Offer Price range stated in this prospectus:

(i) Approximately 90% of net proceeds from the Global Offering (HK$86.3 million, to settle the payment of the balance acquisition price of the mining right in respect of Phase II Gaoloushan Mine so as to expand the permitted extraction volume and our mining capacities); and

(ii) Approximately 10% of the net proceeds from the Global Offering (HK$9.5 million) for our Group's general working capital.

The above allocation of proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$2.11 per H Share, being the mid-point of the Offer Price range stated in this prospectus, the total estimated listing expenses (including underwriting commission) in connection with the Global Offering are expected to amount to approximately RMB39.3 million or 31.2% of the gross proceeds from the Global Offering, among which, RMB38.6 million is directly attributable to issuance of H Shares and will charged to equity upon completion of the listing, and RMB0.7 million will be charged to our consolidated statement of profit and loss and other comprehensive income. During the Track Record Period, we incurred listing expenses of approximately RMB27.3 million of which approximately RMB27.1 million was included in prepayments and will be charged to equity upon completion of the listing and approximately RMB0.2 million was charged to consolidated statement of profit and loss and other comprehensive income.

The total Listing expenses mainly comprise of professional fees paid and payable to the professional parties for their services rendered in relation to the Listing and the Global Offering which are non-underwriting related expenses, including fees for legal advisers and reporting accountants of approximately RMB21.2 million, and other non-underwriting-related fees and expenses of approximately RMB14.6 million, as well as the underwriting-related expenses (including SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of approximately RMB3.5 million, payable to the Underwriters in connection with the offering of H Shares under the Global Offering.

The above total listing expenses are the latest practicable estimates for reference only. The final amount to be recognised may differ from the estimates.

GLOBAL OFFERING STATISTICS(1)

	Based on an Offer Price of HK$1.91 per H Share	Based on an Offer Price of HK$2.31 per H Share
Market capitalisation of H Shares(2)	HK$126.1 million	HK$152.5 million
Market capitalisation of Domestic Shares(2)	HK$378.2 million	HK$457.4 million
Market capitalisation of total Shares(2)	HK$504.3 million	HK$609.9 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(3)	HK$1.80	HK$1.90

Notes:

(1) All statistics in the table are based on the assumption that (i) the Over-allotment Option is not exercised; and (ii) 264,000,000 Shares (including 66,000,000 H Shares and 198,000,000 Domestic Shares) expected to be in issue upon completion of the Global Offering.

(2) The calculation of market capitalisation is based on 264,000,000 Shares (including 66,000,000 H Shares and 198,000,000 Domestics Shares) expected to be in issue immediately upon completion of the Global Offering.

(3) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after adjustments referred to in the section headed "Appendix II – Unaudited Pro Forma Financial Information" to this prospectus and on the basis of 264,000,000 Shares (including 66,000,000 H Shares to be issued under the Global Offering and 198,000,000 Domestic Shares) were in issue, being the number of Shares expected to be in issue following the completion of the Global Offering, and does not take into account any Share which may be issued or repurchased by our Company pursuant to the general mandates to issue or repurchase Shares and any Shares that may be issued upon exercise of Over-allotment Option.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We are applying for the Listing under Rule 8.05(1) of the Listing Rules and satisfy the profit test, among other things, with reference to (i) our profit attributable to our equity shareholders for the two financial years ended 31 December 2020, in aggregate, being approximately RMB238.2 million, which is over HK$45.0 million required by Rule 8.05(1); and (ii) our profit attributable to our equity shareholders for the financial year ended 31 December 2021, being approximately RMB64.7 million, which is over HK$35.0 million required by Rule 8.05(1).

DIVIDEND

Following completion of the Global Offering, our Shareholders will be entitled to receive any dividends we declare. The payment and amount of any dividends will be at the discretion of the Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our Shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Pursuant to the PRC laws, dividends may only be paid out of distributable profits, defined as the retained earnings after-tax profit as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiaries. In general, we will not declare dividends in a year where we do not have any distributable earnings. Other distributions, if any, will be paid to our Shareholders in compliance with relevant laws and regulations.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Huaibei Construction Investment and Cultural Tourism Investment (a wholly-owned subsidiary of Huaibei Construction Investment) held a total of 100% of our total issued share capital. Immediately following the completion of the Global Offering, Huaibei Construction Investment and Cultural Tourism Investment will hold a total of 75% of our enlarged issued share capital (assuming the Over-allotment Option is not exercised). Accordingly, Huaibei Construction Investment and Cultural Tourism Investment are a group of Controlling Shareholders upon Listing. We believe we can conduct our business independently from our Controlling Shareholders after the completion of the Global Offering. For further details, please refer to the section headed "Relationship with Controlling Shareholders" of this prospectus.

We have carried out certain transactions with our Controlling Shareholders. For details, please refer to the section headed "Continuing Connected Transactions" of this prospectus.

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial position in the last 12 months. Except to the extent disclosed in the paragraphs headed "Recent Development" and "Listing Expenses" above, our Directors confirm that there has been no material adverse change in our financial, operational or trading position since 30 September 2022 (being the date as of which our latest audited consolidated financial statements were prepared as set out in Appendix I to this prospectus) and up to the date of this prospectus.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Anhui Ecological Landscape Engineering"	Anhui Construction Investment Ecological Landscape Engineering Co., Ltd.* (安徽建投生態景觀工程有限公司), which was an indirect non-wholly owned subsidiary of Huaibei Construction Investment as at the Latest Practicable Date, and a connected person of our Company
"Anhui SASAC"	State-owned Assets Supervision and Administration Commission of Anhui Province (安徽省國有資產監督管理委員會)
"Articles of Association"	the articles of association of our Company, conditionally adopted on 21 December 2022 and as amended from time to time, a summary of which is set out in "Appendix V – Summary of Articles of Association" in this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"Board of Supervisors"	our supervisory committee established pursuant to the PRC Company Law, as described in the section headed "Directors, Supervisors and Senior Management" in this prospectus
"Business Day"	any day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"**CCASS EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirement relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong

"CIC"	China Insights Industry Consultancy Limited, an industry expert and Independent Third Party, hired to conduct an analysis of, and to report on construction aggregate and concrete products industry in the PRC
"CIC Report"	the report prepared by CIC on construction aggregate and concrete products industry in the PRC
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "the Company", or "our Company"	Huaibei GreenGold Industry Investment Co., Ltd.* (淮北綠金產業投資股份有限公司), a joint stock company established in the PRC with limited liability on 21 December 2018
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and in case of our Company, means Huaibei Construction Investment and Cultural Tourism Investment
"Corporate Governance Code"	the corporate governance code as set out in Appendix 14 to the Listing Rules
"COVID-19"	means the viral respiratory disease caused by the severe acute respiratory syndrome coronavirus
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets

"Cultural Tourism Investment"	Huaibei Cultural Tourism Investment Development Group Co., Ltd.* (淮北市文化旅遊投資發展集團有限公司) (formerly known as Huaibei City Central Lake Construction Investment Development Co., Ltd.* (淮北市中心湖帶建設投資開發有限公司)), a company established in the PRC with limited liability on 20 November 2013, which was wholly-owned by Huaibei Construction Investment, our Controlling Shareholder as at the Latest Practicable Date, and a Controlling Shareholder
"Deed of Indemnity"	the deed of indemnity dated 21 December 2022 entered into by our Controlling Shareholders with and in favour of our Company as referred to in the section headed "Appendix VIII – Statutory and General Information – E. Other Information – 1. Tax and other indemnity" in this prospectus
"Deed of Non-competition"	the deed of non-competition dated 21 December 2022 entered into by our Controlling Shareholders in favour of our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders – Deed of Non-competition" in this prospectus
"Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary share in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities
"ESG Committee"	the environmental, social and governance committee of the Board
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"Gaoloushan Mine"	our mine located at Gaoloushan in Lieshan District, Huaibei City, Anhui Province, PRC
"Gaoloushan Project"	the mining project of construction aggregate at our Gaoloushan Mine

"Gaoloushan Project (Phase I)"	Phase I of our Gaoloushan Project, which comprises our Phase I Gaoloushan Mine and our Phase I Processing Plant
"Gaoloushan Project (Phase II)"	Phase II of our Gaoloushan Project, which comprises our Phase II Gaoloushan Mine and our Phase II Processing Plant
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "we" or "us"	our Company and its subsidiaries at the relevant time or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website at **www.hkeipo.hk** or the **IPO App**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** Service Provider designated by us, as specified on the designated website at **www.hkeipo.hk** or the **IPO App**

"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 6,600,000 H Shares (subject to adjustment) being offered by us for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price and on, and subject to, the terms and conditions as set out in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 29 December 2022 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Sole Global Coordinator, the Hong Kong Underwriters and the other warrantors named therein, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses" in this prospectus
"Huaibei Construction Investment"	Huaibei City Construction Investment Holding Group Co., Ltd.* (淮北市建投控股集團有限公司), a company established in the PRC with limited liability on 24 April 2008, which was wholly-owned by Huaibei SASAC as at the Latest Practicable Date, and a Controlling Shareholder
"Huaibei Construction Investment Group"	Huaibei Construction Investment and its close associates, which excludes our Group

"Huaibei Investment Trading"	Huaibei City Construction Investment Trading Co., Ltd.* (淮北市建投商貿有限公司), a company established in the PRC with limited liability on 4 November 2015, which was indirectly wholly-owned by Huaibei Construction Investment as at the Latest Practicable Date, and a connected person of our Company
"Huaibei Liheng"	Huaibei Liheng Construction Engineering Co., Ltd.* (淮北立恒建築工程有限責任公司), which was indirectly wholly owned by Huaibei Construction Investment as at the Latest Practicable Date, and a connected person of our Company
"Huaibei Mining"	Huaibei Mining Holdings Co., Ltd.* (淮北礦業控股股份有限公司) (stock code: 600985), a company whose shares are listed on Shanghai Stock Exchange, which was an associate of Leiming Blasting as at the Latest Practicable Date, and a connected person of our Company at the subsidiary level
"Huaibei Mining Group"	Huaibei Mining and its subsidiaries, including but not limited to Leiming Group
"Huaibei Mining Share"	Huaibei Mining Share Co., Ltd.* (淮北礦業股份有限公司), a company established in the PRC with limited liability on 26 November 2001, which was as associate of Leiming Blasting as at the Latest Practicable Date, and a connected person of our Company
"Huaibei Parking"	Huaibei City Parking Management Co., Ltd.* (淮北城市泊車管理有限公司), which was indirectly wholly owned by Huaibei Construction Investment as at the Latest Practicable Date, and a connected person of our Company
"Huaibei Property Services"	Huaibei Construction Investment Property Services Co., Ltd.* (淮北市建投物業服務有限公司), which was indirectly wholly owned by Huaibei Construction Investment as at the Latest Practicable Date, and a connected person of our Company

"Huaibei Real Estate"	Huaibei Construction Investment Real Estate Development Co., Ltd.* (淮北市建投房地產開發有限公司), a company established in the PRC with limited liability on 26 May 2015, which was an indirect non-wholly owned subsidiary of Huaibei Construction Investment as at the Latest Practicable Date, and a connected person of our Company
"Huaibei SASAC"	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government (淮北市政府國有資產監督管理委員會)
"Huaibei Security"	Huaibei Security Co., Ltd.* (淮北市保安有限公司), which was indirectly wholly owned by Huaibei Construction Investment as at the Latest Practicable Date, and a connected person of our Company
"Huaibei Shizhijiguan Transportation Services"	Huaibei Shizhijiguan Transportation Services Co., Ltd.* (淮北市直機關車輛服務有限公司), which was an indirect non-wholly owned subsidiary of Huaibei Construction Investment as at the Latest Practicable Date, and a connected person of our Company
"Huaibei Transportation Investment"	Huaibei City Construction Investment Transportation Investment Co., Ltd.* (淮北市建投交通投資有限公司) (formerly known as Huaibei City Transportation Investment Co., Ltd.* (淮北市交通投資有限公司)), a company established in the PRC with limited liability on 19 July 2013, which was wholly-owned by Huaibei Construction Investment as at the Latest Practicable Date, and a connected person of our Company
"Huaihai Construction"	Huaibei Huaihai Construction Engineering Co., Ltd.* (淮北淮海建設工程有限責任公司), a company established in the PRC with limited liability on 3 July 1993, which was indirectly owned as to 50% by Huaibei Construction Investment as at the Latest Practicable Date, and a connected person of our Company
"IFRS"	International Financial Reporting Standards
"Independent Technical Consultant"	SRK Consulting (Hong Kong) Limited, an Independent Third Party

"Independent Technical Report"	the independent technical report dated 30 December 2022 prepared by the Independent Technical Consultant as set out in Appendix VII to this prospectus
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of our Company within the meaning of the Listing Rules
"Independent Valuer"	Roma Appraisals Limited, the independent property valuer commissioned by us to conduct property valuation on the properties of our Group, as set out in Appendix VI to this prospectus
"International Offer Shares"	the 59,400,000 H Shares initially being offered for subscription under the International Offering together with any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as set out in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the conditional offering of the International Offer Shares by our Company outside the United States in offshore transactions in reliance on Regulation S, including to professional, institutional and other investors in Hong Kong, as set out in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and to be entered into by, among others, our Company, the Sole Global Coordinator and the International Underwriters on or about the Price Determination Date, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – International Offering" in this prospectus

"**IPO App**"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play Store or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Joint Bookrunners"	the joint bookrunners as named in "Directors, Supervisors and Parties Involved in the Global Offering" section of this prospectus
"Joint Lead Managers"	the joint lead managers as named in "Directors, Supervisors and Parties Involved in the Global Offering" section of this prospectus
"Latest Practicable Date"	20 December 2022, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
"Leiming Blasting"	Anhui Leiming Blasting Engineering Co., Ltd.* (安徽雷鳴爆破工程有限責任公司), a company established in the PRC with limited liability on 1 April 2004, which holds 33% of the equity interest of Tongming Mining and was owned as to 93.99% by Leiming Kehua and 2.38%, 2.38% and 1.25% by Mr. Li Jie (李杰), Mr. Wu Zhongchen (武仲振) and Mr. Hu Kunlun (胡坤倫), respectively, as at the Latest Practicable Date, and a connected person of our Company at the subsidiary level
"Leiming Group"	Leiming Kehua and its subsidiaries
"Leiming Kehua"	Anhui Leiming Kehua Co., Ltd.* (安徽雷鳴科化有限責任公司), a company established in the PRC with limited liability on 20 November 2006, which was wholly-owned by Huaibei Mining, which was an associate of Leiming Blasting as at the Latest Practicable Date, and a connected person of our Company
"Leiming Mining"	Anhui Leiming Mining Co., Ltd.* (安徽雷鳴礦業有限責任公司), a company established in the PRC with limited liability on 19 February 2016, which was wholly-owned by Leiming Kehua as at the Latest Practicable Date, and a connected person of our Company

"Liantong Municipal"	Huaibei Liantong Municipal Engineering Co., Ltd.* (淮北連通市政工程有限公司), a company established in the PRC with limited liability on 29 February 2016, which is a non-wholly owned subsidiary of our Company
"Listing"	the listing of our H Shares on the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on Friday, 20 January 2023, on which dealings in our H Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Mandatory Provisions"	the *Mandatory Provisions for Articles of Association of Companies to be Listed Overseas** (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic Systems on 27 August 1994
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) at which the Offer Shares are to be subscribed pursuant to the Global Offering
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional H Shares sold pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by us to the International Underwriters exercisable by the Sole Global Coordinator (on behalf of the International Underwriter) under the International Underwriting Agreement pursuant to which our Company may be required to sell up to an additional aggregate of 9,900,000 H Shares (in aggregate representing approximately 15% of the Offer Shares initially being offered under the Global Offering) at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Phase I Gaoloushan Mine"	the mining area of 0.3330 km^2 which is part of our Gaoloushan Mine and where we carry out mining activities pursuant our Phase I Mining Licence
"Phase I Mining Licence"	the mining licence issued by Land and Resources Bureau of Huaibei City (淮北市國土資源局) to us in respect of our Phase I Gaoloushan Mine
"Phase I Processing Plant"	certain buildings and structures of our processing plant with an aggregate gross floor area of approximately 4,547.94 sq.m., the development of which had been completed as at the Latest Practicable Date, including plant buildings, weighing station, administration office building and ancillary facilities

"Phase II Gaoloushan Mine"	the mining area of 0.8777 km^2 which is part of our Gaoloushan Mine and where we carry out mining activities pursuant our Phase II Mining Licence
"Phase II Mining Licence"	the mining licence issued by the Land and Resources Bureau of Huaibei City (淮北市國土資源局) to us in respect of our Phase II Gaoloushan Mine
"Phase II Processing Plant"	certain buildings and structures which are expected to be developed according to our development plan, details of which are set out in the section headed "Business – Our production schedule and development plan"
"PRC Company Law"	the *Company Law of the PRC* (中華人民共和國公司法), issued on 29 December 1993 and the last amendment of which was effective on 26 October 2018
"PRC GAAP"	the *Accounting Standards for Business Enterprises* (企業會計準則) promulgated by the Ministry of Finance
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organisations of such government or, as the context requires, any of them
"PRC Legal Advisers"	Beijing DeHeng Law Offices, legal advisers to our Company as to the PRC laws in connection with the Global Offering
"Price Determination Agreement"	the agreement to be entered into by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Friday, 13 January 2023 but no later than Wednesday, 18 January 2023, on which the Offer Price is determined for the purposes of the Global Offering

"Promoter(s)"	the promoters that established our Company on 21 December 2018, which comprised Huaibei Construction Investment and Huaibei Transportation Investment
"Property Valuation Report"	the text of a letter, the summary of values and valuation certificates from the Independent Valuer, as set out in Appendix VI to this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the corporate reorganisation arrangements implemented by our Group in preparation for the Listing, particulars of which are summarised in the paragraph headed "History, Reorganisation and Corporate Structure – Reorganisation" of this prospectus
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家市場監督總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), issued on 29 December 1998 and last amended and newly effective on 1 March 2020
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shanghai Hanglong"	Shanghai Hanglong Investment Management Co., Ltd.* (上海航隆投資管理有限責任公司), a company established in the PRC with limited liability on 5 January 2016, which holds 45% of the equity interest of Liantong Municipal and was owned as to (i) 90% by Ms. Chen Yuwei (陳雨薇), daughter of a former director of Liantong Municipal, Mr. Chen Xue (陳學) and Ms. Wang Huifeng (王惠峰), the current director of Liantong Municipal and niece of Ms. Wang Xianfeng (王顯峰), who resigned on 20 December 2020 and (ii) 10% by Ms. Wang Xianfeng, sister-in-law of Mr. Chen Xue, sister of Ms. Wang Huifeng and aunt of Ms. Chen Yuwei as at the Latest Practicable Date and a connected person of the Company at the subsidiary level
"Share(s)"	Domestic Share(s) and/or H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Global Coordinator" or "Stabilising Manager"	China Everbright Securities (HK) Limited, a licenced corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
"Sole Sponsor" or "Compliance Adviser"	China Everbright Capital Limited, a licenced corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
"Special Regulations"	the *Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies* (國務院關於股份有限公司境外募集股份及上市的特別規定), issued on 4 August 1994 and effective on 25 December 1995
"SRK"	SRK Consulting (Hong Kong) Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Supervisor(s)"	member(s) of the Board of Supervisors
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buybacks, as amended, supplemented or otherwise modified from time to time
"Tongming Mining"	Huaibei Tongming Mining Co., Ltd.* (淮北通鳴礦業有限公司), a company established in the PRC with limited liability on 29 April 2016, which is a non-wholly owned subsidiary of our Company
"Tongtai Tongjin"	Huaibei Tongtai Tongjin Mining Co., Ltd.* (淮北通泰銅金礦業有限公司), a company established in the PRC with limited liability on 16 March 2022, which is a non-wholly owned subsidiary of our Company
"Track Record Period"	the three financial years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollar" or "US$"	United States dollars, the lawful currency of the USA
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

"Zhongjue International"	Zhongjue International Construction Co., Ltd.* (中掘國際建設有限公司), a company established in the PRC with limited liability on 8 April 2019, which holds 45% of the equity interest of Tongtai Tongjin and was owned as to 95% by Mr. Zhang Dayong (張大永), an Independent Third Party and 5% by Ms. Kuang Yane (匡艷娥), an Independent Third Party as at the Latest Practicable Date, and a connected person of the Company at the subsidiary level
"%"	per cent

* *For identification purposes only*

In the prospectus, where otherwise specified:

- *All dates and times refer to Hong Kong dates and time.*
- *Amounts denominated in Hong Kong dollars has been translated, for the purpose of illustration only, into Renminbi, and vice versa, in this prospectus at the rates of HK$1 to RMB0.90, which were the PBOC rates prevailing on the Latest Practicable Date. No representation is made that any amounts in Renminbi or Hong Kong dollars can be or could have been at the relevant date converted at the above rates or any other rates or at all.*
- *If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English prospectus shall prevail. However, the English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this prospectus is included for identification purposes only. In the event of any inconsistency in such case, the Chinese versions shall prevail.*
- *Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments.*
- *Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

This glossary contains an explanation of certain technical terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"aggregate products"	comprise of (i) scalping, (ii) sand powder, (iii) 0.5-1 construction aggregate, (iv) 1-2 construction aggregate, and (v) 1-3 construction aggregate
"asphalt concrete"	a type of concrete made of two primary ingredients: asphalt cement and construction aggregates
"bulk density"	property of mineral components, defined by the weight of an object or material divided by its volume, including the volume of its pore spaces
"cement stabilised macadam"	a type of widely used base course material in road construction and is obtained by the mix and compaction of low dosage cement, graded aggregate, optimum moisture, and other possible materials
"compressive strength"	the capacity of a material or structure to withstand loads tending to reduce size, measured by plotting applied force against deformation in a testing machine. It is the maximum compressive stress that can be applied to a material, such as a rock, under given conditions, before failure occurs
"concrete products"	comprise ready-mixed concrete, cement stabilised macadam and asphalt concrete used in building and road construction
"construction aggregate"	inert granular material used in construction, including sand, gravel, crushed stone and slag, which serves as a reinforcement to strengthen the overall composite material
"diorite"	a coarse-grained igneous rock, intruded as a magma into pre-existing rock units where it solidifies to form a solid mass

"drill core"	a solid, cylindrical sample of rock produced by an annular drill bit, generally rotatively driven but sometimes cut by percussive methods (drill core is extracted from a drill hole)
"drill hole"	a hole drilled in the ground by a drill rig, usually for exploratory purposes to obtain geological information and to allow sampling of rock material
"EIA"	environmental impact assessment, a comprehensive analysis of the environmental consequences of a mining project
"ERP" or "ERP system"	ERP Enterprise Resource Planning system, an operation model for modern enterprise management. An integrated system applied across, corporations usually covering customer, relationship project, inventory and procurement, supply, production and other management tasks, with a view to maximise resource efficiency and optimise enterprise resources
"exploration"	activities undertaken to prove the location, volume and quality of a deposit
"g/cm^3"	grams per cubic centimetre
"hauling"	the drawing or conveying of the product of the mine from the working places to the bottom of the hoisting shaft, or slope
"Indicated Resource(s)" or "Indicated Mineral Resource(s)"	part of the Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. An Indicated Resource has a lower level of confidence than that applying to a Measured Resource

"Inferred Resource(s)" or "Inferred Mineral Resource(s)"	part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Resource has a lower level of confidence than that applying to an Indicated Resource
"JORC Code"	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2012
"k"	thousand
"karst"	a type of topography that is formed on limestone, gypsum, and other rocks by dissolution, and that is characterised by sinkholes, caves and underground drainage
"kg"	kilograms
"km"	kilometres
"km^2"	square kilometres
"kV"	kilovolts
"kVA"	kilovolt-amperes
"kW"	kilowatts
"limestone"	rocks of sedimentary origin that primarily are composed of calcium carbonate without or with limited magnesium
"LoM"	Life of Mine
"m"	metres

"m^3"	cubic metres
"Measured Resource(s)"	part of the Mineral Resource(s) for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. A Measured Resource has a higher level of confidence than that applying to either an Indicated Resource or an Inferred Mineral Resource
"Mineral Resource(s)" or Resource(s)	concentration or occurrence of material of intrinsic economic interest on or inside the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided into categories of Inferred, Indicated and Measured, in order of increasing geological confidence
"mine life" or "life of mine"	the number of years that a mine is expected to continue operations based on the current mine plan
"mining rights"	the rights to mine mineral resources and obtain mineral products in areas where mining activities are licenced
"mm"	millimetres
"Modifying Factors"	considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors
"MPa"	megapascals
"Mt"	million tonnes
"nameplate capacity"	the maximum processing plant capacity, the intended full-load sustained output
"OHS"	occupational health and safety

"open pit"	mining of a deposit from a pit open to the surface and usually carried out by stripping of overburden materials (equivalent to a quarry)
"overburden"	refers to a mixture of weathered rocks and soils generated during the mining process. It is treated as a by-product
"Ore Reserve(s)" or "Reserve(s)"	the economically mineable part of a Measured and/or Indicated Resource(s), which include(s) diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified
"Probable Reserve(s)" or "Probable Ore Reserve(s)"	the economically mineable part of the Indicated Mineral Resource(s) within the pit. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve
"Proved Reserve(s)" or "Proved Ore Reserve(s)"	the economically mineable parts of the Measured Resources, which include diluting materials and allowances of losses. A Proved Ore Reserve implies a high degree of confidence in the modifying factors
"ready-mixed concrete"	a type of specially batched concrete product and supplied to the customer on-site as a single product
"sand powder"	construction aggregate (0 mm to 5 mm)
"scalping"	material remaining after aggregate products have been removed
"stripping ratio"	the ratio of the volume of waste material required to be handled in order to extract some volume of ore
"t"	tonnes
"waste"	the part of an ore deposit that is too low in grade to be of economic value at the time of mining, but which may be stored separately for possible treatment later

"water absorption"	the amount of water that a material can absorb under controlled conditions
"weathering"	response of materials once in equilibrium within earth's crust to new conditions at or near contact with water, air, or living matter
"0.5-1 construction aggregate"	construction aggregate (5 mm to 15 mm)
"1-2 construction aggregate"	construction aggregate (15 mm to 25 mm)
"1-3 construction aggregate"	construction aggregate (25 mm to 31.5 mm)

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant government authorities relating to all aspects of our business and our business plans;
- our ability to control our risks;
- our business and operating strategies and our ability to implement such strategies;
- future developments, trends, conditions and the competitive environment in the industry and markets in which we operate or into which we intend to expand;
- our expansion plan;
- financial market developments;
- our financial condition and performance;
- our future debt levels and capital needs;
- changes in economic conditions in the cities in which we operate, including a downturn in the industry in which we operate and general economy in the PRC;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- our business prospects;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- the actions and developments of our competitors;

- certain statements in the section headed "Financial Information" in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and

- other statements in this prospectus that are not historical facts.

In some cases, we use the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the sections headed "Business" and "Financial Information" in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. By their nature, however, forward-looking statements require us to make assumptions that are subject to inherent risks and uncertainties. As such, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Investing in the Offer Shares involves a high degree of risk. You should carefully consider all the information set forth in this prospectus and, in particular, the risks and uncertainties described below and in the section headed "Independent Technical Report" as set out in Appendix VII to this prospectus before making an investment in our H Shares. Our business, financial conditions, results of operations or prospects could be materially and adversely affected by any of these risks and uncertainties. The trading price of our H Shares may decline due to any of these risks and uncertainties, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

There are certain risks and uncertainties involved in our business and operations, some of which are beyond our control. We have broadly categorised these risks and uncertainties into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the H Shares and the Global Offering.

RISKS RELATING TO OUR BUSINESS

We derive revenue from a limited number of products categories and any change in customer preferences could materially affect our growth and profitability.

Our principal products are aggregates products mined in our Gaoloushan Mine and processed in our processing plant and concrete manufactured in our processing plant in Xiangshan District, Huaibei City. Our aggregate products are divided into mainly five types depending on their size which included (i) scalping, (ii) sand powder, (iii) 0.5-1 construction aggregates, (iv) 1-2 construction aggregates, and (v) 1-3 construction aggregates, while our concrete products included (i) ready-mixed concrete, (ii) cement stabilised macadam; and (iii) asphalt concrete. As our business and profitability are dependent on a limited number of products categories, any adverse change in customers' preference, demand and market prices for aggregate products and concrete products could result in a decrease in our sales in the relevant markets and could adversely affect our revenue and profitability. Although the market demand for construction aggregates and concrete products is rising in recent years in the PRC according to the CIC Report, there can be no assurance that such trend will continue, and any change in market demand, customer preference or market prices for our products could have a material adverse effect on our results of operations.

The quality of our products is subject to uncertainties and may experience variability.

Since limestone is naturally occurring mineral, the quality and other characteristics of our aggregate products produced may differ from those indicated by the records of drill core results or samples currently available to us according to the Independent Technical Report. We cannot assure you that the quality and other characteristics of the construction aggregates mined from our Gaoloushan Mine will be consistent with or similar to the estimation made by the Independent Technical Consultant. If our products cannot meet our customers' requirements due to inferior product quality, our reputation may be damaged and we may lose customers' orders, which, in turn, may materially and adversely affect our business and results of operations.

In addition, the mineralogical and chemical composition, bulk density, hardness and water absorption, mechanical properties and radioactivities of construction aggregates ultimately mined may differ from those indicated by drill core results as stated in the Independent Technical Report. In the event that the construction aggregates mined at our Gaoloushan Mine is of a lower quality than expected, the demand for, and realisable price of, our aggregate products may decrease, which could materially and adversely affect our business and results of operations.

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

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

Risk	Description	Control Recommendations	Rating(1) & (2)
Geological structure	Geological continuity is disrupted by structural or rock quality issues	Production in-fill drilling to maximise yields	Low
Physical Properties	Physical properties are poorer than anticipated resulting in lower prices	Production drilling to identify quality variations. Increased production quality control	Medium
Weathering and karst	More weathering and karstic voids resulting in lower yield or lower-quality product	Identify markets for lower quality products	Low

Risk	Description	Control Recommendations	Rating(1) & (2)
Mine plan	Failure to meet production targets	Ensure adequate planning and supervision to ensure maximum efficiency, identify and address issues that may cause production delays	Low
Skilled labours	Shortage of mining personnel resulting in failure to meet production targets	Ensure miners and operators are adequately trained and remunerated	Low
Equipment utilisation	Inadequate utilisation and availability of equipment causing reduction in production capacity	Ensure regular and timely maintenance and staff training	Low
Water management	Pollution of surface and/or groundwater	Develop a comprehensive water monitoring programme and prevention of wastewater leakage	Low
Dust and noise management	Dust and noise generated by the quarry have a negative impact on the local community	Develop a monitoring system and management programme as proposed in the EIA	Low
Environmental approvals	Failure to obtain the required approvals	Prepare and submit relevant environmental approval applications and timely communication with relevant government authorities	Medium
Land disturbance, site rehabilitation and closure requirements	Lead to soil erosion and impact on the ecological and botanical systems	Survey and record the operational areas of land prior to quarrying and progressively rehabilitation as the Project progresses	Low
OHS procedures	Greater potential for injury due to substandard OHS procedures Loss of productivity	Ensure staff are adequately trained Implement site hazard audit and monitoring programme. Identification of major hazards and implementation of risk controls	Medium
Capital and operating costs	Higher capital and operating costs, resulting in poor financial performance	Secure long-term contracts with contractors and confirm advanced procurement orders with suppliers	Medium
Processing equipment efficiency	Lower throughput and performance	Regular maintenance and repair	Low
Failure to produce the planned size fractions	Unable to meet target size fractions, resulting in lower revenue	Stringent process monitoring	Low

Risk	Description	Control Recommendations	Rating(1) & (2)
Product quality	Lower quality product produced, reducing profit margins	Extraction, process monitoring and flowsheet optimisation	Medium
Sales and pricing	Forecast sales not achieved at expected prices, reducing cashflow	Modify production volume; actively seek new customers and establish long-term contracts	Medium
Increased competition or reduced demand due to fluctuations in construction industry	Competition and possible reduction of price and sales volume leading to reduced cashflow	Market and prices be monitored to ensure the prices received are maximised	Medium
Transport cost	Transport cost is borne by buyers, but increase in transport cost will reduce interest from potential buyers to purchase products from the Company, which in turn will result in a reduction in profit	Continue to seek additional markets. Monitor transport options	Medium

Notes:

(1) The degree or consequence of a risk and its likelihood are combined in an overall risk assessment as below:

	Consequence		
Likelihood	**Minor**	**Moderate**	**Major**
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

(2) Risk has been classified from major to minor:

Major risk: the factor poses an immediate danger of a failure which, if uncorrected, will have a material effect (>15% to 20%) on the project cashflow and performance and could potentially lead to project failure;

Moderate risk: the factor, if uncorrected, could have a significant effect (10% to 15%) on the project cashflow and performance unless mitigated by some corrective action; and

Minor risk: the factor, if uncorrected, will have little or no effect (<10%) on project cashflow and performance.

If we are unable to manage the above potential risks in a timely and appropriate manner, or should any of the above potential risks materialise, our business operations may be disrupted, which may in turn materially and adversely affect our business, financial condition, results of operations and future prospects. For details, please refer to the Independent Technical Report in Appendix VII to this prospectus.

We are exposed to environmental hazards associated with our mining and processing operations.

Our operations are subject to risks associated with the products we produce and the materials we use in our operations, including the related storage and transportation of raw materials, products, hazardous substances and wastes. We are exposed to environmental hazards including discharges or releases of hazardous substances, generation of dust and noise and waste water during the operations of equipment and manufacturing machinery. These risks may include risks of accidental spills, leaks or overflows and discharges from tailing storage or other facilities or other unforeseen circumstances, which could possibly subject us to considerable liability. One of the main environmental issues in the mining industry could potentially be waste water. Waste water can contain substances that are potentially harmful to people and the environment, especially in large quantities. We may be subject to claims for personal injury or damage to property and the environment as a result of waste disposal, improper waste management or other events, such as waste water being released or overflowed from our operations into the environment, in particular any discharge or overflow into rivers, and the inappropriate and uncontrolled disposal of hazardous waste alongside with domestic waste. The occurrence of any of these risks and hazards could result in damage to environment or destruction of production facilities, personal injury, business interruption, delay in production, increased production cost, monetary loss and possible legal liability to us, which could materially and adversely affect our business, financial condition and results of operations.

Despite our efforts and measures to comply with the laws and regulations in relation to environmental protection, we are still subject to environmental risks that are out of our control which subject us to fines and penalties, in which case our business and results of operation may be adversely affected.

We are subject to existing and new environmental protection and safety production policies and regulations and may be exposed to potential costs for compliance and liabilities.

Our mining and business operations involves potential adverse impact on the environment. For example, the development of our Gaoloushan Project (Phase II) may result in an impact on or loss of flora and fauna habitats. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land may be polluted and the land utilisation function will be changed, causing an increase in land desertification, water loss and soil erosion. In this connection, we are subject to national and local laws and policies in the jurisdictions in which we operate in relation to environmental protection, including but not limited to the laws on discharge and dispose of toxic and dangerous substances such as wastewater, waste gas and solid waste, land rehabilitation, deforestation, landscape and land use change. For further details on laws and regulation related to environmental protection to which we are subject, please refer to the paragraph headed "Laws and regulations related to environmental protection" under the section headed "Regulatory Overview". In addition, our operations are also subject to laws and policies on safety production, including but not limited to those related to work safety. For further details on laws and regulation related to safety production to which we are subject, please refer to the paragraph headed "Laws and regulations related to work safety" under the section headed "Regulatory Overview".

Furthermore, under the PRC laws and regulations, according to our PRC Legal Advisers, we are required to prepare a geological environment protection and land reclamation plan ("**Land Rehabilitation Plan**") for our Gaoloushan Project and are responsible for the restoration of damages caused to the geological environment by our exploration of mineral resources. For further details in relation to the Land Rehabilitation Plan, please refer to the paragraph headed "Business – Environmental protection, land rehabilitation and other social matters – Land rehabilitation" in this prospectus. For the risk arising from the Land Rehabilitation Plan, please refer to the paragraph headed "We may be subject to fines or compensation claims resulting from the environmental consequences arising from land rehabilitation in which case our operations and financial performance could be materially and adversely affected." below in this section.

As the environment protection and safety production policies and requirements imposed by such relevant laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply with, or to accurately predict the potentially substantial cost of complying with, these laws and regulations. In addition, the PRC Government may promulgate new laws, rules or regulations on environmental protection. If we fail to comply with environmental protection and safety production laws and regulations in effect from time to time, we may be subject to various consequences, including substantial fines, potentially significant monetary damages or suspensions of our business operations which could have a material and adverse impact on our business, financial condition and results of operations.

In addition, we cannot fully eliminate the risk of accidental contamination or personal injury at our facilities during our mining and production processes. In the event of any accident, we could be held liable for damages that, to the extent not covered by existing insurance or indemnification, could be burdensome to our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers. We may also be forced to close or suspend operations at certain of our affected facilities temporarily, or permanently. As a result, any accidental contamination or personal injury could have a material and adverse impact on our reputation, business, financial condition and results of operations.

We are subject to the uncertainty surrounding our Resources and Reserves estimates which are based on a number of assumptions. The volume and grade of the aggregate products we produce may not conform to the estimated amounts.

Our Resources and Reserves estimates are based on a number of assumptions in accordance with the JORC Code. There can be no assurance that our estimated Resources and Reserves will be recovered in the quantities, qualities or yields presented in this prospectus. Mineral Resources and Reserves estimates are inherently prone to variability. They involve expressions of judgement with regard to the presence and grade of construction aggregates and the ability to extract and process them economically. These judgements are based on a variety of factors, such as knowledge, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the drilling and sampling results of the construction aggregates, analysis of the construction aggregates samples, the procedures adopted, and experience of the persons making the estimates. There are risks associated with such estimates, including that construction aggregates mined may be different from the resource estimates in quality, volume, overburden strip ratio or stripping cost. In addition, construction aggregates may not ultimately be extracted at a profit.

Estimates of the Resources and Reserves at our Gaoloushan Mine may change significantly when new information becomes available or new circumstance arises, and interpretations and deductions on which Resources and Reserves are based may prove to be inaccurate. If we encounter mineralisation or geological or mining conditions different from those predicted by historical drilling, sampling and similar examinations, we may have to adjust our mining plans in a way that could materially and adversely affect our business, financial condition and results of operations and reduce the estimated amount of Resources and Reserves available for production and expansion plans.

In addition, the Independent Technical Consultant has classified our limestone Resource in the Indicated and Inferred categories and our Ore Reserve in the Probable category. The level of geological knowledge and confidence required for the Indicated and Inferred Resource category are lower than the Measured Resource category. According to the Independent Technical Report, there are no Measured Resource defined in our Gaoloushan Project.

The inclusion of Resources estimates should not be regarded as a representation that these amounts could be exploited economically. You should not assume that the Resources estimated are capable of being directly reclassified as Reserves under the JORC Code nor assume that all or any part of the Inferred Mineral Resources will ever be upgraded to a Measured or Indicated mineral resource category. You are cautioned not to place undue reliance on Resources and Reserves estimates. Please refer to “Appendix VII – Independent Technical Report” for further information.

Our mining operations have a limited life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

According to the Independent Technical Consultant, the estimated mine life of our Gaoloushan Mine was approximately 18 years based on the Probable Reserves of approximately 126.8 million tonnes of our Gaoloushan Mine as at 30 September 2022 and an anticipated annual production volume of up to 8 million tonnes in 2031 upon implementation of our development plan. The key costs and risks for mine closures are (i) long-term management of acid rock drainage; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the site with associated structures and community development infrastructure and programmes to new owners. The successful completion of these tasks is dependent on our ability to successfully implement negotiated agreements with the relevant government, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental rehabilitation costs and damage to our reputation if desired outcomes cannot be achieved, which could materially and adversely affect our business and results of operations.

The majority of our revenue from sales of concrete products was derived from Huaibei Construction Investment Group and our purchase from Huaibei Construction Investment Group was significant during the Track Record Period

During the Track Record Period, the majority of our revenue from sales of our concrete products was derived from Huaibei Construction Investment Group. For the three years ended 31 December 2021 and the nine months ended 30 September 2022, the revenue from Huaibei Construction Investment Group accounted for approximately 0.6%, 12.3%, 30.8% and 29.2% of our revenue, respectively. In addition, our purchases from Huaibei Construction Investment Group during the Track Record Period amounted to approximately RMB1.5 million, RMB1.3 million, RMB73.9 million and RMB12.7 million, respectively, accounted for approximately 1.0%, 0.9%, 43.6% and 11.5% of our total purchase during the same period. As such, our revenue and financial performance depend to a large extent on our ability to maintain a good relationship with them and our ability to successfully solicit and sell concrete to independent customers.

Despite our efforts to reduce our reliance on Huaibei Construction Investment Group by exploring independent customers, the continued business development of Huaibei Construction Investment Group remains as an important element to our business sustainability and growth. If (i) the purchase orders we obtain from Huaibei Construction Investment Group decreases, or (ii) Huaibei Construction Investment Group is unable to supply raw materials or provide service to us due to financial difficulties or business interruptions of Huaibei Construction Investment Group or slowdown of the industry in which they operate, or for any other reason, our business, financial condition and operating results may be adversely affected.

Huaibei Construction Investment, one of our Controlling Shareholders, may be subject to a number of regulatory requirements and guidelines and the non-compliance or breach of which may trigger reputational risks and thus adversely affect our business and results of operations.

Huaibei Construction Investment Group, which comprises, among others, Huaibei Construction Investment (one of our Controlling Shareholders), may be subject to a number of regulatory requirements and guidelines in the PRC, including but not limited to those issued by the CSRC. If there is any breach and/or non-compliance of such laws, rules, regulations or guidelines, on the part of Huaibei Construction Investment Group, it could have an adverse impact on their business and consequently undermine our reputation. Furthermore, as certain Directors and our members of senior management also hold positions(s) in Huaibei Construction Investment Group, if any over-lapping Directors or members of senior management engage in any conduct that constitute a breach and/or non-compliance, or if any material negative publicity is associated with any of them, for example, being subject to regulatory investigations, or other proceedings involving wrongdoing engaged by, any of them, our operation as well as our reputation may be adversely affected.

Our business is exposed to workplace safety and occupational health risks.

Our mining and processing operations are subject to a number of workplace safety and occupational risks and hazards, some of which are beyond our control and cannot be completely eliminated through prevention efforts. These risks and hazards include: (i) unexpected maintenance or technical problems; (ii) industrial accidents; (iii) electricity or fuel supply interruptions; (iv) critical equipment failures in our mining and processing operations; (v) the handling and storage of certain dangerous articles and the use of heavy machinery; and (vi) unusual or unexpected variations in the mine and geological or mining conditions, such as instability of the slopes and subsidence of the working areas. These risks and hazards may result in personal injury, damage to, or destruction of, properties or production facilities, environmental damages, business interruptions and threaten the safety and occupational health of our staff. Such incidents may also result in a breach of the conditions of our mining licence, or any other consent, approvals or authorisations obtained from the relevant authorities, which may result in fines and penalties or even possible revocation of our relevant mining permits. Despite our endeavours to enhance workplace safety, there can be no assurance that accidents or hazards will not occur in the future.

We cannot assure you that accidents such as fire, equipment mishandling and mechanical failures which may result in property and environment damage, severe personal injuries or even fatalities will not occur during the course of our operations. Should we fail to comply with any relevant laws, regulations or policies or should any accident occur as a result of any of the foregoing events, our business, reputation, financial condition and results of operations may be adversely affected, and we may be subject to penalties, civil liabilities, administrative liabilities or criminal liabilities. Despite our endeavours to enhance workplace safety and environmental protection, there can be no assurance that accidents will not occur in the future.

During the Track Record Period, we were not involved in any serious or material accidents, claims or proceedings in relation to workplace safety and occupational health. Any occurrence of such accidents, claims or proceedings in relation to the workplace safety and occupational health, any disruption to the operations of our Gaoloushan Project or our concrete production facilities for a sustained period, or any change to the natural environment surrounding our Gaoloushan Project or our concrete production facilities may materially adversely affect our business, financial condition and results of operations.

Failure to obtain and renew government approvals, permits and licences required for our mining activities could materially and adversely affect our business, financial condition and results of operations.

Under the Mineral Resources Law of the PRC (中華人民共和國礦產資源法), all mineral resources in the PRC are owned by the State. Mining companies including our Group are required to obtain certain government approvals, permits and licences prior to undertaking any mining and relevant production activities. The mining licence is limited to a specific area, production scale, production method and time period. Therefore, whether we can carry on mining activities depends on our ability to obtain the mining licence and other approvals and permits from relevant PRC authorities and to renew such approvals and permits upon their expiration.

Pursuant to the "Notice on the Listing and Assignment of Limestone Mines for Building Stones in Gaoloushan Mining Area, Lieshan District, Huaibei City, Anhui Province"《安徽省淮北市烈山區高樓山礦區建築石料用灰岩礦採礦權掛牌出讓公告》issued by the Natural Resources and Planning Bureau of Huaibei City on 24 November 2020 and the Transfer of Mining Rights Agreement dated 21 January 2021, Tongming Mining has obtained the mining rights (採礦權) in respect of Phase II Gaoloushan Mine for a period of 19.7 years from the date of obtaining the Phase II Mining Licence (i.e. 30 June 2021) until 30 March 2041. As at the Latest Practicable Date, we held a mining licence in respect of our Gaoloushan Mine. This mining licence is valid for a term of three years commencing from 30 June 2021. As advised by our PRC Legal Advisers, pursuant to the confirmation issued by the Natural Resources and Planning Bureau of Huaibei City dated 3 December 2021, it is confirmed that, during the grant period of the mining rights, the renewal process of the Phase II Mining Licence is merely an administrative process, and no further approval is required and that such confirmation letter was issued by the competent government authority. Our PRC Legal Advisers confirm that there is no legal impediment to the renewal of the Phase II Mining Licence. However, there is no guarantee that we are able to renew the mining licence.

To carry out our mining operations in accordance with our planned production schedule, it is crucial for us to (i) renew the current mining licence; and (ii) renew all other material licences, permits and approvals upon expiry.

The licences, permits and approvals obtained by us will expire from time to time. Our applications for extension or renewal are subject to a certain degree of government discretion, and there is no guarantee that we will be able to obtain any extension or renewal of the licences, permits and approvals in the future. If we are unable to obtain any of such licences and permits or extend or renew any of our current licences or permits upon their expiration, our business and results of operations could be materially and adversely affected.

We are subject to various risks relating to third-party payments.

For the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, 19, 5, nil and nil customers of our aggregate products ("**Relevant Customers**"), respectively, arranged third parties (the "**Third-Party Payor(s)**") to make their prepayments (the "**Third-Party Payment(s)**") to us (the "**Third-Party Payment Arrangement(s)**"). We generally require all our customers of our aggregate products to make prepayments for their purchases. The aggregate amounts of the prepayment that were settled through Third-Party Payments by the Relevant Customers were approximately RMB40.9 million, RMB2.2 million, nil and nil for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022. The total amount of Third-Party Payments decreased by approximately 94.6% from approximately RMB40.9 million for the year ended 31 December 2019 to approximately RMB2.2 million for the year ended 31 December 2020. There was no Third-Party Payment for the year ended 31 December 2021 and the nine months ended 30 September 2022. The revenue attributable to the transactions settled by Third-Party Payments amounted to approximately RMB37.1 million, RMB2.2 million, RMB91,000 and nil for the year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, respectively, representing approximately 7.5%, 0.4%, 0.02% and nil of our total revenue for the corresponding periods. For further details regarding the Third-Party Payment Arrangement(s), please refer to "Business – Certain Settlement Arrangements Through Third-Party Payors" in this prospectus.

Third-Party Payments may subject us to various legal risks. We are exposed to possible money laundering risks as we only possess limited background knowledge of the parties involved in the Third-Party Payment Arrangement and the source of the Third-Party Payments. In addition, we may be subject to potential claims from Third-Party Payors or their liquidators to return the Third-Party Payments. For more details, please refer to "Business – Certain Settlement Arrangements Through Third-Party Payors" in this prospectus.

If we were involved in legal proceedings on money laundering charges, we may need to spend significant time and financial and managerial resources in response to such proceedings. Even if we have good defences to the allegations and the court rules in our favour, our reputation as a trustworthy business may still be tarnished by our mere presence in the proceedings, which may in turn result in difficulty in maintaining good business relationship with our existing customers or attracting new customers. Moreover, if there is any claim brought by a Third-Party Payor or its liquidators against us demanding the return of the relevant Third-Party Payment, we may be forced to comply with the court ruling and return the payment which was paid for the products that we sold. We cannot assure you that our business, financial condition, results of operations and prospects will not be materially and adversely affected by a claim or prosecution against us.

In December 2020, we ceased to allow our customers to settle payments through Third-Party Payors and all new orders thereafter can only be settled by our customers' own accounts. As a result of our cessation of allowing Third-Party Payment, the Relevant Customers may be unable or reluctant to continue conducting business with us. If a significant number of the Relevant Customers cease to place orders or reduce their orders with us, and we are unable to make up the shortfall through other means, including but not limited to securing additional orders from our existing customers or expanding our customer base, our business, financial condition and results of operations may be adversely affected.

If we cannot successfully acquire the land for our Phase II Processing Plant, our operations and financial performance could be material and adversely affected.

Our Directors identified the site for our Phase II Processing Plant, which is located at the immediate west of our current Phase I Processing Plant. The site is estimated to be of approximately 114,703 m^2, of which approximately 103,703 m^2 (the "**Subject Site**") is located outside of the land where our Phase I Processing Plant is constructed upon. We currently own the land where our Phase I Processing Plant was constructed upon and plan to acquire the Subject Site. As confirmed by the People's Government of Lieshan District, Huaibei City (淮北市烈山區人民政府) (the "**Lieshan People's Government**") and Natural Resources and Planning Bureau of Lieshan District of Huaibei City (淮北市自然資源和規劃局烈山區分局), (i) the agricultural land within the Subject Site does not fall within the scope of prohibited reclamation (禁止開墾) under the national land planning (國土空間規劃), (ii) the Lieshan People's Government will convert the land from agricultural land to collectively-owned construction land (集體所有的建設用地) pursuant to the relevant laws and regulations, and (iii) Tongming Mining will be able to acquire the Subject Site through the bid invitation, auction or listing for sale procedure (招標、拍賣、掛牌程序). Pursuant to the sale and purchase confirmation (the "**Sale and Purchase Confirmation**") dated 13 December 2022 entered into among (i) Villagers Committee of Taishan Community, Song Tuan Town, Lieshan District, Huaibei City* (淮北市烈山區宋疃鎮太山社區居民委員會) and Villagers Committee of Xinyuan Community, Song Tuan Town, Lieshan District, Huaibei City* (淮北市烈山區宋疃鎮新園村村民委員會) (as joint sellers) and (ii) Tongming Mining (as successful bidder), Tongming Mining won the bid of the land use rights of the Subject Site at the auction with the bid price of RMB33.8 million and paid the price in December 2022. Tongming Mining shall proceed with the registration procedures with relevant government department within three months and enter into the relevant land use rights grant contract (用地使用權出讓合同) within ten business days, from the date of the Sale and Purchase Confirmation.

However, if we cannot complete the acquisition of the land for our Phase II Processing Plant due to unforeseen factors which are beyond our control, our operations and financial performance could be material and adversely affected.

If we fail to enter into compensation agreement or lease with the rights holder or the legality or validity of our compensation agreement or lease are challenged, our operations and financial performance could be materially and adversely affected.

In order for us to carry out our mining activities within the permitted area in our Gaoloushan Project, as confirmed by our PRC Legal Advisers, according to the relevant PRC laws and regulations, among others, we are required to compensate the rights holder of the forest land. As at the Latest Practicable Date, Tongming Mining entered into compensation agreements with certain right holders for the use of forest land within the Gaoloushan Mine. We also entered into a lease with the lessor for the use of the access road to our Gaoloushan Project.

The PRC law provides for the registration of land ownership and land-use rights and for the issuance of certificates evidencing land ownership or the right to use land. However, the administrative system for registration of land ownership and land-use rights is not well developed in rural areas, including Song Tuan Town where our Gaoloushan Project is located. As a result, we are generally not able to verify through the land registry system the ownership or land-use rights of the parties from whom we have leased land or paid compensation to for our mining operations. There is a risk that the right owners will, in breach of the terms of the applicable lease entered into with us, enter into lease with other third parties in respect of land-use rights which they have previously granted to us, or that they have entered into or lease with third parties before entering into leases with us. There is a risk that they have not legally and validly granted the right to use the land to us or have we fully compensated all the right owners.

In addition, according to our development plan of Gaoloushan Project (Phase II), we plan to enter into the necessary compensation agreement required, if necessary, for carrying out mining operations at our Phase II Gaoloushan Mine. There is no guarantee that we will be able to enter into the compensation agreement with the rights holder(s) of the relevant land(s) within the expected schedule nor enter into such compensation agreement at all, failing which, we may not be able to implement our development plan of our Gaoloushan Project (Phase II) in accordance with our expected schedule, and our operations and financial performance could be materially and adversely affected.

Our business depends on the level of activity and growth in the construction industry in Anhui Province and we rely on customers in Huaibei City and its surrounding cities.

Our customers of aggregate products and concrete products primarily comprise construction companies, building materials companies and wholesalers in Huaibei City and/or its surrounding cities, including Suzhou City and Bozhou City, which are all located in the Anhui Province. During the Track Record Period, all of our revenue were derived from our sales in Huaibei City and its surrounding cities. Therefore, we rely on customers in Huaibei City and its surrounding cities. In addition, as our aggregate products are principally sold in Huaibei City and its surrounding cities and our concrete products are principally sold in Huaibei City, the demand for our products is predominantly dependent on the level of activity and growth in the construction industry in Anhui Province, which in turn depends on factors such as general economic conditions, government policy, GDP growth, fixed asset investment, consumer confidence, inflation and demographic trends in Anhui Province. Our lack of geographical diversity exposes us to risks associated with fluctuations in the political and economic conditions of Anhui Province.

We have historically benefited from the growth in the economy of Anhui Province. We cannot assure you that the GDP, fixed asset investment or the demand for aggregate products and concrete products in Anhui Province will continue to grow at historical rates, or at all. Any slowdown in the growth of Anhui Province's economy, change to legal requirements and governmental policies concerning the housing or construction industry or a downturn in the housing or construction industry (including a continued decrease in residential construction or a weakening of commercial construction) in Anhui Province, including Huaibei City and its surrounding cities, could affect the business and financial position of our customers and therefore the demand for our products, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

We may be subject to fines or compensation claims resulting from the environmental consequences arising from land rehabilitation in which case our operations and financial performance could be materially and adversely affected.

Under the PRC laws and regulations, according to our PRC Legal Advisers, we are required to prepare a geological environment protection and land reclamation plan for our Gaoloushan Project and are responsible for the restoration of damages caused to the geological environment by our exploration of mineral resources. For further details in relation to land rehabilitation, please also refer to the paragraph headed "Business – Environmental protection, land rehabilitation and other social matters – Land rehabilitation" in this prospectus for further information.

In the event that the process of land rehabilitation results in any material adverse environmental consequences, we may be subject to fines or compensation claims in which case our operations and financial performance could be materially and adversely affected.

Our development plan is capital intensive and we may not have adequate financial resources to fund our capital expenditure.

We require capital to fund our expenditures associated with our development plan, which included, among others, the followings:

(i) the acquisition price of the mining rights in respect of the Phase II Gaoloushan Mine of RMB1,367.7 million. As at the Latest Practicable Date, we settled part of the acquisition price of RMB820.7 million. We are required to settle the remaining balance of the acquisition price of RMB547.0 million within four years with a minimum annual payment of RMB136.8 million. We settle the acquisition price mainly through interest-bearing bank borrowings, which is due for repayment within 18 months;

(ii) estimated construction costs of the mine roads, drainage and others of RMB7.4 million;

(iii) estimated costs of the mining equipment of RMB19.9 million;

(iv) estimated consideration for the acquisition of land use right of the land for our processing facilities and compensation for the use of certain land for mining in aggregate of RMB46.8 million;

(v) estimated cost for construction of the foundation and structure of our Phase II Processing Plant of RMB101.5 million;

(vi) estimated cost for construction of the supporting facilities of our Phase II Processing Plant of RMB37.8 million;

(vii) estimated cost for construction our Phase II Processing Plant roads and other infrastructure of RMB22.2 million; and

(viii) estimated purchase price and installation fee for the machinery and equipment of RMB48.2 million.

Our expected capital expenditure is more than the net proceeds from the Global Offering. There can be no assurance that we will be able to generate sufficient cash flows from our operations in the future to fund our development plan, or at all. In the event that we do not generate sufficient cash flows from our operations, we may have to seek additional financing such as bank borrowings and/or securities and/or debt offerings, or may be forced to reduce or delay our capital expenditures, as a result of which we may be unable to implement our development plan as scheduled.

Our ability to obtain additional financing on acceptable terms are subject to uncertainties relating to, among others, the following:

- conditions in the capital and financial markets in which we may seek to raise funds;
- investors' perception of the securities of companies engaged in the mining industry;
- our future results of operations, financial condition and cash flows;
- the PRC government's regulation of foreign and domestic investment in companies engaged in mining industry;
- economic, political and other conditions in the PRC; and
- the financing requirements of other PRC companies which seek to raise funds in the international capital markets.

If we are unable to obtain additional financing on acceptable terms, or at all, or if there is any delay in obtaining additional financing and completing our development plan, or there are cost overruns or changes in market circumstances, we may not derive the expected economic benefits from our development plan, and our business, financial condition and results of operations may be materially and adversely affected.

We may be subject to the risk in association with the capital injection to Tongming Mining by Leiming Kehua.

Pursuant to a capital injection framework agreement dated 17 August 2021 between our Company, Leiming Blasting and Leiming Kehua and a capital injection framework agreement dated 28 November 2021 between our Company, Leiming Blasting and Leiming Kehua and the subsequent discussion on 18 August 2022, Leiming Kehua proposed to provide a capital injection ("**Proposed Capital Injection**") of approximately RMB62.7 million to the registered capital of Tongming Mining. As at the Latest Practicable Date, our Company received cash in advance of RMB212.1 million from Leiming Kehua (the "**Cash**"), in which RMB62.7 million shall be credited to the registered capital of Tongming Mining and the remaining sum shall be credited to the capital reserve of Tongming Mining should the capital injection materialise after obtaining the approval from Huaibei SASAC and the passing of the shareholders' resolutions. In the event that (i) the Proposed Capital Injection proceeds, the Cash will serve as the consideration for capital injection and if the amount to be contributed by Leiming Kehua is less than the Cash pursuant to the valuation, the exceeded amount will have to be returned to Leiming Kehua or (ii) the Proposed Capital Injection fails to materialise, the full amount of the Cash will have to be returned to Leiming Kehua (the "**Repayment Obligation**"). For details of the Proposed Capital Injection, please refer to the section headed "History, reorganisation and corporate structure – Our corporate development – Our subsidiaries – Tongming Mining" in this prospectus. In case the Proposed Capital Injection fails to materialise, and we have to return the Cash to Leiming Kehua, there may be a huge cash outflow which may adversely affect our cash flow and liquidity condition. Furthermore, if we do not have sufficient internal resources and/or unable to obtain additional financing on acceptable terms, or at all to fulfil the Repayment Obligation, we may be involved in litigation which may subject us to fines and penalties, in which case our results of operations and financial condition may be adversely affected.

There can be no assurance that we can compete effectively with Leiming Mining, which is our connected person at subsidiary level.

During the Track Record Period, Tongming Mining is principally engaged in mining and processing of aggregate products in Huaibei City. Leiming Mining, which is wholly-owned by Leiming Kehua, is an associate of Leiming Blasting and also principally engaged in mining and processing of aggregate products in Xiao County, Suzhou City, Anhui Province, which may compete with Tongming Mining potentially. Please refer to the sub-section headed "History, Reorganisation and Corporate Structure – Competing interest of our substantial shareholder at subsidiary level" of this prospectus for further details of our relationship with Leiming Mining. Whilst our Directors consider that, the potential competition would not be severe or material given we have put in place certain conflict management measures and that each company has its own clientele which are located in different geographical area, there is no assurance that we could compete effectively with the Leiming Group. Any competition from Leiming Group may materially and adversely affect our business, prospects, financial condition and results of operations.

We are susceptible to fluctuation in raw materials prices.

Our competitiveness, costs and profitability depend, in part, on our ability to source and maintain a stable and sufficient supply of raw materials at acceptable prices, particularly for our concrete products. The raw materials that we use in our concrete products primarily include binding materials (such as cement mineral powder and coal ash), aggregates (such as sand) and admixtures. In the production of asphalt concrete products, the major raw materials include asphalt, aggregates and mineral powder. We procure all of our raw materials in the PRC. Our costs of raw materials for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 amounted to RMB113.7 million, RMB87.1 million, RMB77.6 million and RMB59.2 million, respectively, representing 48.8%, 40.0%, 40.4% and 38.1% of our total cost of sales, respectively. If we are unable to obtain raw materials in the quantities and quality that we require, our volume and/or quality of production of concrete products may decline, which in turn may have a material adverse effect on our results of operations.

Our raw materials are subject to price volatility caused by external factors beyond our control, such as commodity price fluctuations and changes in government policies affecting supply. An increase in the prices of our raw materials or any inability to secure alternative suppliers may increase our cost of sales and have a material adverse impact on our profit margins and hence our profitability. Fluctuations in our raw material prices may result in unexpected increases in production costs, and if we are unable to manage these costs or to pass on any such increase to our customers, our profitability will be adversely affected. Hence, any significant increase in the price of our raw materials may materially and adversely affect our business, results of operations and financial position.

The implementation of our Gaoloushan Project (Phase II) may lead to significant increase in interest expense and/or depreciation and/or amortisation expense which may adversely affect our profitability, results of operation and financial condition.

As part of our expansion plan, we incurred capital expenditure for our Gaoloushan Project (Phase II) which included, among others, acquisition cost of mining rights in respect of Phase II Gaoloushan Mine, cost for purchase of property, plant and equipment and construction cost. We financed such capital expenditure through a combination of bank loans and capital contribution by the then Shareholders. We incurred finance costs of approximately RMB4.1 million, RMB5.1 million, RMB54.3 million and RMB54.4 million for the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively. To implement our expansion plan, our interest expense may remain significant, if not further increase, in the future.

Furthermore, in carrying out our expansion plan, we expect to incur additional depreciation and amortisation expenses arising from its implementation. In particular, we expect to incur additional depreciation in respect of our Phase II Processing Plant and amortisation in respect of our Phase II Mining Licence and the mining rights in respect of our Phase II Gaoloushan Mine. During the Track Record Period, we recorded depreciation and amortisation cost which were related to our mining rights and processing plant and production equipment of approximately RMB44.3 million, RMB54.1 million, RMB47.9 million and RMB44.5 million, respectively, represented approximately 19.0%, 24.8%, 24.9% and 27.8% of the total cost of sales for the same period.

Any significant increase in interest expenses, depreciation and amortisation cost during the course of implementation of our expansion plan may adversely and materially affect our profitability, results of operations and financial condition.

Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred income tax assets, which could have a material adverse effect on our results of operations.

We recorded deferred tax assets of RMB7.0 million, RMB16.0 million, RMB14.2 million and RMB12.4 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. We recognise deferred tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset against the deductible losses. Therefore, the recognition of deferred tax assets involves significant judgement and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred tax assets may be reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Accordingly, if our profitability in the future is significantly lower than our management's estimates when our deferred tax assets were recognised, our ability to recover such deferred tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations.

Our business depends on the availability of reliable and adequate transportation capacity for our products.

We anticipate that most of our potential customers in the near future will be located in the PRC and most of our products will be transported by road. Our Gaoloushan Project is located in Song Tuan Town, Lieshan District, Huaibei City, Anhui Province, China. Our Gaoloushan Mine and production facilities are well-connected to other parts of Huaibei City via the Anhui Provincial Highway S101 and other paved roads. Apart from Huaibei City, we have access to Suzhou City in the south via the G3 Expressway and other all-weather roads, and Bozhou City in the west via National Expressway G237 and other paved roads. We transport our products to customers mainly through the aforementioned highways and paved provincial roads. Any increase in our sales volume could increase demand on the road networks connecting our

Gaoloushan Mine and our production facilities of our aggregate products to our customers. If these roadways are significantly damaged, cut off, suspended for repair or maintenance for an extended period of time, the delivery of our products would be significantly affected, and we may lose our customers and be in default of existing sales contracts. There can be no assurance that adequate transport capacity will be made available to our operations.

The road connecting to Anhui Provincial Highway S101 was under maintenance during the first half of 2021, which had an adverse impact on our revenue during the period. For further details of the impact of the maintenance on our revenue, please refer to the paragraph headed "Revenue – Revenue from sales of aggregate products and others" under the Financial Information section. Upon completion of the repair and maintenance of the connecting road, the transportation condition of the road connecting to Anhui Provincial Highway S101 has improved since late May 2021. However, we cannot guarantee that there would not be any repair and maintenance on the roads to our Gaoloushan Project in the future, in which case our business and results of operation may be adversely affected.

If we fail to fulfil our contractual obligations, our results of operations and financial condition may be materially and adversely affected.

We recorded contract liabilities of approximately RMB16.3 million, RMB6.7 million, RMB59.0 million and RMB5.7 million as of 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, which were mainly attributable to the prepayment received from our customers before we fulfil our obligation to transfer our products to the customers. For further details, please refer to the paragraph headed "Financial Information – Discussion of Selected Items from The Consolidated Statements of Financial Position – Net Current Assets/Liabilities – Contract Liabilities". If we fail to fulfil our contractual obligations with customers, we may not be able to convert such contract liabilities into revenue, and our customers may require us to refund the prepayments, which may adversely affect our cash flow and liquidity condition and our results of operations and financial condition. In addition, it may also adversely affect our relationship with such customers, which may affect our reputation and results of operations in the future.

We are exposed to credit risks with respect to the settlement by our customers. Any significant delay in payment or defaults by our customers may materially and adversely affect our financial condition and results of operations.

Regarding the aggregate products segment, we generally do not grant any credit period to our customers as we generally require our customers to make prepayment before collecting our aggregate products. Regarding the concrete products segment, we either require our customers to make prepayment before collecting our concrete products or grant credit period on a case-by-case basis and the credit period granted to our customers normally ranges from 10 to 90 days. We determine the credit limit offered to different customers based on the customer's past history of making payments when due and current ability to pay, and take into account information specific to such customer as well as pertaining to the economic environment in which the customer operates. As such, we are subject to credit risks of our customers and our profitability and cash flow are dependent on timely settlement of payments by our customers for the products we sell to them. We recognised a loss allowance for expected credit loss on trade receivables of approximately RMB18.9 million and RMB33.0 million for the year ended 31 December 2019 and 2020, respectively. For the year ended 31 December 2021 and the nine months ended 30 September 2022, we recorded gain on reversal of impairment losses for trade receivables of approximately RMB6.1 million and RMB7.6 million, respectively. For further discussions on the trade receivables of our Group, please refer to the paragraph headed "Financial Information – Net current assets/Liabilities – Trade and other receivables" in this prospectus. We cannot assure you that we will be able to collect all or any of our trade receivables within the credit period that we granted to our customers. If any of our customers face unexpected situations, including, but not limited to, financial difficulties caused by general economic downturn or fiscal constraints, we may not be able to receive payment of uncollected debts in full or at all from such customers and we may need to make provisions for receivables, which could in turn materially and adversely affect our financial condition and results of operations.

Unsatisfactory performance and/or unavailability of our suppliers or subcontractors may adversely affect our operations and profitability

During the Track Record Period, we engaged a number of suppliers and subcontractors to supply utilities and raw materials and perform certain works, such blasting operations, equipment rental services, labour dispatch services, transportation services and paving services. While we will closely monitor the works of our suppliers and subcontractors, there could be no assurance that we will be able to control the quality, safety and environmental protection standards of the works to be performed by our suppliers and subcontractors to the same extent as the works are performed by our own employees at all times. Any under-performance or non-performance of our suppliers or subcontractors could lead to failure by the suppliers or subcontractors to meet our quality, safety and environmental protection standards, which, in turn, may result in our liability to third parties and will have a material adverse effect on our business, results of operations, financial condition and reputation. Meanwhile, we may not be able to find replacement of the under-performing suppliers or subcontractors on acceptable terms. Any failure to retain suitable contractor at reasonable cost or seek replacements of our existing suppliers or subcontractors on favourable terms, or at all, may have a material adverse effect on our business, financial condition, results of operations and prospects.

Severe natural disasters and weather conditions could have a material adverse effect on our operations.

Our mining operations are conducted outdoors. As a result, severe weather conditions in the mining area could affect our operations and business. Severe weather conditions, including heavy and sustained rainfall, cold weather, heavy fog and snow may cause us to evacuate personnel, curtail our operations, reduce our mining activities or impede our transportation of stone blocks, and may result in damage to our mines, equipment or our facilities. Adverse weather conditions may also increase our costs and reduce our production output as a result of potential equipment and facility repair and maintenance, power outages, personnel evacuation and similar events. Any resulting damage to our projects or delays in our operations could materially and adversely affect our business and results of operations.

Natural disasters, such as earthquakes, floods and landslides, could also severely hamper our operations. We did not incur any expenses or suffer any losses during the Track Record Period as a result of any earthquake, flooding, mudslide or any other natural disasters occurred in Anhui Province that have had a material adverse effect upon our business, financial condition and results of operations. However, we cannot assure you that such natural disasters will not, among other things, damage our facilities and the surrounding infrastructure, block the access to our Gaoloushan Project and result in a suspension of our operations for an unpredictable period of time.

We are subject to various operational risks and our insurance coverage may be insufficient to cover potential liabilities and losses.

As at the Latest Practicable Date, we had obtained insurance for work safety liability. This practice is in place to protect us from substantial expenditures. However, it does not fully protect us from other potential risks and losses. According to the relevant PRC laws and regulations, we will be liable for losses and costs arising from accidents resulting from fault or omission on the part of us or our employees. Should any accidents happen due to negligence on the part of us or our employees, we could be confronted with civil or criminal litigation and expect to incur substantial losses. In addition, we do not obtain any fire, earthquake insurance or property insurance with respect to our properties, facilities or inventory. In the event that we incur substantial losses or liabilities but we are not insured against such losses or liabilities, or that our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations could be materially and adversely affected.

We do not maintain business interruption insurance, third-party liability insurance against claims for property damage, personal injury or environmental liabilities or product liability insurance. Our customers from time to time could claim that our products do not meet contractual requirements, and users could claim to be harmed by use or misuse of our products. This could give rise to breach of contract, warranty or recall claims, or claims for negligence, product liability, strict liability, personal injury or property damage.

There is no assurance that safety measures, processes and policies we have in place for our operations will be sufficient to mitigate or reduce casualties or accidents and to investigate and address claims related to product liabilities. There is also no assurance that our insurance coverage will be sufficient to cover losses associated with material accidents or claims arising from product liabilities, patent infringement, environmental protection liabilities, commercial contract, antitrust or competition law, employment law and employee benefit issues, and other regulatory matters. In the event that we incur substantial losses or liabilities and our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

Unexpected disruptions to our production facilities and liability in connection with industrial accidents during our production process may adversely affect our business operations

Our operations at our productions facilities of our aggregate and concrete products are subject to operational risks. These risks include but not limited to disruption of water or power supply and breakdown or malfunction of our machinery, which could result in delay, temporary suspension, permanent, partial or complete shut-downs of our production. In the event that any of our production facilities or our suppliers or customers are subject to the power restriction or the policies in respect of power restriction are further tightened, we may (i) be required to suspend or cease the production activities; or (ii) encounter substantial delay in delivery of our products to our customers, due to unavailability of transportation or otherwise, which in turn, may adversely affect our business and financial condition. If there is any increment in the electricity cost in the future, our production cost will be increased accordingly. In these events, our operations and delivery schedules may be materially affected and make us unable to deliver our products to our customers on time, leading to customers dissatisfaction and even loss of customers. In addition, as a result of disruption to our operations, our production volume and the utilisation rate of our production plants may be affected, which may result in a drop in our gross profit margin and profitability.

In addition, in the event of (i) natural disasters; (ii) political instability, riots, civil unrest and terrorist attacks; (iii) outbreak of infectious diseases such as COVID-19; and (iv) other events such as implementation of power control policies that are beyond our control, we may incur substantial losses due to loss of revenue from disruption of production, and additional expenditure on repairs or replacement of our damaged equipment and machinery depending on the nature of the occurrence of the events. Further, the production capacity would be negatively affected and we may not deliver our products to our customers on time, which would impair our customers' confidence in us. For further risks relating to the outbreak of COVID-19, please refer to the paragraph headed "Risks Relating to Our Business – The outbreak of any severe communicable disease, such as COVID-19, if uncontrolled, could adversely affect our Group's results of operations." in this section. Moreover, as our production process involves the operation of equipment and machinery, there is no assurance that no industrial accident, whether due to malfunctions of machinery or other reasons, resulting in injuries or even deaths will occur in the future. In such event, we may be liable for personal injury or death and monetary losses suffered by our employees, fines or penalties or other legal liability arising from violation of applicable PRC laws and regulations. We may also be subject to disruptions to our business caused by equipment and/or equipment shutdown for investigation or implementation of safety measures. Our business, financial condition, results of operations would be materially and adversely affected.

The outbreak of any severe communicable disease, such as COVID-19, if uncontrolled, could adversely affect our Group's results of operations.

The outbreak of any severe communicable disease, such as the outbreak of COVID-19 pandemic in the world in 2019, if uncontrolled, could have an adverse effect on our Group's operations and the overall business sentiments and environment in the PRC. The spread of any severe communicable disease in the PRC or other parts of the world may also affect normal operation of business of our Group's customers. Supply of raw materials and production equipment may become unstable. According to the CIC Report, due to the various policies implemented by the PRC Government to tackle COVID-19 pandemic, such as temporary suspension of business and postpone of the starting date of work, the demand for construction industry has been adversely affected. In addition, the breakdown of transport network may affect delivery of our products and lead to temporary closure of our production facilities as our employees may be unable to report duty.

COVID-19 pandemic has caused and may continue to cause a long-term adverse impact on the economy and social conditions of any affected countries, which may have an indirect impact on the PRC property and construction industries, and adversely affect the demand of our products and hence our business operations. While we do not expect COVID-19 pandemic to have a significant adverse impact on our business operation or financial position in the long run, we are uncertain as to when the COVID-19 pandemic will be completely contained globally, and we also cannot guarantee whether COVID-19 pandemic will have a long-term impact on our business operations. If we are not able to effectively and efficiently operate our business and implement our strategies as planned, we may not be able to grow our business and generate revenue as anticipated, and our business operations, financial condition and prospects may be materially and adversely affected.

Our company name may attract potential criticism of greenwashing.

The name of our Company contain the words "GreenGold" (綠金). We have been using such name since our incorporation on 21 December 2018, which relates to the strategic government policy "China Carbon Valley GreenGold Huaibei" (中國碳谷•綠金淮北) promulgated by the Congress of the Communist Party of Huaibei City in September 2016. For further details, please refer to the paragraph headed "Our History" under the section headed "History, reorganisation and corporate structure".

As we engage in mining activities but our name contains the word "Green", we may be criticised by some people that we try to create an image that we are environmentally friendly and/or purport to market ourselves as engaging in an environmentally friendly industry. Under such circumstances, we may be criticised as greenwashing. In which case, we may be subject to complaint, litigation, regulatory action or other negative publicity, our reputation, market recognition, business, growth prospect, results of operation and financial condition could be adversely affected.

We charged interest on advances made to other parties during the Track Record Period.

During the Track Record Period, we had interest income from amounts due from related parties in relation to certain loans to Huaibei Construction Investment Group. Our interest income from the amounts due from related parties, which represents the interest income from our loans to Huaibei Construction Investment Group, were approximately nil, RMB29,000, RMB15.4 million and nil for each of the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively, and the effective interest rate were approximately nil, 1.11%, 6.82% and nil for the respective period. For further details please refer to the paragraph headed "Other income" in the Financial Information section of this prospectus.

Our PRC Legal Advisers advised us that Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC prohibits any financing arrangements or lending transactions between non-financial institutions. Further, pursuant to Article 73 of the General Lending Provisions, the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisers further advised that, notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretations on Private Lending Cases**") which has been last amended on 29 December 2020 and implemented on 1 January 2021. The Supreme People's Court recognises the validity and enforceability of financing arrangements and lending transactions between non-financial institutions so long as such agreements are for business operation purposes and do not fall into certain situations stipulated in the Civil Code of the PRC and the Judicial Interpretations on Private Lending Cases.

As of the Latest Practicable Date, we had not received any notice of claim or were not subject to any investigation or penalty relating to the loans we provided to related parties and third parties during the Track Record Period. Loans to related parties were fully settled as of the Latest Practicable Date. On this basis, our PRC Legal Advisers are of the view that the risk of us being penalised for the above-mentioned loans is remote. However, in the event that we are ordered by the PBOC to pay the penalties, our financial condition and results of operations will be adversely affected. Our PRC Legal Adviser advised us that, according to the General Lending Provisions (《貸款通則》), any financing arrangements or lending transactions between non-financial institutions is prohibited, and the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Accordingly, we estimate that the potential maximum penalty that could be imposed on us arising from provision of loans to related parties during the Track Record Period would be approximately RMB77.0 million. Pursuant to the Deed of Indemnity, our controlling Shareholder have undertaken to indemnify us, among others, any losses, costs, expenses, damages of other liabilities which we may incur.

Certain of our revenue is derived from contracts awarded through competitive tendering which are non-recurring in nature and there is no guarantee that we will succeed in the tender process or our customers will award new contracts to us in the future.

For the three years ended 31 December 2021 and the nine months ended 30 September 2022, approximately 10.0%, 4.0%, nil and nil of our revenue are generated from tendering and bidding, respectively, and our tender success rates were approximately 44.4% and 50% for the year ended 31 December 2019 and 2020, respectively. There is no assurance that we will be invited to or are made aware of the tendering process or that we will succeed in the tender process in the future. There is also a risk that our Group may not be awarded with new contracts by customers upon the expiry of the contracts on hand and there is no assurance we will be able to maintain or increase our success rate in obtaining tender and quote in the future. In the event that we are unable to secure new contracts, our results of operations and business prospects may be adversely affected.

We may not be able to detect and prevent fraud, bribery or other misconducts committed by our employees or third parties.

We may be exposed to fraud, bribery or other misconducts committed by our employees, suppliers, customers or other third parties that could subject us to financial losses and regulatory penalties and adversely affect our reputation. Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents or suspicious activities in a timely manner or at all. Bribery, including acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties, such as our suppliers, in our ordinary course of business may be difficult to detect or prevent and the precautions we take to detect and prevent such activities may not be effective. In addition to potential financial losses, misconduct of our employees or third parties could subject us to third-party claims and regulatory investigations. Our failure to detect and prevent fraud, bribery and other misconduct may have an adverse impact on our reputation, business, financial condition, and operating results.

Our ERP system may experience failures or security breaches.

We rely on our ERP system for our daily operations. Our ERP system is critical to our operations and support our key operational processes, including concrete production operation, financial management and administration. Despite our security measures, our ERP system may be harmed by computer viruses and unauthorised access. Although to our knowledge, we have not experienced any material system failure or security breach so far, if such incidents occur and cause disruption of our operations, they may lead to material interruption of our business operations and our development plans.

We may not be able to adequately protect our intellectual property rights and we may be exposed to intellectual property infringement or misappropriation claims.

We rely on a combination of utility model patents, invention patents and trade secret protections, as well as confidentiality agreements, to safeguard our intellectual property rights. With respect to proprietary know-how that is not patentable and production processes for which patents are difficult to enforce, we rely on trade secret protections, confidentiality agreements and other measures to safeguard our interests. As of the Latest Practicable Date, we had obtained five utility model patents and two invention patents in the PRC . For details, please refer to the section headed "Business – Intellectual Property". However, the steps taken by us to protect such proprietary information may not be adequate to prevent misappropriation of our intellectual properties because:

- individuals may not be deterred from misappropriating our intellectual properties despite the existence of laws or contracts prohibiting misappropriation;

- policing unauthorised use of our intellectual property may be difficult, expensive and time-consuming, and we may be unable to determine the extent of any unauthorised use; and

- the PRC legal regime may not protect intellectual property rights to the same extent or level as in developed countries.

We cannot assure you that infringement of our intellectual property rights by other parties does not exist nor that it will not occur in the future. In addition, our success partially depends on our ability to use and develop our technologies and know-how without infringing the intellectual property rights of third parties. We may inadvertently employ third-party intellectual property in our business operations. Third parties may claim against us on any infringement or contribution to the infringement of their intellectual property rights, whether such claims are valid or not. In addition, because patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of pending patent applications by other parties that relate to our technologies, solutions or processes.

The validity and scope of claims relating to patents involve complex scientific, legal and factual questions and analysis and, therefore, claims may involve high uncertainty. The prosecution and defence of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and protracted and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licences from third parties, to pay ongoing royalties, or to redesign the site distribution and system of our batching plants or subject us to injunctions prohibiting the use of our technologies. The occurrence of any of the foregoing may have an adverse effect on our business, financial condition and operating results.

The interest of our largest Shareholders may differ from the interests of other Shareholders, which may adversely affect our business and financial condition.

Upon completion of the Global Offering, Huaibei Construction Investment and Cultural Tourism Investment, will hold in aggregate 75% of our Company's issued share capital, assuming that the Over-allotment Option is not exercised. As our Controlling Shareholders and pursuant to the Articles of Association, Huaibei Construction Investment and Cultural Tourism Investment will be able to influence our significant operational and financial decisions (including dividend plans and investment decisions) that require a vote by our Shareholders, including but not limited to:

- election of directors, thereby indirectly affecting the selection of our senior management;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with another entity;
- overall strategic and investment decisions;
- issuance of securities and adjustment to our capital structure;
- purchase or sale of material assets;
- proposals on annual financial budgets and final accounts; and
- amendments to the Articles of Association.

In addition, Huaibei Construction Investment may also hold different opinions from other Shareholders from time to time, and may exercise its voting rights at its discretion according to its own interests. In particular, a controlling shareholder may:

- subject to applicable laws and regulations, cause our Board to act in a manner that may not be in the best interests of other Shareholders;
- subject to the provisions of the Articles of Association, cause us to adopt amendments to the Articles of Association, including amendments that are not in the best interests of other Shareholders; or
- otherwise determine the outcome of most corporate actions, including the enforcement of indemnification in respect of any controlling shareholder and, subject to the applicable requirements of the Stock Exchange, causes to effect corporate transactions without the approval of other Shareholders.

In the event that the interests of any Controlling Shareholders conflict with those of other Shareholders, other Shareholders may be at a disadvantage as a result.

In addition, the ultimate beneficial owner of our Controlling Shareholders is Huaibei SASAC, a PRC governmental body which is principally engaged in the management of state-owned assets as authorised by the relevant finance and regulatory bodies of the PRC, as at the Latest Practicable Date. As a result, our Board's decision making process and our business and operation decisions may be influenced by government policies and political decisions. Any future changes in regulations and policies for construction materials industry may adversely affect our business operation and results of operation and may not be in line with the interests of our other Shareholders and our Group as a whole. As a result, the interests of our Controlling Shareholder may not be in line with the interests of our other Shareholders and our Group as a whole.

Our business and operations may be influenced by the PRC Communist Party's decisions.

Each of our Company, Tongming Mining and Liantong Municipal has established the Committee of Communist Party (the "**Party Committee**"). For details of the duties and responsibilities of the Party Committee, please refer to the section headed "The Party Committee" under the section headed "Directors, supervisors and senior management".

As the Party Committee is responsible for, among others, the implementation of national policies and strategies, from time to time, the Party Committee may have decisions on operations of our Group to align with national policies, some of which may materially influence our business or operation. In case the Party Committee's policies on development which affect our Group and which differ from the Board's perspective, we cannot assure you that we will be able to depart from the Party Committee's decisions. Accordingly, our business objectives may deviate from the intended plan and our operations and financial results may be materially affected.

Our results of operations may be adversely affected if we recognise impairment losses related to our mining rights, exploration rights and related assets.

Based on our accounting policy, our mining rights are amortised over the estimated useful lives of the mine, in accordance with the production plans of the entity concerned and the Probable Reserves of the mine using the unit of production method, rather than on a straight line basis over the estimated mine life. The process of estimating quantities of reserves is inherently uncertain and complex and requires significant judgements and decisions based on available geological, engineering and economic data. Mining rights are written off to profit or loss if the mining property is abandoned, which may have a material adverse effect on our result of operations.

The carrying amount of the property, plant and equipment, including mining rights and assets, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the relevant accounting policy. Estimating the value in use requires us to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. Any material decrease in the amount of our reserves may result in impairment on the carrying value of our mining rights and related assets, which may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to retain or secure key qualified personnel, key senior management or other personnel for our operations.

Our future success depends to a large extent on our ability to retain or secure qualified personnel. We place substantial reliance on the experience and knowledge of our managerial and technical personnel. Some members of our Board and senior management possess relevant experience in the mining industry including research of mining site, conducting feasibility study of mine projects and production and operation of construction aggregate. For further details of their experience, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus. We believe that leveraging the knowledge, skills and experience of our management team, we will be able to implement our business development plan accordingly. However, we cannot prevent employees including our management team members from terminating their respective contracts in accordance with the relevant agreed conditions. We might not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all, as finding suitable replacements for such key personnel could be difficult and time-consuming, and competition for such personnel with rich experience is intense. As a result, our business, financial condition and results of operations could be materially and adversely affected, and we may incur additional expenses to recruit, train and retain managerial and technical personnel.

Our success also depends on the ability of our management team to cooperate effectively as a group. Furthermore, we do not maintain key person insurance for any of our personnel, and there can be no assurance that we will be able to attract or retain skilled operating and maintenance personnel. If we fail to recruit, train and retain such personnel, our business, financial condition and results of operations could be materially and adversely affected.

Any product liability claims made against us, whether successful or not, could affect our business, operating results and financial condition.

We are exposed to risks associated with product liability claims if the use of our aggregate products and concrete results in property damage or personal injury. Our aggregate products and concrete products are used by our customers as construction materials for their construction projects. While we seek to ensure that our products meet a variety of contractual specifications and regulatory requirements, we cannot guarantee that product liability claims against us will not arise, whether due to product malfunctions, defects, or otherwise. We do not purchase product liability insurance. As a result, any dispute regarding the quality of our products may give rise to claims against us for losses and damages. Any such claims, regardless of whether they are ultimately successful, could incur litigation costs for us, harm our business reputation and disrupt our operations. Furthermore, we cannot guarantee that we will be able to successfully defend against such claims. If any such claims were ultimately successful, we could be required to pay substantial damages, which could adversely affect our business, operating results and financial condition.

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain, may materially differ from actual results and may not accurately reflect our financial position.

Valuation of our properties as at 31 October 2022 prepared by our Independent Valuer, Roma Appraisals Limited, an independent property valuer, is set forth in the Property Valuation Report set out in Appendix VI to this prospectus. The valuation is made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. Unforeseeable changes in general and local economic conditions or other factors beyond our control may also affect the value of our properties. As a result, the valuation of our properties may differ materially from the price we could receive in an actual sale of the property in the market. Therefore, they should not be taken as their actual realisable value or an estimation of their realisable value.

RISKS RELATING TO OUR INDUSTRY

We may not be able to sustain the market prices of our aggregate products and concrete products, and fluctuations in the market price for our aggregate products and concrete products could materially and adversely affect our business, financial condition and results of operations.

Our principal products are aggregates products mined from our Gaoloushan Mine and processed in our processing plant and concrete products manufactured at our production facilities. The prices for our aggregate products are determined with reference to the general market trend, the prices of products of similar specifications and quality offered by our competitors, and the quality of our aggregate products. In respect of our concrete products, we determine our price with reference to factors including the monthly market indicative price on construction materials published by Huaibei Construction Standard Rating Station (淮北市建設標準定額站), customers' background, our production costs, payment terms and transportation costs. For further details, please refer to the paragraph headed "Business – Pricing policy" of this prospectus.

Construction aggregates and concrete markets are highly competitive and fluctuations in the prices of our construction aggregates and concrete are affected by a number of factors which are beyond our control. Such factors include, but are not limited to the quality and colour of the stone and the popularity and reputation of the construction aggregates and concrete products. The popularity of our products could lapse due to customers' changing preference, leading to the fall of the price of our products. In addition, imbalance in the supply of and demand for construction aggregates and concrete products in local, national and global markets could adversely affect the price of our products. Government policies, macro-economic factors, global economic environment and other factors beyond our control could significantly result in an oversupply or decreased demand for construction aggregates and concrete products, which in turn would result in fluctuations in the market price.

If the prices of our aggregate products and concrete products cannot be sustained, our business and results of operations could be materially and adversely affected. There is also no assurance that we will be able to sell our aggregate products, and concrete products at prices higher than or the same as the prices under our current individual sales contracts, or at all in the future. If we cannot maintain the prices of our aggregate products and concrete products in the future, our business and results of operations could be materially and adversely affected.

Our business and future growth may be affected by the macro-economic condition and performance of and level of demand in the construction industry in China and Anhui Province.

Construction aggregate and concrete products are key materials for many construction projects. During the Track Record Period, all of our business was conducted in Huaibei City, Suzhou City and Bozhou City. The demand for our products as well as our business and the prospects of future growth depend on the overall economic conditions and the development of the construction industry in China, especially in Anhui Province. China has experienced high real GDP growth rate over the past few years China has been among the world's fastest growing economies for decades with high average real annual GDP growth rates through 2019. According to the CIC Report, As China' economy has stepped into stable growth period, its real GDP growth has slowed down slightly from approximately 6.9% in 2017 to 6.0% in 2019. Caused by the COVID-19 outbreak, the growth rate dropped to 2.2 % in 2020 and recovered to 7.4% in 2021 and its growth is projected to be approximately 4.2% by 2026. The GDP of Anhui Province has increased from RMB2,967.6 billion in 2017 to RMB4,295.9 billion in 2021 with a CAGR of 9.7. Although the growth rate slowed down in 2020 due to the COVID-19 outbreak, the nominal GDP of Anhui province has recovered and is expected to maintain a steady growth from 2022 to 2026 with a CAGR of 6.2%. The gross output value of the construction industry in Anhui Province increased from RMB682.9 billion in 2017 to RMB 1,058.4 billion in 2021, representing a CAGR of 11.6%, and is expended to grow at a CAGR of 9.0% in the coming five years, reaching RMB1,631.6 billion by 2026. The conditions and growth of the construction industry rely on the macro-economic landscape as well as other factors, such as interest rate, inflation, the level of urbanisation and social and cultural development, unemployment rate, the trend of population distribution and consumer confidence. We cannot assure you that the economy in China or Anhui Province will grow at the current rate, or at all, or the demand for our products will keep increasing or maintain at the similar level.

Any slowdown or decline in the development of China's economy and/or construction industry may adversely affect the construction aggregate and concrete industry, which in turn would have an adverse impact on our business, operating results and financial condition.

Further, the PRC Government has from time to time implemented rules and measures to discourage speculation in the property market in the PRC, which may result in tightened liquidity, controlled money supply and credit and reduced capital available for property development and construction activities and may adversely affect the growth rate of the property market. For example, the PRC government has implemented and may continue to implement regulations and policies aiming to curtail the overheating of the real estate market and kerb the increase in housing prices, which may decrease the development of new real estate projects, resulting in a lower growth rate of demand for construction materials from China's real estate industry.

Our aggregate products and concrete products are used primarily as building materials and some of our customers and/or end customers are real-estate companies. In the event that those regulatory policies decelerate the overall growth of property development in the PRC, such customer(s) may experience slower growth, which could in turn restrict our potential and efforts to expand our business. Accordingly, any slow down or reduction in construction activities in general (including a continued decrease in residential construction or a weakening of commercial construction) could result in a decrease in demand and associated decrease in sales volume or selling prices of our aggregate products and concrete reduced profit margin and tightened liquidity available to us, any of which may have a material adverse effect on our business, financial condition and results of operations.

Changes in legal requirements and governmental policies concerning environmental protection and other relevant areas of laws could impact our business.

As we engage in mining and processing of construction aggregate in the PRC, our operations are subject to various PRC environmental protection regulations relating to a broad range of environmental protection matters, as well as certain approvals and permits of PRC governmental authorities. These environmental protection laws and regulations are complex and constantly evolving and are becoming more stringent. We are not always able to quantify the cost of complying with such laws and regulations. Any violation of the PRC environmental protection regulations or failure to obtain the relevant approvals and permits could subject us to a substantial fine, damage our reputation, result in delays in production or result in a temporary or permanent closing of some or all of our production facilities.

We are also subject to future events, including changes in existing laws or regulations or enforcement policies, or further investigation or evaluation of the potential health hazards of some of our products or business activities, which may require significant capital and maintenance expenditure for compliance. Stricter laws and regulations, or more stringent interpretations of existing laws or regulations, may impose new liabilities on us, reduce operating hours, require additional investment by us in pollution control or environment recovery equipment, or impede the opening of new or expanding existing plants or facilities. We could be forced to invest in preventive or remedial action, like pollution control facilities, which could incur substantial costs. Such costs, liabilities or disruptions in operations could materially and adversely affect our business, financial condition and results of operations. In addition, we have not maintained environmental protection liability insurance, which is not mandatory in the PRC. Any significant environmental protection liability would harm our business, financial condition and results of operations.

Changes to the PRC laws, regulations and governmental policies for the mining and processing industry may restrain our performance and subject us to potential liabilities.

The mining industry in China is highly regulated. Our operations are governed by a wide range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, production of stone products, taxation, labour standards, foreign investment and operation management. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may incur additional compliance efforts and increase in our operating costs and thus adversely affect our business, financial condition and results of operations.

In addition, our operations are subject to PRC laws and regulations relating to occupational health and production safety for the mining and processing industry. Mining companies that fail to comply with the applicable occupational health and production safety laws and regulations may be subject to fines, penalties or even suspension of operations. At the same time, relevant government authorities regularly conduct safety inspections of the mines and facilities of mining companies. The timing and the outcome of such safety inspections, nevertheless, is hard to predict since their standards are somewhat obscure. Failure to pass the occupational health or safety inspections may harm our corporate image, reputation and the credibility of our management, and thus have material adverse effect on our financial condition and results of operations.

There is no assurance that we will be able to fully comply with any new PRC laws, regulations, policies, standards and requirements applicable to the stone mining and processing industry or any changes in existing laws, regulations, policies, standards and requirements economically or at all. Furthermore, any such new PRC laws, regulations, policies, standards and requirements or any such changes in existing laws, regulations, policies, standards and requirements may also constrain our future expansion or development plans and adversely affect our profitability.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Any changes in China's economic, political and social conditions, as well as the regulatory policies could adversely affect our business, financial condition, operating results and prospects.

Our Company is incorporated in the PRC, and we derived all of our revenue from customers based in the PRC, and therefore our financial condition, operating results and prospects depend to a large extent on economic, political, legal and social developments in the PRC. The PRC economy differs from the economies of the developed countries in many aspects, including the extent of government involvement, level of development, growth rate, foreign exchange controls and resource allocation.

Based on GDP, China was one of the fastest growing economies in the world in recent years. However, China may fail to sustain its growth rate. In order to maintain economic growth in China, the PRC government has taken and may continue to implement a range of monetary policies and other economic measures to expand the investment in infrastructure projects, increase the liquidity of credit market and encourage employment. Other economic, political, legal and social factors may also lead to further adjustments of the reform measures in the PRC. This improvement and adjustment process may not necessarily have a positive effect on our operations and business development. If there is slow growth or even a recession in the PRC economy, the demand for construction aggregate and concrete products may be affected, our finance cost may increase, or our access to credit may reduce. Such changes in the PRC economy and relevant markets in future may adversely affect our business, financial condition and operating results. In addition, while China's economy has experienced significant growth in the past decades, the growth has been uneven across both geographic regions and the various sectors of the economy. Our business may also be affected by the PRC government's economic, political and social policies on the development of Anhui Province and other provinces, policies in relation to production and supply of concrete, and any changes to the relevant PRC regulations on the concrete production and supply industry.

Restrictions on the remittance of RMB into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The PRC government imposes controls on the convertibility of RMB into foreign currencies. We receive all of our revenue in RMB. We may convert a portion of our revenue into other currencies for, for example, payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currency as a result of difficulty in foreign currency exchange and/or a large temporary payment in foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

Fluctuations in the value of the RMB could have an adverse effect on your investment.

The value of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies is affected by, among other things, changes in the PRC's foreign exchange policies and international economic and political developments. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which may result in further and more significant fluctuations in the value of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies.

All of our revenue and expenses are denominated in RMB and fluctuations in exchange rates may adversely affect the value of our net asset and earnings. In addition, the dividends from our H Shares will be received in Hong Kong dollars. As a result, any appreciation of RMB against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in a decrease in the value of the dividend earnings. Conversely, any depreciation of the RMB may adversely affect the value of our H Shares in foreign currency. Any significant fluctuation in the value of the RMB against foreign currencies could adversely affect us and the value of your investment in our H Shares.

Restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations.

In the PRC, foreign companies have been, and are currently, required to operate within a framework that differs from that imposed on domestic PRC companies. For example, the Guidance Catalogue for Foreign Investment Industries (外商投資產業指導目錄) clearly specifies the encouraged, prohibited and restricted industries for foreign investment. According to the latest version of the Guidance Catalogue for Foreign Investment Industries as effected on 27 January 2021, our business does not fall within the prohibited or the restricted category. The PRC government, however, has been opening up opportunities for foreign investment in certain categories of mining projects and this process is expected to continue, especially following PRC's accession into the World Trade Organisation. However, if the PRC government reverses this trend, or imposes greater restrictions on foreign investment in the PRC, or seeks to nationalise our operations in the PRC, our business and results of operations could be materially and adversely affected.

The interpretation and enforcement of PRC laws and regulations involve significant uncertainties and PRC laws differ from the laws of common law jurisdictions.

We are established and existent under the laws of the PRC. Our business operation in the PRC is subject to Chinese laws and regulations. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. In addition, PRC written statutes are often principle-oriented and require detailed interpretations by judicial and enforcement bodies in applying and enforcing such laws. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new, and due to the limited number of published cases and judicial interpretations and their lack of precedential force, interpretation and enforcement of these laws and regulations involve significant uncertainties. As the PRC legal system is under development, there can be no assurance that changes in such laws and regulations, or in their interpretation or enforcement, will not have an adverse effect on our business operations.

Furthermore, certain important aspects of the PRC Company Law are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to investor protection, such as shareholder class-action suits and measures protecting the non-controlling shareholders, restrictions on directors, disclosure requirements, different rights of classified shareholders, general meeting procedure and disbursement of dividends. These aspects of the PRC Company Law can, to some extent, be mitigated through the application of Mandatory Provisions and certain other provisions of the Hong Kong Listing Rules, including the inclusion of Mandatory Provisions in the listing company's articles of association. This process decreases the discrepancies between Hong Kong and the PRC Company Law and strengthens investor protection. Our Articles of Association include the provisions required under the Hong Kong Listing Rules. Although such provisions have been included, we cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies incorporated in common law jurisdictions.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realised upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those who have establishments or premises in China but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), dividends paid by us and gains realised by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by SAT, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or an applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

Despite the arrangements mentioned above, there are uncertainties as to the interpretation and application of applicable PRC tax laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. In addition, there remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC's tax authorities, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual holders of our H Shares and on gains realised on the sale or other disposition of our H Shares. The PRC's tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our H Shares may be materially affected.

Investors may experience difficulties in effecting service of legal proceedings and enforcing judgements against us, Directors, Supervisors or senior management.

We are a joint stock company incorporated under the laws of the PRC with limited liability, and nearly all of our assets are located in the PRC. In addition, a majority of our Directors and Supervisors and all of our senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors, Supervisors and senior management personnel. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgements of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgements with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgements of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On 14 July 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administration Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"), which came into effect on 1 August 2008. Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgement. It is not possible to enforce a judgement rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the 2006 Arrangement has expressly provided for "enforceable final judgement", "specific legal relationship" and "written form". A final judgement that does not comply with the 2006 Arrangement may not be recognised and enforced in a PRC court.

On 18 January 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgements in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear when it will come into effect and the outcome and effectiveness of any action brought under the 2019 Arrangement may still be uncertain. We cannot assure you that an effective judgement that complies with the 2019 Arrangement can be recognised and enforced in a PRC court.

RISKS RELATING TO THE H SHARES AND THE GLOBAL OFFERING

There has been no prior public market for our H Shares. Liquidity and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Underwriter(s) and us, and may significantly differ from the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of Global Offering, the market price and liquidity of our H Shares could be adversely affected.

In addition, the trading price and trading volume of the H Shares may be subject to significant volatility as a result of various factors, including:

- variations in our operating results or differences between our operating results and those expected by investors and analysts;
- changes in securities analysts' estimates of our financial performance;
- announcements made by us or our competitors;
- regulatory developments or market changes in the PRC affecting us or our industry;
- any business interruptions resulting from natural disasters or accidents;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC;
- announcements of or completions of acquisitions, strategic alliances or joint ventures by us or our competitors;
- addition or departure of our key personnel;
- release or expiration of lock-up or other transfer restrictions on our Shares;
- liability claims brought against us;
- involvement in litigation; and
- general political, economic, financial, social development and stock market conditions and other factors.

Moreover, in recent years, stock markets in general, and the H shares issued by other issuers in the PRC and listed on the Stock Exchange both have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of related companies. These broad market and industry fluctuations may adversely affect the market price of our H Shares in a similar manner.

Sales or expected sales of large amounts of our H Shares or other securities relating to our H Shares in the public market could adversely affect the market price of our H Shares.

Future sales by our Shareholders of substantial amounts of our H Shares or other securities relating to our H Shares in the public markets after the Global Offering, or the perception that these sales may occur, could adversely affect market prices of our H Shares prevailing from time to time.

In addition, Domestic Shares may be converted into H Shares after Listing subject to relevant laws and regulations and approvals. Please refer to the section headed "Information about this prospectus and the Global Offering – Restrictions on Offer and Sale of the Offer Shares" for a more detailed discussion of restrictions that may apply to future sales of our H Shares. After these restrictions lapse, the market price of our H Shares may decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, the issuance of new H Shares or other securities relating to our H Shares, the conversion of substantial amounts of Domestic Shares into H Shares or the perception that such sales, conversion or issuances may occur. This could also adversely affect our ability to raise capital at a time and at a price we deem appropriate.

In addition, our Shareholders may experience dilution in their holdings when we issue additional securities in future offerings. New equity or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

There will be a time gap of several business days between pricing and trading of the H Shares offered under the Global Offering. Further, the application for the Hong Kong Offer Shares is longer than the normal market practice of 3.5 days. The market price of the H Shares when trading begins could be lower than the Offer Price.

The Offer Price of the H Shares will be determined on the Price Determination Date. However, the H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. The Shares will not commence trading on the Stock Exchange until they are delivered and it is expected that there will be a considerable gap of time between the pricing of the H Shares/closing of the application lists and the commencement of trading. Further, the application for the Hong Kong Offer Shares will commence from Friday, 30 December 2022 through to Friday, 13 January 2023, which is longer than the normal market practice of 3.5 days. Investors may not be able to sell or otherwise deal in the H Shares until the commencement of trading and accordingly, holders of the H Shares are subject to the risk that the price of their H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins. As a result, investors may not be able to sell or otherwise deal in the H Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the H Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

We have not independently verified certain facts, forecasts and other statistics obtained from various government publications contained in this prospectus.

Certain facts, statistics, and data in this prospectus are derived from official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While our Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), the Controlling Shareholders, any of their or our Company's respective directors, officers or representatives, or any other person involved in the Global Offering. Therefore none of them makes any representation as to the accuracy or completeness of such facts, statistics, and data. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice, and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire prospectus carefully, and do not rely on any information contained in press articles or other media regarding us and the Global Offering.

Prior to or after the publication of this prospectus, there have has been or may be press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the appropriateness, accuracy, completeness or reliability of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors in our H Shares are cautioned to make their investment decisions on the basis of the information contained in this prospectus only, and should not rely on any other information.

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

This prospectus contains certain statements and information that are forward looking and uses forward-looking terminology such as "anticipate", "believe", "could", "potential", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would", or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Hong Kong Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that an applicant applying for a listing on the Stock Exchange must have sufficient management presence in Hong Kong, and this normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong. Pursuant to Rule 19A.15 of the Listing Rules, the requirement of sufficient management presence in Hong Kong set out in Rule 8.12 of the Listing Rules is also applicable to issuers incorporated in the PRC, but may be waived by the Stock Exchange at its discretion. In exercising such discretion, the Stock Exchange will have regard to, among other conditions, the applicant's arrangement for maintaining regular communications with the Stock Exchange. Our operations are based in the PRC and our Group's headquarters situate in and substantially all of our Directors currently reside in the PRC. We do not, and in the foreseeable future will not, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. As a result, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules, on the following conditions to ensure that regular and effective communication is maintained between the Stock Exchange and us:

(a) *Authorised representatives:* We have appointed Ms. Shi Yinyan ("**Ms. Shi**"), our executive Director and joint company secretary and Mr. Li Kin Wai ("**Mr. Li**"), our joint company secretary, as our authorised representatives (the "**Authorised Representatives**") for the purpose of Rule 3.05 of the Listing Rules. They will act as our principal channel of communication with the Stock Exchange and will ensure that our Group complies with the Listing Rules at all times. Mr. Li is ordinarily resident in Hong Kong. Although Ms. Shi resides in the PRC, she possesses valid travel documents to visit Hong Kong and is able to renew such travel documents when they expire. The Authorised Representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by office and mobile phone numbers, facsimile numbers, email address, correspondence address and any other contact details (if available) prescribed by the Stock Exchange from time to time.

(b) *Directors:* When the Stock Exchange wishes to contact our Directors on any matter, each of the Authorised Representatives has all the necessary means to contact all the members of our Board (including our independent non-executive Directors) and of our senior management team promptly at all times. We will implement the following measures: (i) each of our Director must provide his/her office and mobile phone numbers, facsimile number, email address and correspondence address to the Authorised Representatives; (ii) in the event that a Director expects to travel and/or otherwise be out of office, he/she will provide the phone number, facsimile number (if available) and address of the place of his/her accommodation to the Authorised

Representatives. In addition, one independent non-executive Director is ordinarily resident in Hong Kong and the remaining eight Directors are ordinarily resident in China. All of our Directors who are not ordinary resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange within a reasonable period of time, if required.

We have provided the office and mobile phone numbers, facsimile number, email address and correspondence address of each of our Director to the Stock Exchange.

(c) *Compliance adviser:* We have appointed China Everbright Capital Limited as our compliance adviser (the "**Compliance adviser**") upon listing in compliance with Rule 3A.19 of the Listing Rules, who will act as our additional channel of communication with the Stock Exchange during the period from the Listing Date to the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Adviser will have access at all times to the Authorised Representatives, our Directors and other members of the senior management of our Company, be available to answer enquiries from the Stock Exchange and will act as our additional channel of communication with the Stock Exchange when the Authorised Representatives are not available. We will ensure that there are adequate and efficient means of communication among ourselves, the Authorised Representatives, Directors and other officers and the Compliance Adviser.

(d) *Meetings with the Stock Exchange:* Meeting between the Stock Exchange and our Directors could be arranged through the Authorised Representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in the Authorised Representatives and Compliance Adviser.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after Listing, certain transactions which will constitute continuing connected transactions for our Company and are subject to the annual review, reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details of such non-exempt continuing connected transactions are set out in the section headed "Continuing Connected Transactions" of this prospectus.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint an individual as our company secretary who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Stock Exchange:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Stock Exchange considers when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Shi to act as one of our joint company secretaries. She joined our Company in December 2018 and has served as the chief financial officer since December 2018 and an executive Director since May 2021, and has a thorough understanding of the operation of our Board and our Company. For details of Ms. Shi, please see the section headed "Directors, Supervisors and Senior Management – Executive Directors". Ms. Shi, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules, and may not be able to solely fulfil the requirements of the Listing Rules. Given the important role of our Company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

(a) we have appointed Mr. Li who possesses the requisite academic and professional qualifications and relevant experience as required under Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Ms. Shi in the discharge of her duties as a company secretary for an initial period of three years commencing on the Listing Date so as to communicate regularly with

Ms. Shi on matters relating to the Listing Rules as well as other applicable laws and regulations, to inform Ms. Shi on a timely basis of any amendment to the Listing Rules and any new or amended laws, regulations and codes that are applicable to our Company and to enable Ms. Shi to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary;

(b) our Hong Kong legal advisers have provided training on the Listing Rules and other applicable laws and regulations to Ms. Shi. We will further ensure that Ms. Shi has access to the relevant training and support to enable her to familiarise herself with the Listing Rules and other relevant laws and regulations, as well as the duties required of a company secretary of an issuer listed on the Stock Exchange. Moreover, both Ms. Shi and Mr. Li will complete the professional training requirements set out under Rule 3.29 of the Listing Rules;

(c) we have appointed China Everbright Capital Limited as the Compliance Adviser to assist Ms. Shi in relation to corporate governance practices and ongoing compliance with the Listing Rules and the applicable laws and regulations; and

(d) before the expiry of the three-year period, the qualifications and experience of Ms. Shi will be re-evaluated. Ms. Shi is expected to demonstrate to the Stock Exchange's satisfaction that she, having had the benefit of Mr. Li's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Stock Exchange for and the Stock Exchange has granted us, a waiver of three years from the Listing Date from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Such waiver will be revoked immediately if there are material breaches of the Listing Rules by our Company. Upon expiry of the initial three-year period, the qualifications of Ms. Shi will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Ms. Shi has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Future (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirmed that to the best of their knowledge and belief: (i) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, (ii) there are no other matters the omission of which would make any statement herein or this prospectus misleading and (iii) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are found on basis and assumptions that are fair and reasonable.

CSRC APPROVAL

We have obtained approvals of the CSRC for the Global Offering and the making of the application to list our H Shares on the Stock Exchange on 19 December 2022. In granting such approval, the CSRC does not accept any responsibility for our financial soundness or for the accuracy of any of the statements made or opinions expressed in this prospectus.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

For applicants under the Hong Kong Public Offering, this prospectus set forth the terms and conditions of the Hong Kong Public Offering. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to agreement on the Offer Price between our Company and the Sole Global Coordinator (on behalf of the Underwriters). The International Offering is expected to be underwritten by the International Underwriters. The Global Offering is coordinated by the Sole Global Coordinator.

For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or around Friday, 13 January 2023, and in any event no later than Wednesday, 18 January 2023.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and us are unable to reach an agreement on the Offer Price on or before Wednesday, 18 January 2023, or such later date or time as may be agreed between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and us, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the USA.

APPLICATION FOR LISTING OF OUR H SHARES ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option). No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(a) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(b) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers, agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(c) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and

(d) authorises us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, or any of their respective directors, agents, employees, affiliates or advisors or any other party involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

H SHARE REGISTRAR AND STAMP DUTY

All of our H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar. Our principal register of members will be maintained by us at our head office in China. Dealings in our H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our H Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in our H Shares. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding, disposing of, or dealing in our H Shares or the exercise of any rights attaching to our H Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and the related stabilisation exercise are set out in the section headed "Structure of the Global Offering" in this prospectus.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus should prevail. If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Unless otherwise specified, conversion of RMB into HK$ in this prospectus is based on the following exchange rate (for illustration purpose only), HK$1 = RMB0.90. No representation is made that any amounts in RMB was or could have been or could be converted into HK dollars at such rates or any other exchange rates on such date or any other date.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Liu Yong (劉勇)	Room 0614, Building 3 No. 16 Yingshan Road Xiangshan District Huaibei City Anhui Province the PRC	Chinese
Ms. Zhao Li (趙麗)	Room 301, Building B2-24 No. 276 Huaihai Road Xiangshan District Huaibei City Anhui Province the PRC	Chinese
Mr. Mao Hongxian (毛鴻顯)	No. 1001, Building 16 Hengda Yayuan, Renmin Road Xiangshan District Huaibei City Anhui Province the PRC	Chinese
Mr. Qin Jiapeng (秦加朋)	Room 604, Unit 2, Building 12 West Side, Xiangshan Road Xiangshan District Huaibei City Anhui Province the PRC	Chinese

Name	Residential address	Nationality
Mr. Zhang Lizhe (張立哲)	Room 403, Building S1 No. 221 Xichang Road Nanguan Office Yongqiao District Suzhou City Anhui Province the PRC	Chinese
Ms. Shi Yinyan (石銀燕)	Room 1505, Building 2B Taiyang Cheng Renmin Road, Municipal District Huaibei City Anhui Province the PRC	Chinese

Independent non-executive Directors

Mr. Gao Wei (郜偉)	Room 502, Unit 1, Building 49 Wengehua Jin Hua Yuan Renmin Road, Xiangshan District Huaibei City Anhui Province the PRC	Chinese
Mr. Liu Chaotian (劉朝田)	Room 302, Unit 1, Building 25 Nanyuan District Wanbei Coal and Electricity Authority Suzhou City Anhui Province the PRC	Chinese
Ms. Xing Mengwei (邢梦瑋)	Flat C, 8/F, Tower 6 18 Hoi Fai Road One Silversea Tai Kok Tsui, Kowloon Hong Kong	Chinese

SUPERVISORS

Name	Residential address	Nationality
Ms. Zhao Mingling (趙明靈)	Room 408, Unit 4, Building 31 No. 10, Limin Lane Xiangshan District Huaibei City Anhui Province the PRC	Chinese
Ms. Li Chi (李馳)	Room 0505, Building 2, No. 16 Yingshan Road Xiangshan District Huaibei City Anhui Province the PRC	Chinese
Ms. Dong Jing (董璟)	Room 204, Unit 2 Building 1, No. 55 Gucheng Road Xiangshan District Huaibei City Anhui Province the PRC	Chinese

For further information on the profile and background of our Directors and Supervisors, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**China Everbright Capital Limited** 12/F Everbright Centre 108 Gloucester Road Wan Chai Hong Kong
Sole Global Coordinator	**China Everbright Securities (HK) Limited** 12/F Everbright Centre 108 Gloucester Road Wan Chai Hong Kong
Joint Bookrunners	**China Everbright Securities (HK) Limited** 12/F Everbright Centre 108 Gloucester Road Wan Chai Hong Kong
	ABCI Capital Limited 11/F Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	BOCI Asia Limited 26/F Bank of China Tower 1 Garden Road Central Hong Kong
	BOCOM International Securities Limited 9/F Man Yee Building 68 Des Voeux Road Central Hong Kong

China Industrial Securities International Capital Limited
32/F
Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

China PA Securities (Hong Kong) Company Limited
Units 3601, 07 & 11-13
36/F
The Center
99 Queen's Road Central
Hong Kong

Citrus Securities Limited
Room 2201
22/F
OfficePlus@Wan Chai
303 Hennessy Road
Wanchai
Hong Kong

CMBC Securities Company Limited
45/F
One Exchange Square
8 Connaught Place
Central
Hong Kong

Huaan Securities (Hong Kong) Brokerage Limited
8/F
Li Po Chun Chambers
189 Des Voeux Road Central
Sheung Wan
Hong Kong

ICBC International Securities Limited
37/F
ICBC Tower
3 Garden Road
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

SPDB International Capital Limited
33/F
SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Joint Lead Managers

China Everbright Securities (HK) Limited
12/F
Everbright Centre
108 Gloucester Road
Wan Chai
Hong Kong

ABCI Securities Company Limited
10/F
Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited
26/F
Bank of China Tower
1 Garden Road
Central
Hong Kong

BOCOM International Securities Limited
9/F
Man Yee Building
68 Des Voeux Road Central
Hong Kong

China Industrial Securities International Capital Limited
32/F
Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

China PA Securities (Hong Kong) Company Limited
Units 3601, 07 & 11-13
36/F
The Center
99 Queen's Road Central
Hong Kong

Citrus Securities Limited
Room 2201
22/F
OfficePlus@Wan Chai
303 Hennessy Road
Wanchai
Hong Kong

CMBC Securities Company Limited
45/F
One Exchange Square
8 Connaught Place
Central
Hong Kong

Huaan Securities (Hong Kong) Brokerage Limited
8/F
Li Po Chun Chambers
189 Des Voeux Road Central
Sheung Wan
Hong Kong

ICBC International Securities Limited
37/F
ICBC Tower
3 Garden Road
Hong Kong

Livermore Holdings Limited
Unit 1214A
12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Maxa Capital Limited
Unit 1908
Harbour Center
25 Harbour Road
Wanchai
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

SPDB International Capital Limited
33/F
SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

	ZMF Asset Management Limited Unit 2502 25/F World Wide House 19 Des Voeux Road Central Central Hong Kong
Legal advisers to our Company	*As to Hong Kong Laws* **Chungs Lawyers in association with DeHeng Law Offices** 28/F Henley Building 5 Queen's Road Central, Central Hong Kong *As to PRC Laws* **Beijing DeHeng Law Offices** 12/F, Tower B, Focus Place 19 Finance Street Beijing, PRC
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong Laws* **Morgan, Lewis & Bockius** Suites 1902-09, 19th Floor Edinburgh Tower, The Landmark 15 Queen's Road Central Hong Kong *As to PRC Laws* **AllBright Law Offices** 9, 11/F-12/F, Shanghai Tower No. 501 Yincheng Middle Road Pudong New Area Shanghai 200120 China
Auditors and reporting accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong

Independent technical consultant	**SRK Consulting (Hong Kong) Limited** Suite A1, 11/F One Capital Place 18 Luard Road, Wan Chai Hong Kong
Property valuer	**Roma Appraisals Limited** 22/F, China Overseas Building 139 Hennessy Road, Wan Chai Hong Kong
Industry consultant	**China Insights Industry Consultancy Limited** 10/F, Block B Jing'an International Centre 88 Puji Road, Jing'an District Shanghai, the PRC
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered office and headquarters in the PRC	4/F Shuangchuang Service Centre No. 3 Taobo Road Song Tuan Town, Lieshan District Huaibei City Anhui Province PRC
Principal place of business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Company's website	www.ljgfjt.com *(information contained in this website does not form part of this prospectus)*
Joint company secretaries	**Ms. Shi Yinyan (石銀燕)** Room 1505, Building 2B Taiyang Cheng Renmin Road, Municipal District Huaibei City Anhui Province the PRC **Mr. Li Kin Wai (李健威)** *(ACG, HKACG)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorised representatives	**Ms. Shi Yinyan (石銀燕)** Room 1505, Building 2B Taiyang Cheng Renmin Road, Municipal District Huaibei City Anhui Province the PRC **Mr. Li Kin Wai (李健威)** *(ACG, HKACG)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong

Audit Committee	Mr. Gao Wei (郜偉) *(Chairman)* Mr. Liu Chaotian (劉朝田) Ms. Xing Mengwei (邢梦瑋)
Remuneration Committee	Mr. Liu Chaotian (劉朝田) *(Chairman)* Mr. Gao Wei (郜偉) Mr. Liu Yong (劉勇)
Nomination Committee	Mr. Liu Yong (劉勇) *(Chairman)* Mr. Liu Chaotian (劉朝田) Mr. Gao Wei (郜偉)
ESG Committee	Mr. Liu Yong (劉勇) *(Chairman)* Mr. Mao Hongxian (毛鴻顯) Mr. Qin Jiapeng (秦加朋)
H Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Compliance adviser	**China Everbright Capital Limited** 12/F Everbright Centre 108 Gloucester Road Wan Chai Hong Kong
Principal banker	**Industrial and Commercial Bank of China Co., Ltd. (Huaibei Huaihai Road Branch)** No. 201, Huaihai Road Xiangshan District Huaibei City Anhui Province, the PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, or any of our directors and advisors, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned CIC, a market research and consulting company founded in Hong Kong and engaging in the provision of professional consulting services across multiple industries, to conduct an analysis of and report on the construction materials market in China. The CIC Report was prepared by CIC independent of our influence. The fees paid for the preparation of the CIC Report was RMB760,000, which we believe reflects the market rate for such reports.

The information and data collected by CIC have been analysed, assessed, and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analysing market data obtained from several publicly available data sources, such as Ministry of Ecology and Environment of the PRC and the National Bureau of Statistics of the PRC. The methodology used by CIC is based on analysing information gathered from multiple levels and ensures that this information is cross-referenced for reliability and accuracy.

RESEARCH METHODOLOGY AND ASSUMPTIONS

The market projections in the CIC Report are based on the following key assumptions: (i) the overall social, economic and political environments in China and Huaibei City and its Surrounding Cities are expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth in the construction market of China, Huaibei City and its Surrounding Cities' construction materials market throughout the forecast period; and (iii) there will be no extreme force majeure event or unforeseen industry regulation that significantly or fundamentally affect the market.

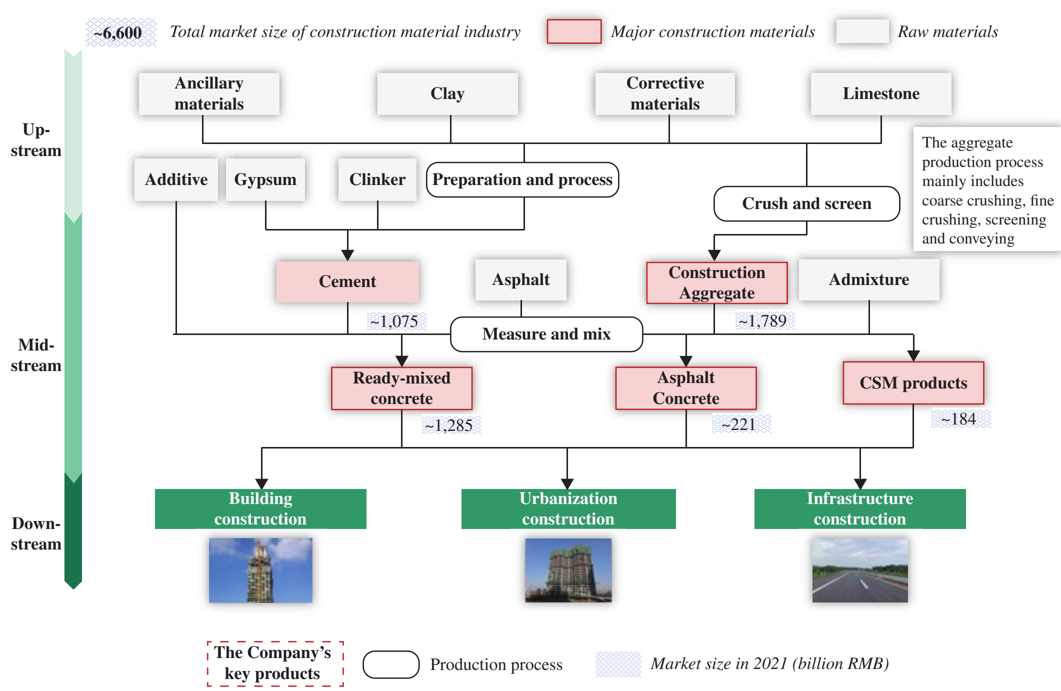
Our Directors confirm that after taking reasonable enquiries, there had been no material adverse change in the market information since the date of the CIC Report which may qualify, contradict, or have an impact on the information set out in this section. Except otherwise mentioned, all data and forecasts contained in this section are extracted from the CIC Report.

OVERVIEW

Construction materials include a wide range of materials which are used in building construction, road construction, and other construction activities. Common construction materials include construction aggregates, concrete, cement stabilised macadam products, wood, cement, and metals. This section will focus on analysing the markets of construction aggregates, ready-mixed concrete, cement stabilised macadam, and asphalt concrete products in Huaibei City and its Surrounding Cities, where the Company's customers are located. Huaibei City is a prefecture-level city in north of Anhui Province, and Suzhou City, and Bozhou City are prefecture-level cities located nearby.

The market of construction material industry in China reached RMB6,600 billion in 2021 in terms of sales value, and the five major construction material products, including construction aggregates, ready-mixed concrete, asphalt concrete, CSM products and cement, represented approximately 70% of total market in terms of sales value. The graph below represents the value chain of China's construction material industry.

Overview of value chain in construction materials industry, China, 2021



Source: CIC

The following table sets out the definition, transportation radius, maximum transportation hours and seasonality of the four construction materials that were sold by the Company during the Track Record Period.

Construction material	Definition	Transportation radius	Maximum transportation hours	Location of the Company's Customers	Seasonality
Construction aggregates	• A type of inert granular material including sand, gravel, crushed stone, slag, etc, serves as a reinforcement to strengthen the overall composite material.	Less than 200km	N/A	Huaibei City and its Surrounding Cities	• Off seasons include Chinese New Year, and certain climate conditions such as rainy seasons (which include June, July and August), also negatively affect the market demand.
Ready-mixed concrete	• A type of specially batched concrete product and supplied to the customer on-site as a single product.	Less than 30km	Approximately two hours	Huaibei City	
Cement stabilised macadam	• A type of widely used base course material in road construction and is obtained by the mix and compaction of low dosage cement, graded aggregate, optimum moisture, and other possible materials.	Less than 20km	Approximately one and a half hours	Huaibei City	
Asphalt concrete	• A type of concrete made of two primary ingredients: asphalt cement and construction aggregates.	Less than 30km	Approximately two hours	Huaibei City	

Source: CIC

The value chain of construction material industry includes upstream raw material suppliers, midstream construction material manufacturers and downstream buyers. For construction aggregates, most construction material companies are both raw material suppliers and manufacturers, as they conduct mining and process raw materials into construction aggregates products. After that, construction aggregates products are sold to downstream buyers. For ready-mixed concrete, cement stabilised macadam and asphalt concrete, construction material manufacturers purchase raw materials such as sand, gravel and cement from upstream raw material suppliers, process the raw materials into construction materials, and sell these materials to downstream buyers.

ANALYSIS OF CONSTRUCTION AGGREGATES MARKETS IN HUAIBEI CITY AND ITS SURROUNDING CITIES

Overview of construction aggregates

Construction aggregates refer to inert granular material used in construction, including sand, gravel, crushed stone, slag and etc. and they serve as reinforcement to strengthen the overall composite material. Construction aggregates are relatively low-cost and high-volume commodities that are typically sold as close as possible in terms of distance to consumers to reduce transportation costs. Construction aggregates are used to increase volume, stability, resistance to wear or erosion, and other desired physical properties to the finished product.

Market size of construction aggregates in Huaibei City and its Surrounding Cities

The sales volume of construction aggregates in Huaibei City and its Surrounding Cities has experienced fluctuations in last few years. It first increased from approximately 38.6 million tonnes in 2017 to approximately 44.2 million tonnes in 2018, and decreased to approximately 26.0 million tonnes in 2019, and bounced back to approximately 32.0 million tonnes in 2020 and finally decreased to approximately 26.8 million tonnes in 2021, representing a negative CAGR of approximately 8.7% from 2017 to 2021. The decline of sales volume in 2019 mainly resulted from the sharp decrease of production capacity as the government published a series of policies and regulation on environment protection and safety production. For example, in 2019, the Central Committee of the Communist Party of China issued "The regulations on central inspection work of ecological and environmental protection" (《中央生態環境保護督察工作規定》), and the Work Safety Committee of the State Council issued "Notice of shutting down unqualified non-coal mines for safety production" (《關於做好關閉不具備安全生產條件非煤礦山工作的通知》). Many small and medium quarries without the ability to meet the standard required by these policies were forced to shut down, which led to huge reduction of production volume and limited supply of construction aggregates.

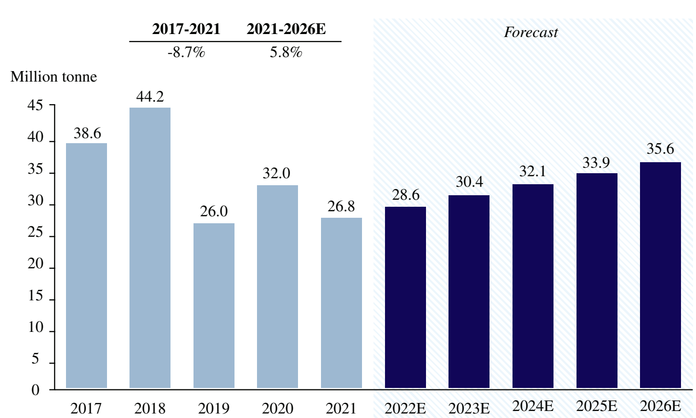
In 2021, the sales volume of construction aggregates in Huaibei City and its Surrounding Cities has declined. First of all, the government of China has imposed a series of measures to stabilise the real estate market, and real estate companies become more cautious in real estate investment. The growth rate of real estate development investment in Huaibei City has slowed down in the second half of 2021 and become lower than that in the first half of the year, and many real estate companies have paused their construction projects, resulting in decreasing demand for construction materials. Furthermore, the government of Huaibei City has issued regulations to eliminate gathering of people and reduced personnel movement in construction sites due to regional outbreak of COVID-19 in Eastern China, and these regulations often resulted in delay of construction projects. However, these factors are expected to be short-term and the demand for construction aggregates will increase after the recovery of real estate sector and the relief of pandemic. The real estate industry is one of the important economic industries in Huaibei City. Despite of the downturn in the real estate industry in the past few years, the

Huaibei City has announced several favourable policies such as "Implementation Opinions on Preferential Policies for Purchasing Houses in Huaibei City" (《關於淮北市購房優惠政策的實施意見》) in April 2022 and "Several Measures to Continuously Promote the High-quality Development of the Construction Industry in Huaibei City"(《淮北市持續推進建築業高質量發展若干措施》) in June 2022, which would promote the stable growth of the real estate industry in Huaibei City and it Surrounding Cities in the long term. In addition, although the outbreak of the COVID-19 pandemic has adversely affected the market demand in 2020, the government has implemented a series of measures to contain the spread of the COVID-19 pandemic, such as normalized nucleic acid detection and emergency measures, leading to the revival of important industries in the PRC such as the construction industry in 2021.

Construction activities will continue to increase with expected economy development in the following years, and there will be thriving demand for construction aggregates in Huaibei City and its Surrounding Cities, along with the positive polices carried out by the local government to support and encourage the development of fundamental infrastructure, such as the "The Implementation Plan for Strengthening Urban Infrastructure Construction in Huaibei City" (《淮北市加強城鎮基礎設施建設實施方案》) published in 2020. The sales volume of construction aggregates in Huaibei City and its Surrounding Cities is expected to increase from approximately 26.8 million tonnes in 2021 to approximately 35.6 million tonnes in 2026, with a CAGR of approximately 5.8%. Meanwhile, most survived quarries with mining licences and the ability to meet environment protection standards belong to state-owned enterprises, and they are actively expanding production capacities in order to capture market demand.

The following chart shows the sales volume of construction aggregates in Huaibei City and its Surrounding Cities from 2017 to 2021, and the forecast period from 2022 to 2026.

Sales volume of construction aggregates, Huaibei City and its Surrounding Cities, 2017-2026E



Source: China Sand-Stone Association, CIC

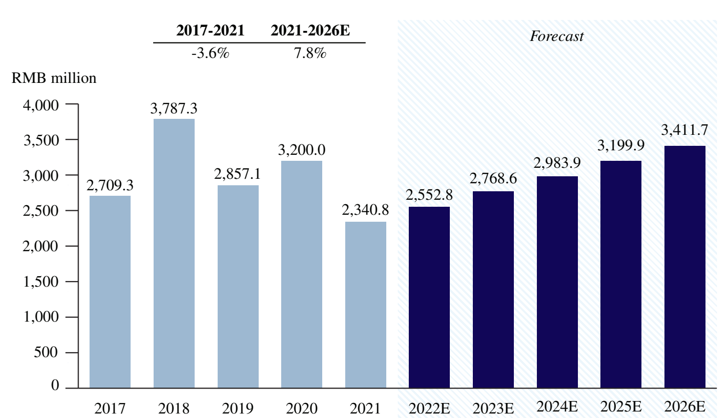
Due to shortage of construction aggregates supply resulted from government regulation for environment protection and safety production in 2019, the price of construction aggregates increased substantially. However, the rising price of construction aggregate was not substantial enough to offset the huge reduction of sales value caused by supply shortage, and the sales value of construction aggregate decreased rapidly in 2019. The sales value of construction aggregates in Huaibei City and its Surrounding Cities first increased from approximately RMB2,709.3 million in 2017 to approximately RMB3,787.3 million in 2018, and decreased to approximately RMB2,857.1 million in 2019, then bounced back to RMB3,200.0 million in 2020, and finally decreased to RMB2,340.8 million in 2021, representing a negative CAGR of approximately 3.6% from 2017 to 2021.

To capture the rising demand from construction sector, construction aggregates manufacturers are actively expanding production capacity and increasing the supply of construction aggregates. With thriving demand from construction projects, the sales value (i.e. sales volume multiplied by unit price) of construction aggregates in Huaibei City and its Surrounding Cities is expected to increase from approximately RMB2,340.8 million in 2021 to approximately RMB3,411.7 million in 2026, with a CAGR of approximately 7.8% from 2021 to 2026.

The sales value of construction aggregates in Huaibei City and its Surrounding Cities has decreased to RMB2,340.8 million in 2021, representing a negative year-over-year decrease of 26.9% from 2020. The decrease of sales value is mainly because of temporarily shrinking demand for construction aggregates and declining selling prices of construction aggregates in Huaibei City and its Surrounding Cities.

The following chart shows the sales value of construction aggregates in Huaibei City and its Surrounding Cities from 2017 to 2021, and the forecast period from 2022 to 2026.

Sales value of construction aggregates, Huaibei City and its Surrounding Cities, 2017-2026E



Source: China Sand-Stone Association, CIC

ANALYSIS OF READY-MIXED CONCRETE MARKET IN HUAIBEI CITY

Overview of ready-mixed concrete market

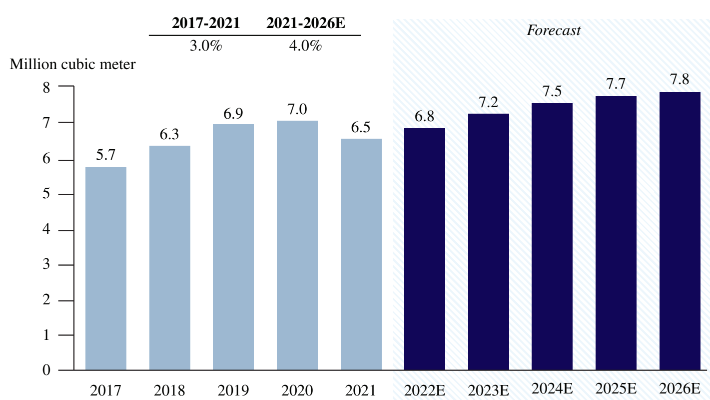
Ready-mixed concrete is mixture of cement, water, concrete admixture, additive, and construction aggregates. Compared with field concrete, ready-mixed concrete has the advantages of high product quality, stability and controllability, high work efficiency, and low environmental pollution, which is in line with the national policies for green development. Ready-mixed concrete is specifically batched or manufactured for construction projects, and supplied to the customer on-site as a single product.

Market size of ready-mixed concrete in Huaibei City

The sales volume of ready-mixed concrete in Huaibei City surged from approximately 5.7 million cubic metres in 2017 to approximately 7.0 million cubic metres in 2020, and decreased to 6.5 million cubic metres in 2021, representing a CAGR of 3.0% from 2017 to 2021. Along with the increasing investments in the construction industry in Huaibei City, the demand for ready-mixed concrete will increase in the future. It is expected that the sales volume of ready-mixed concrete in Huaibei City will have steady growth and reach 7.8 million cubic metres in 2026, representing a CAGR of 4.0% from 2021 to 2026.

The following chart shows the sales volume of ready-mixed concrete in Huaibei City from 2017 to 2021, and the forecast period from 2022 to 2026.

Sales volume of ready-mixed concrete, Huaibei, 2017-2026E

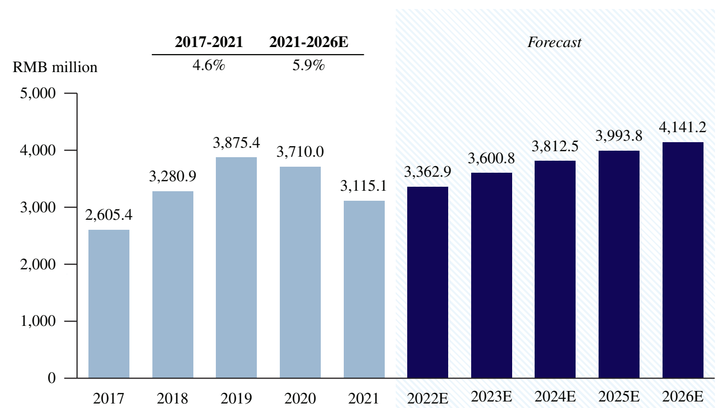


Source: 100NJZ, CIC

The sales value of ready-mixed concrete in Huaibei City increased from approximately RMB2,605.4 million in 2017 to approximately RMB3,875.4 million in 2019, and decreased to approximately RMB3,115.1 million in 2021 representing a CAGR of approximately 4.6% from 2017 to 2021, mainly driven by the significant increase of the ready-mixed concrete's average price and sales volume. It is expected that the sales value of ready-mixed concrete in Huaibei City will reach RMB4,141.2 million in 2026, representing a CAGR of 5.9%.

The following chart shows the sales value of ready-mixed concrete in Huaibei City from 2017-2021, and the forecast period from 2022 to 2026.

Sales value of ready-mixed concrete, Huaibei, 2017-2026E



Source: 100NJZ, CIC

ANALYSIS OF CEMENT STABILISED MACADAM PRODUCTS MARKETS IN HUAIBEI CITY

Cement-stabilised macadam (CSM) products refer to a type of widely used base course material in road construction in China, and it is obtained by the mix and compaction of low dosage cement, graded aggregate, optimum moisture, and other possible materials. Featured with high stiffness and strength, and good durability due to the condensation of cement, CSM products offer additional strength and support for the flexible asphalt pavements without the necessity of increasing the total thickness of pavement layers.

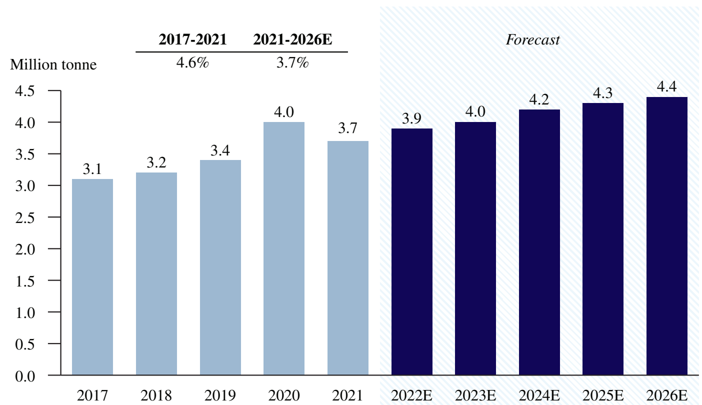
Market size of cement-stabilised macadam products in Huaibei City

The sales volume of cement-stabilised macadam ("**CSM**") products in Huaibei City has experienced fluctuation from 2017 to 2021. The sales volume increased from approximately 3.1 million tonnes in 2017 to approximately 4.0 million tonnes in 2020, and decreased to approximately 3.7 million tonnes in 2021, representing a CAGR of approximately 4.6% from 2017 to 2021.

Given that CSM products are essential and widely used in road construction and the road construction demand will continue to increase in Huaibei City, the sales volume of CSM products is expected to increase continually. It is predicted that the sales volume of CSM products in Huaibei City will reach approximately 4.4 million tonnes in 2026, with a CAGR of approximately 3.7% between 2021 and 2026.

The following chart shows the sales volume of CSM products in Huaibei City from 2017 to 2021, and the forecast period from 2022 to 2026.

Sales volume of CSM products, Huaibei City, 2017-2026E



Source: CIC

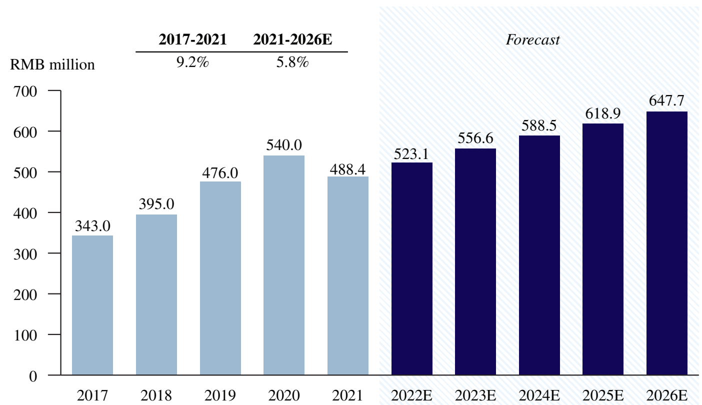
The sales value of CSM products in Huaibei City increased from approximately RMB343.0 million in 2017 to approximately RMB540.0 million in 2020, and decreased to RMB488.4 million in 2021, representing a CAGR of 9.2% from 2017 to 2021. The rise of sales value in the past few years is mainly due to the increase in CSM products' average price in 2018 and 2019. Since construction aggregate products are the essential raw materials of CSM products, the increases in prices of construction aggregate products has led to the increases in CSM product prices in 2018 and 2019.

However, the sales value has decreased from RMB540.0 million in 2020 to RMB488.4 million in 2021, which is mainly because the delay of several infrastructure construction projects in Huaibei City has led to shrinking demand and decreased price of CSM products.

In the future, it is expected that price of CSM products will not fluctuate in large scale and maintain relatively stable, considering the industry is developing into mature stage under strict government regulation. Given that the demand for CSM products in road construction will maintain stable in the future, the sales value of CSM products is expected to reach approximately RMB647.7 million in 2026, with a CAGR of 5.8% between 2021 and 2026.

The following chart shows the sales value of CSM products in Huaibei City from 2017 to 2021, and the forecast period from 2022 to 2026.

Sales value of CSM products,
Huaibei City, 2017-2026E



Source: CIC

ANALYSIS OF ASPHALT CONCRETE MARKET IN HUAIBEI CITY

Overview of asphalt concrete market

Asphalt concrete is a combination of two primary ingredients: construction aggregates and asphalt cement. Typically, the construction aggregates constitute 90-95% (w/w) of the total mixture and the asphalt cement (asphalt binder) constitutes 5-10% (w/w) of the total mixture to form the asphalt concrete. Asphalt concrete has been widely applied in pavement construction including runway, highway, airport, garden road, and parking lots. Asphalt pavement has many advantages over other materials used in pavement construction. It is cost-effective, weather resistant, and environmentally friendly. It provides a more uniform and smoother surface which improves driving safety and stability.

The manufacturing process of asphalt concrete consists of preparing raw materials, weighing, and mixing. Once completed the production, the asphalt concrete is transported by trucks to the paving site where it is spread to a uniform thickness and compacted to the required degree, producing a smooth, well-compacted pavement.

Market size of asphalt concrete in Huaibei City

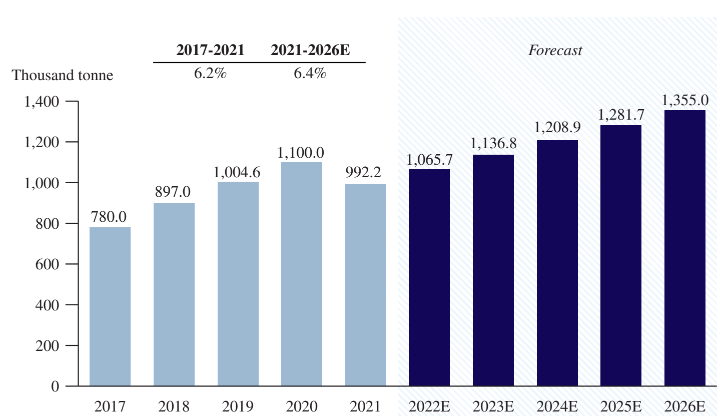
The sales volume of asphalt concrete in Huaibei City surged from approximately 780.0 thousand tonnes in 2017 to approximately 1,100.0 thousand tonnes in 2020, mainly driven by the increase in urbanisation rate and construction of highways and roads in Huaibei City. In 2017, Huaibei City was rated as a national civilised city and the local government began to pay more attention to urban construction and road construction in Huaibei. In addition, during the 13th Five-Year Plan period, Huaibei City increased the investments in highway and road construction projects, which led to the increasing demand for asphalt concrete over the past five years.

However, the sales volume of asphalt concrete in Huaibei City has decreased to 992.2 thousand tonnes in 2021, which is mainly because of the delay of the infrastructure construction projects in Huaibei City has led to the decline of asphalt concrete consumption.

From 2021, Huaibei City continues to accelerate the development of urban road and highway planning which will drive up the future demand of asphalt concrete, the sales volume of asphalt concrete in Huaibei City is expected to maintain steady growth and increase with a CAGR of 6.4% from 2021 to 2026.

The following chart shows the sales volume of asphalt concrete in Huaibei City from 2017 to 2021, and the forecast period from 2022 to 2026.

Sales volume of asphalt concrete, Huaibei, 2017-2026E

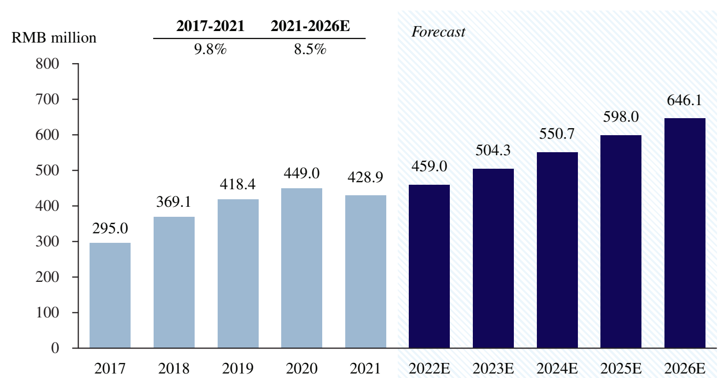


Source: 100NJZ, CIC

The sales value of asphalt concrete in Huaibei City increased from approximately RMB295.0 million in 2017 to approximately RMB449.0 million in 2020, and decreased slightly to RMB428.9 million in 2021, representing a CAGR of 9.8% from 2017 to 2021. The decrease of sales value in 2021 is mainly due to the decline of sales volume of asphalt concrete in Huaibei City. It is expected that the sales value of asphalt concrete in Huaibei City will maintain steady growth and reach RMB646.1 million in 2026, representing a CAGR of 8.5% from 2021 to 2026.

The following chart shows the sales value of asphalt concrete in Huaibei City from 2017 to 2021, and the forecast of the period from 2022 to 2026.

Sales value of asphalt concrete, Huaibei, 2017-2026E



Source: 100NJZ, CIC

MARKET DRIVERS FOR THE CONSTRUCTION MATERIALS INDUSTRY IN HUAIBEI CITY AND ITS SURROUNDING CITIES

(i) ***Growing demand from infrastructure construction with the support of government policies.*** The rapid growth of investment in infrastructure construction in Huaibei City and its Surrounding Cities jointly ensure the stable increase in demand for construction materials. In 2016, the Huaibei municipal government implemented the strategic government policy called "China Carbon Valley Green Gold Huaibei" (《中國碳谷•綠金淮北》), aiming to restructure the economy in Huaibei City by shifting its focus from coal production to environmentally sustainable industries (or green industries) such as construction, energy, tourism and other industrial systems characterized by low carbon emissions. In 2019, Huaibei started the construction of many public infrastructure projects, such as Huaibei People's Hospital, Huaibei Longshan North Road and Huaibei City – S101 Hexiang Road renovation project, which increased the demand for downstream construction materials. In 2020, the Huaibei municipal government implemented "The Plan for Strengthening Urban Infrastructure Construction in Huaibei City" (《淮北市加強城鎮基礎設施建設實施方案》), and the government of Anhui province issued the "Key project investment plan in 2020 for Anhui Province" (《安徽省2020年重點項目投資計劃》), in which there are 232 planned construction projects in

Huaibei City with a total project investment of RMB40.6 billion, such as the railway construction project of Huaibei, Suzhou and Bengbu City (淮宿蚌) and the construction project of Huaibei No. 1 Middle School. These investment plans will promote the development of the downstream construction materials market in the future.

(ii) ***Promotion of New Infrastructure ("新基建"), such as 5G base stations, electrical substations, and big data centre.*** Building New Infrastructure has recently become a top development priority for China. Since the National Development and Reform Commission clarified the scope of New Infrastructure, 25 provinces, including Anhui Province, have launched their own local plans. For example, Anhui Province started the first New Infrastructure construction project of ultra high voltage (UHV) in 2021. New Infrastructure projects, such as 5G base stations and electrical substations, will bring huge demand for construction materials in Huaibei City and its Surrounding Cities.

(iii) ***Increasing urbanisation rate.*** The urbanisation rate in Huaibei City and its Surrounding Cities, including Suzhou City and Bozhou City, experienced a stable increase between 2017 and 2021. The urbanisation rate in Huaibei City, Suzhou City and Bozhou City increased from approximately 63.6%, 41.6% and 39.8% in 2017 to approximately 64.8%, 45.0% and 43.2% in 2021, respectively. In addition, in March 2019, the National Development and Reform Commission of China issued its "Key Tasks of New-type Urbanisation for 2019" (《2019年新型城鎮化建設重點任務》), which aimed to optimise plans for urbanisation, strengthen support for transportation networks, promote high-quality urban development, and reinforce the construction of urban infrastructure. The promotion of New-type Urbanisation and rural construction will provide continual support for construction materials demand in Huaibei City and its Surrounding Cities.

(iv) ***Favourable government policies on the construction materials industry.*** China has successively issued several policies and regulations regarding the construction materials industry to enhance product standards, energy efficiency, emission reduction as well as production safety, and to further promote the structural adjustment of construction materials. The policies and regulations include the "Certain Opinions on Promoting the High-Quality Development of the Machine-made Sand Industry" (《關於推進機製砂石行業高質量發展的若干意見》), which was promulgated with the aim to, among others, (i) promoting the use of machine-made construction aggregate products to replace the natural construction aggregate; (ii) setting out specific products standards, which have to be achieved by 2025; (iii) emphasising on the importance of complying with the environmental protection requirements such as adopting measures to control dust emissions, water usage, energy consumption, noise pollution and air pollution; and (iv) focusing on the safety requirements on production including encouraging the use of automatic production equipment and enhancing the procedures of mining operation, transportation of mined rocks and screening so as to minimise occupational risks. The construction materials producers are then required to inject more capital to upgrade their production facilities and enhance their operations so as to keep up with the requirements

under those regulations and policies. Therefore, it is beneficial for those leading companies with strong capital inputs, manufacturing capabilities and technical advantages to carry out their business and enhance competitiveness and to capture market shares, while those smaller and less competitive companies in the industry would be phased out as they will be forced to shut down if they fail to comply with those tightened requirements.

FUTURE TRENDS OF THE CONSTRUCTION MATERIALS INDUSTRY IN HUAIBEI CITY AND ITS SURROUNDING CITIES

(i) ***Promotion of green development.*** Since 2016, the government has made tremendous efforts in addressing environmental protection issues. Construction materials industry is expected to evolve towards the green and environmentally friendly direction. The government is leading the construction materials industry on a path to save energy. In March 2020, the National Development and Reform Commission, the Ministry of Natural Resources, the Ministry of Industry and Information Technology, as well as the Ministry of Ecology and Environment jointly issued the "Guiding Opinions on Promoting the Healthy and Orderly Development of the Sand and Gravel Industry" (《關於促進砂石行業健康有序發展的指導意見》), encouraging the wider use of machine-made construction aggregates to replace natural aggregates to protect the environment, which can increase the demands for machine-made construction aggregates in the future.

(ii) ***Demand for construction materials of high quality.*** High-quality construction materials have become the mainstream products in the industry. The National Development and Reform Commission issued the "Industrial Structure Adjustment Guidance Catalogue (2019 Edition)" 《產業結構調整指導目錄(2019年本)》, which promoted the wide application of high-quality construction materials. This guidance catalogue also addressed the need to eliminate outdated production processes and products. In recent years, the technology of construction materials in China has made great progress in mining technology, production technology, as well as transportation technology, and is expected to be further developed in the future.

(iii) ***Intensification of industry concentration.*** The concentration rate of the industry is expected to increase in the future. Local governments have and will continue to strictly implement regulations on production process and pollution control systems and inspect construction aggregates and concrete production enterprises stringently. In the meanwhile, the government has vigorously promoted the elimination of redundant production capacity. As a result, less competitive players, such as small and medium construction materials suppliers, may be forced out of business as they may not possess the capacity to comply with the changes in regulations.

CHALLENGES OF THE CONSTRUCTION MATERIALS INDUSTRY IN HUAIBEI CITY AND ITS SURROUNDING CITIES

(i) ***Price fluctuation of upstream raw materials.*** Due to the intensification of environmental protection measures, many raw material suppliers that failed to meet the environmental protection requirements have been forced to shut down or rectify. The prices of raw materials may fluctuate as a result of the shortage of construction materials. In the future, with the rising price of raw materials, the tight supply and high cost of the construction materials is expected to continue, which will exert a direct impact on construction materials manufacturers.

(ii) ***Unpredicted policies and regulations.*** In recent years, the government has successively issued a series of policies and regulations on the construction materials production process and quality standards that may limited market supply and raised the overall costs of production. In addition, the government has implemented and may continue to implement regulations and policies aiming to curtail the overheating of the infrastructure market and kerb the increase in housing prices, which may decrease the development of new real estate projects, resulting in a lower growth rate of demand for construction materials from China's real estate industry.

AVERAGE PRICE OF CONSTRUCTION MATERIALS AND COSTS ANALYSIS OF RAW MATERIALS

The average price of construction aggregates in Huaibei City and its Surrounding Cities first increased from approximately RMB70.1 per tonne in 2017 to approximately RMB110.0 per tonne in 2019, and decreased to approximately RMB87.3 per tonne in 2021, representing a CAGR of 5.6% from 2017 to 2021. Due to the stringent regulations implemented by the government in mining for the purpose of environment protection and safety production, the production volume of construction aggregates declined in 2019, which caused the average price to surge quickly in 2019. However, as the situation of construction aggregate shortage in 2019 has been relieved, the average price of construction aggregate declined since 2020. Considering the cost of delivery, most construction aggregates consumed in Huaibei City comes from Huaibei City and its Surrounding Cities.

In 2020, the decrease in average selling price of aggregate products in Huaibei City and its Surrounding Cities was attributable to the increase in supply of construction aggregate in Huaibei City resulted from the remediation process of abandoned quarries (山體整治) encouraged by the local government in 2020. During such process, rubbles which could be used to produce construction aggregate were removed from abandoned quarries and entered into the market, leading to the increase of supply in construction aggregates. At the same time, the shortage of construction aggregate resulted from the aforementioned tightened policies in 2019 had gradually relieved in 2020 because existing suppliers had expanded their production capacities which led to the increase of supply and decrease in average selling price for construction aggregates.

The average price of construction aggregates in Huaibei City and its Surrounding Cities in 2021 has decreased to RMB87.3 per tonne, representing a negative year-over-year change of 12.7% from 2020. The supply of construction aggregates is relatively sufficient since market players are expanding their production capacity in recent years. Meanwhile, the decreasing demand in 2021 has triggered the price reduction of construction aggregates and resulted in the decline of average selling price. The decreasing demand of construction aggregates in 2021 was mainly caused by the measures on real estate market in China imposed by the government in order to stabilise the real estate sector in China. The growth rate of real estate development investment in Huaibei City has slowed down in the second half of 2021 and become lower than that in the first half of the year, and many real estate companies have paused their construction projects, resulting in decreasing demand for construction materials. Furthermore, the government of Huaibei City has issued regulations to eliminate gathering of people and reduce personnel movement in construction sites due to regional outbreak of COVID-19 in Eastern China, and these regulations often resulted in delay of construction projects. However, the decrease of average price is expected to be short term and the average price of construction is expected to increase to RMB89.6 per tonne by 2026. As one of the main raw material of ready-mixed concrete, asphalt concrete and CSM products, the price fluctuation of construction aggregate will affect the average price of these three products as well.

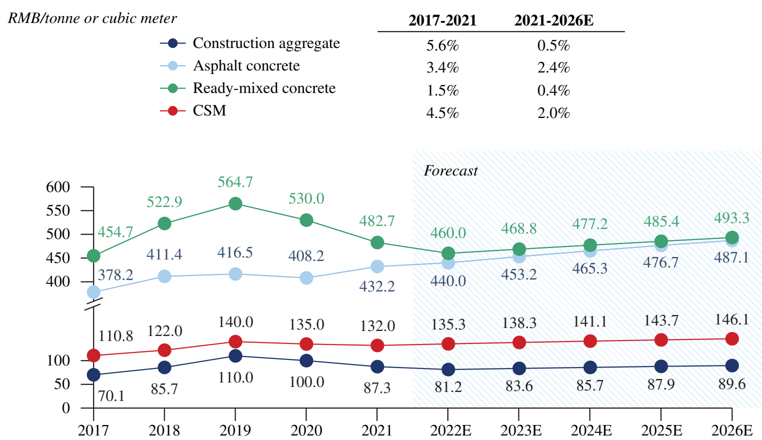
The average price of asphalt concrete and ready-mixed concrete in Huaibei City increased from approximately RMB378.2 per tonne to approximately RMB432.2 per tonne, and from approximately RMB454.7 per cubic metre to approximately RMB482.7 per cubic metre between 2017 and 2021, with a CAGR of 3.4% and 1.5% respectively. The increased average prices is caused by several factors, including increase in raw materials costs, such as construction aggregate, asphalt and cements. It is expected that the CAGR of these two products will grow steadily at approximately 2.4% and approximately 0.4% from 2021 and 2026, respectively.

The average price of CSM products in Huaibei City increased from approximately RMB110.8 per tonne to approximately RMB132.0 per tonne between 2017 and 2021, with a CAGR of approximately 4.5%. The increased prices stemmed mainly from the rising demand from the road construction sector.

The average price of the Company's construction materials is within the market price range of the industry.

The following chart shows the historical average price of major construction materials in Huaibei City from 2017 to 2021, and the forecast of the period from 2022 to 2026.

Average major construction materials price, Huaibei City, 2017-2026E



Source: China Sand-Stone Association, CIC

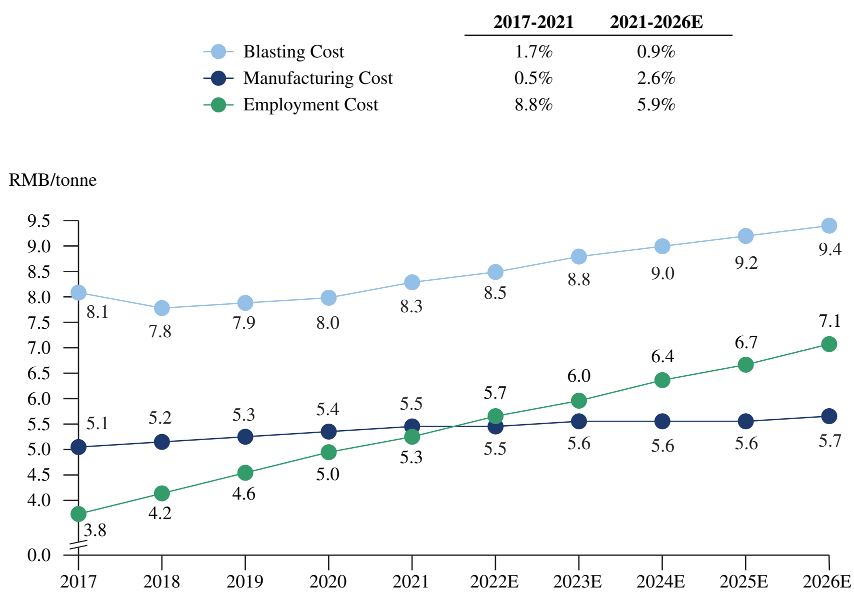
Operating costs of manufacturing construction aggregates

Blasting cost, manufacturing cost and employment cost are major operating costs of manufacturing construction aggregates.

In Huaibei City and its Surrounding Cities, blasting cost has been relatively stable and has increased from RMB5.1 per tonne in 2017 to RMB5.5 per tonne in 2021. Manufacturing cost has decreased from RMB8.1 per tonne in 2017 to RMB7.8 per tonne in 2018, and has increased slightly since 2018, reaching RMB8.3 per tonne in 2021. The decrease of manufacturing costs in 2018 is mainly because the number of small and privately owned manufacturers with higher manufacturing cost are decreasing due to policy restrictions, and the remaining market players are large and state-owned manufacturers with relatively low manufacturing costs because of economies of scale. Employment cost has increased from RMB3.8 per tonne in 2017 to RMB5.3 per tonne in 2021.

The following chart sets forth the trend of major operating costs of manufacturing construction aggregates in Huaibei City and its Surrounding Cities from 2017 to 2026.

Major operating costs of manufacturing construction aggregates in Huaibei City and its Surrounding Cities, 2017-2026E



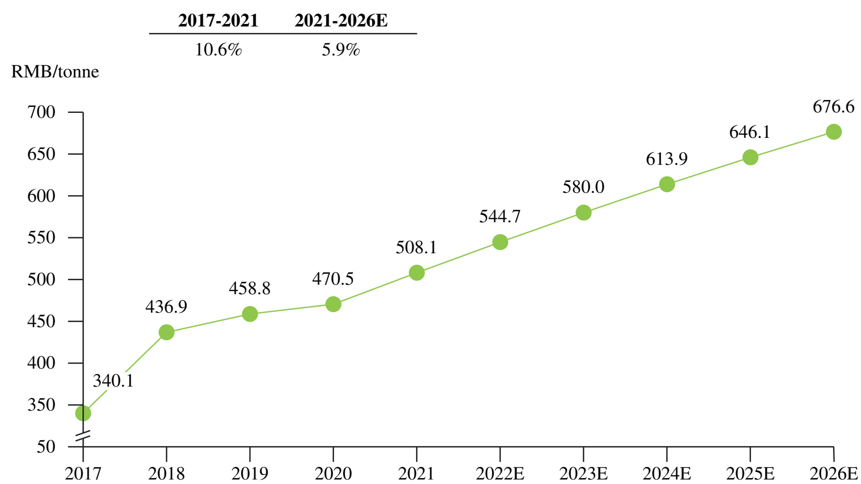
Source: CIC

Price of raw materials

Bulk cement is the main raw material of ready-mixed concrete and CSM products. The average price of cement has experienced a significant increase from 2017 to 2018 from approximately RMB340.1 per tonne in 2017 to approximately RMB436.9 per tonne in 2018, which is directly affected by the decline of production volume due to the reduction of overcapacity. In the future, the average price of cement will maintain a stable growth with a CAGR of approximately 5.9% from 2021 to 2026 due to the government's promotion of off-peak production of cement.

The following chart shows the average bulk cement price in China from 2017 to 2021, and the forecast of the period from 2022 to 2026.

Average bulk cement price, China, 2017-2026E

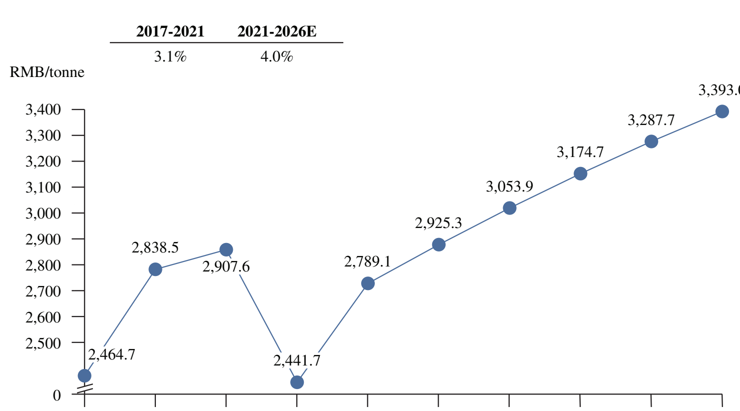


Source: China Cement Net, CIC

Asphalt is one of the main raw materials of the asphalt concrete products. The average price of asphalt experienced an increase from 2017 to 2019 but dropped from approximately RMB2,907.6 per tonne in 2019 to approximately RMB2,441.7 per tonne in 2020, which is directly affected by the collapse of crude oil price in 2020. In 2021, the average price of asphalt has increased to RMB2,789.1 per tonne as crude oil price rose. It is expected the average price of asphalt will maintain a steady growth for the next five years with a CAGR of 4.0% between 2021 and 2026.

The following chart shows the average asphalt price in China from 2017 to 2021, and the forecast of the period from 2022 to 2026.

Average asphalt price, China, 2017-2026E



Source: CIC

COMPETITIVE LANDSCAPE OF THE CONSTRUCTION AGGREGATES

Competitive landscape of the construction aggregates market in China and Anhui Province

As of 2021, the sales volume of construction aggregates in China reached approximately 19.7 billion tonnes. The construction aggregates manufacturing market in China is highly fragmented, with the top five construction aggregates manufacturers accounting for approximately 1.3% of the market in terms of sales volume of the construction aggregates in 2021. Most leading construction aggregate manufacturers are also top players in China's cement industry, and it is mainly because major cement manufacturers are actively expanding their business to their upstream as construction aggregates are important raw material of cement.

Tongming Mining accounted for approximately 0.02% of the total construction aggregate market in China in terms of sales volume in 2021.

Ranking of top five construction aggregates manufacturers in terms of sales volume, China, 2021

Ranking	Company	Business scope	Sales volume *(Million tonne)*	Market share
1	China National Building Material Co., Ltd.	A listed company founded in 1984 and headquartered in Beijing, engaging in cement, lightweight building materials, glass fibre and fibre-reinforced plastic products and engineering service businesses with nationwide coverage. Its registered capital is RMB17.1 billion.	103.8	0.5%
2	Power China Anhui Changjiu Advanced Materials Co., Ltd.	An unlisted state-owned construction material company owned by Power Construction Corporation of China and located in Anhui Province, with business covering construction materials in eastern China. Its registered capital is RMB1.2 billion.	45.0	0.2%

Ranking	Company	Business scope	Sales volume *(Million tonne)*	Market share
3	Huaxin Cement Co., Ltd.	A listed cement manufacturer company headquartered in Wuhan, Hubei and principally engaged in the production and sales of cement and concrete with nationwide coverage. Its registered capital is RMB2.0 billion.	35.0	0.2%
4	Guangdong Dongsheng Industry Co., Ltd.	An unlisted construction material company, headquartered in Guangzhou with business covering logistics and real estate in southern China. Its registered capital is RMB500.0 million.	34.5	0.2%
5	Anhui Conch Cement Co., Ltd.	A listed cement manufacturer company headquartered in Anhui Province and principally engaged in production and sale of cement, commodity clinker and aggregate with nationwide coverage. Its registered capital is RMB5.3 billion.	33.1	0.2%
	Sub-total		251.4	1.3%
	Others		19,448.6	98.7%
	Total		**19,700.0**	**100.0%**

Source: CIC

In 2021, the sales volume of construction aggregates in Anhui Province reached approximately 1,192.7 million tonnes. The construction aggregates manufacturing market in Anhui is highly fragmented, with the top five construction aggregates manufacturers accounting for approximately 9.5% of the market in terms of sales volume of the construction aggregates in 2021.

Tongming Mining accounted for approximately 0.29% of the total construction aggregate market in Anhui Province in terms of sales volume in 2021.

Ranking of top five construction aggregates manufacturers in terms of sales volume, Anhui, 2021

Ranking	Company	Business scope	Sales volume *(Million tonne)*	Market share
1	Power China Anhui Changjiu Advanced Materials Co., Ltd.	An unlisted state-owned construction material company owned by Power Construction Corporation of China and located in Anhui Province, with business covering construction materials in Eastern China. Its registered capital is RMB1.2 billion.	45.0	3.8%
2	Anhui Conch Cement Co., Ltd.	A listed cement manufacturer company headquartered in Anhui Province and principally engaged in production and sale of cement, commodity clinker and aggregate with nationwide coverage. Its registered capital is RMB5.3 billion.	33.1	2.8%
3	Huoshan County Mineral Resource Development Co., Ltd.	An unlisted construction aggregate company located in Liuan City, Anhui province with annual construction aggregates production capacity of over 200 million tonne with business covering west Anhui province. Its registered capital is RMB300.0 million.	13.6	1.1%
4	Anhui Province Hengjin Mining Co., Ltd.	An unlisted company located in Chizhou City, Anhui Province and focused on the production and sales of mineral products including construction aggregates and limestone with business covering west and south Anhui Province. Its registered capital is RMB40.0 million.	12.5	1.0%
5	Ningguo City Construction Investment Co., Ltd.	An unlisted company located in Xuancheng City, Anhui province and operated business in the production and sales of construction aggregates with business covering east and south Anhui province. Its registered capital is RMB1.2 billion.	9.0	0.8%
	Sub-total		113.2	9.5%
	Others		1,079.5	90.5%
	Total		**1,192.7**	**100.0%**

Note: The ranking in Anhui province is calculated based on companies' sales volume from quarries in Anhui province.

Source: CIC

Competitive landscape of the construction aggregates market in Huaibei City and its Surrounding Cities

As of 2021, the sales volume of construction aggregates in Huaibei City and its Surrounding Cities reached approximately 26.8 million tonnes. The construction aggregates manufacturing market in Huaibei City and its Surrounding Cities is highly concentrated, with the top five construction aggregates manufacturers accounting for nearly 63.3% of the market in terms of annual sales volume of the construction aggregates in 2021. Furthermore, competition in the construction aggregates industry is highly correlated to geographical location. Since construction aggregates can be transported over relatively long distance, suppliers in Surrounding Cities, such as Suzhou and Bozhou will jointly serve the same market.

Tongming Mining ranked the third in the construction aggregates manufacturing market in Huaibei City and its Surrounding Cities, accounting for approximately 12.9% of the total market in terms of sales volume of construction aggregates in 2021.

Ranking of top five construction aggregates manufacturers in terms of sales volume, Huaibei City and its Surrounding Cities, 2021

Ranking	Company	Background	Location of quarries	Sales volume *(Million tonne)*	Market share
1	Anhui Leiming Mining Co., Ltd.	An unlisted state-owned company with business scope of production and sales of construction aggregates; manufacture and distribution of civil explosive products with business coverage in Huaibei City and its Surrounding Cities. Its registered capital is RMB100.0 million.	Xiao County, Suzhou City	5.0	18.7%
2	Huaibei Youshi New Environmental-friendly Building Material Co., Ltd.	An unlisted state-owned company with business scope of production and sales of construction aggregate, machine-made sand, concrete, ready-mixed mortar, and prefabricated cement structures with business coverage in Huaibei City and its Surrounding Cities. Its registered capital is RMB100.0 million.	Duji District, Huaibei City	4.0	14.9%
3	Tongming Mining	A state-owned company with business scope of production and sales of construction aggregates, asphalt concretes, ready-mixed concrete, and CSM products, and service for engineering constructions	Lieshan District, Huaibei City	3.4	12.9%

Ranking	Company	Background	Location of quarries	Sales volume (Million tonne)	Market share
4	Huaibei Xiangshan Cement Co., Ltd.	An unlisted state-owned company with business scope of production and sales of construction aggregate, cement, and other construction material with business coverage in Huaibei City and its Surrounding Cities. Its registered capital is RMB408.5 million.	Duji District, Huaibei City	2.5	9.3%
5	Anhui Zhonghuai Mining New Building Material Co., Ltd.	An unlisted state-owned company with business scope of production and sales of construction aggregate, service for engineering construction with business coverage in Huaibei City and its Surrounding Cities. Its registered capital is RMB100.0 million.	Yongqiao District, Suzhou City	2.0	7.5%
	Sub-total			16.9	63.3%
	Others			9.9	36.7%
	Total			**26.8**	**100.0%**

Source: CIC

COMPETITIVE LANDSCAPE OF THE CONCRETE PRODUCTS

Competitive landscape of the concrete products market in China and Anhui Province

Concrete products refer to a series of different concrete mixture, in which ready-mixed concrete is the most widely used concrete products applied in all kinds of constructions, and asphalt concrete and CSM products are widely used in road pavements. In China and Anhui Province, most concrete products manufacturers focused on ready-mixed concrete and leading ready-mixed concrete manufacturers with mass production volume become the leading players in concrete products market.

In 2021, the sales volume of ready-mixed concrete in China reached approximately 3.0 billion cubic metres. The ready-mixed concrete market in China is relatively fragmented, with the top five ready-mixed concrete manufacturers accounting for approximately 8.4% of the market in terms of sales volume of the ready-mixed concrete in 2021.

Liantong Municipal accounted for approximately 0.01% of the total ready-mixed concrete in China in terms of sales volume in 2021.

Ranking of top five ready-mixed concrete manufacturers in terms of sales volume, China, 2021

Ranking	Company	Business scope	Sales volume *(Million cubic metre)*	Market share
1	China National Building Material Co., Ltd.	A listed company founded in 1984 and headquartered in Beijing, engaging in cement, lightweight building materials, glass fibre and fibre-reinforced plastic products and engineering service businesses with nationwide coverage. Its registered capital is RMB17.1 billion.	111.8	3.8%
2	China West Construction Group Co., Ltd.	A listed state-owned construction company and concrete manufacturer founded in 2001 and headquartered in Urumqi, with business covering western China. Its registered capital is RMB1.3 billion.	61.1	2.1%
3	Shanghai Construction Group Co., Ltd.	A listed state-owned construction engineering company headquartered in Shanghai, with business covering eastern China. Its registered capital is RMB8.9 billion.	45.0	1.5%
4	BBMG Corporation Ltd.	An unlisted construction material company headquartered in Beijing, engaged in concrete manufacturing business covering northern China and other business including property development, and investment. Its registered capital is RMB4.0 billion.	15.3	0.5%
5	China Resources Cement Holdings Limited.	A listed state-owned cement, clinker and concrete manufacturer in southern China and headquartered in Hong Kong. Its registered capital is HKD1.0 billion.	14.8	0.5%
	Sub-total		248.0	8.4%
	Others		2,716.0	91.6%
	Total		**2,964.0**	**100.0%**

Source: CIC

In 2021, the sales volume of ready-mixed concrete in Anhui Province reached 142.5 million cubic metres. The ready-mixed concrete market in Anhui Province is relatively fragmented, with the top five ready-mixed concrete manufacturers accounting for approximately 8.3% of the market in terms of sales volume of the ready-mixed concrete in 2021.

Liantong Municipal accounted for approximately 0.14% of the total ready-mixed concrete in Anhui Province in terms of sales volume in 2021.

Ranking of top five ready-mixed concrete manufacturers in terms of sales volume, Anhui Province, 2020

Ranking	Company	Business scope	Sales volume *(Million cubic metre)*	Market share
1	Chuzhou Zhonglian Concrete Co., Ltd.	An unlisted concrete manufacture company headquartered in Chuzhou City, Anhui province with business covering Chuzhou City. Its registered capital is RMB400.0 million.	3.1	2.2%
2	Hefei Yandun New Building Materials Co., Ltd.	An unlisted concrete manufacture company headquartered in Hefei City, Anhui province with business covering Hefei City. Its registered capital is RMB20.0 million.	2.5	1.8%
3	Anhui Youbang Concrete Co., Ltd.	An unlisted concrete manufacture and trading company headquartered in Hefei City, Anhui province with business covering Hefei City. Its registered capital is RMB20.0 million.	2.2	1.5%
4	Anhui Zhonglian New Material Co., Ltd.	An unlisted concrete manufacture company headquartered in Hefei City, Anhui province with business covering Hefei City. Its registered capital is RMB20.0 million.	2.0	1.4%
5	Fuyang Xinhe Chengxin Concrete Sales Co., Ltd.	An unlisted concrete manufacture and sales company headquartered in Fuyang City, Anhui province with business covering Fuyang City. Its registered capital is RMB60.0 million.	2.0	1.4%
	Sub-total		11.8	8.3%
	Others		130.7	91.7%
	Total		**142.5**	**100.0%**

Note: The ranking in Anhui province is calculated based on companies' sales volume in Anhui province.

Source: CIC

Competitive landscape of the concrete products market in Huaibei City

In 2021, Huaibei City has 28 ready-mixed concrete enterprises, and the ready-mixed concrete manufacturing market in Huaibei City is relatively concentrated, with the top five ready-mixed concrete manufacturers accounting for approximately 31.7% of the market in terms of annual sales volume of the ready-mixed concrete in 2021. Liantong Municipal produced approximately 0.2 million cubic metres ready-mixed concrete in 2021, accounting for approximately 3.1% of the market in Huaibei City in terms of sales volume.

In 2021, the sales volume of asphalt concrete in Huaibei City reached approximately 992.2 thousand tonnes. The asphalt concrete manufacturing market in Huaibei City is highly concentrated, with the top five asphalt concrete manufacturers accounting for approximately 75.6% of the market in terms of annual sales volume of the asphalt concrete in 2021. The sales volume of Liantong Municipal has reached approximately 24.6 thousand tonnes, accounting for approximately 2.5% of the market in Huaibei City in terms of annual sales volume of the asphalt concrete in 2021.

Ranking of top five asphalt concrete manufacturers in terms of sales volume, Huaibei City, 2021

Ranking	Company	Background	Sales volume *(Thousand tonnes)*	Market share
1	Anhui Road and Bridge Engineering Group Co., Ltd.	An unlisted state-owned company with business scope of production and sales of asphalt concrete, construction of roads and highways. Its registered capital is RMB15.3 million	200.0	20.2%
2	Huaibei Xinyi Highway Engineering Co., Ltd.	A privately-owned company with business scope of production and sales of asphalt concrete, rental of mechanical equipment	160.0	16.1%
3	Huaibei Tongsheng Highway Asphalt Engineering Co., Ltd.	A privately-owned company with business scope of production and sales of asphalt concrete, road building materials and construction materials. Its registered capital is RMB10.0 million	150.0	15.1%

Ranking	Company	Background	Sales volume *(Thousand tonnes)*	Market share
4	Huaibei Hongjing Highway Engineering Co., Ltd.	A privately-owned company with business scope of production and sales of asphalt concrete, ready-mixed concrete, and CSM products. Its registered capital is RMB8.0 million	130.0	13.1%
5	Huaibei Dipingxian Road Engineering Co., Ltd.	A privately-owned company with business scope of production and sales of road construction materials including concrete, CSM products and cement. Its registered capital is RMB10.0 million	110.0	11.1%
	Sub-total		750.0	75.6%
	Others		242.2	24.4%
	Total		**992.2**	**100.0%**

Source: CIC

In 2021, the sales volume of CSM products in Huaibei City reached approximately 3.7 million tonnes. The CSM products manufacturing market in Huaibei is relatively fragmented, with many small manufacturers actively participating in the market due to relatively low entry barriers. The top five CSM products manufacturers accounted for approximately 27.1% of the total market share in terms of annual sales volume of the CSM products in 2021.

The Company sold approximately 0.03 million tonnes of CSM products in 2021, accounting for approximately 0.85% of the total market in Huaibei City.

ENTRY BARRIERS OF THE CONSTRUCTION MATERIALS MARKET

(i) ***Production requirements.*** Government authorities have imposed strict requirements on the qualifications, safety management, production organisation, and management capabilities of construction aggregates and concrete product manufacturers. For example, China building material council issued "Green production and transportation standard for construction aggregates" (《砂石骨料綠色生產與運輸標準》) in 2019, which strengthened the requirements on the green transportation of construction aggregates. In addition, it also requires the new entrants to obtain the mining licence, which allows them to carry out the mining extraction and production. Therefore, new entrants are subject to production requirements, eco-friendly standards as well as safety regulations regarding the production processes, which can be difficult to establish and manage while remaining profitable in the short term.

(ii) ***Technical strength.*** The mining of construction aggregates is technologically intensive. It is necessary to organise an expert team with valid qualifications in mining and safety operation experience. Therefore, it is difficult for new market entrants to meet the high technical requirements imposed on mining the construction aggregates and hiring experienced experts within a short period.

(iii) ***Capital requirements.*** The mining industry is a capital-intensive industry that requires a lot of investment in resource acquisition, mine construction, and related supporting project construction, environmental protection, and safe production. Therefore, the new entrants need a large initial investment. Mining enterprises without economic benefits during a long construction period and sufficient capital strength will be difficult to support the continuous operation.

(iv) ***Regional barriers.*** To guarantee the quality of ready-mixed concrete, and asphalt concrete, the transportation time should be within no more than two hours and the transportation distance should be within 30km. For construction aggregates, the transportation radius by road is limited to 200km, otherwise the cost of transportation would made the business economically inefficient. Moreover, well-established local enterprises can have a leading position in their regional markets and gain support from the local government, which makes it even more difficult for new entrants to overcome the regional barriers.

KEY SUCCESS FACTORS OF THE CONSTRUCTION MATERIALS MARKET

(i) ***Strong background in the industry of construction materials.*** Market participants in construction materials industry face fierce competition and need to have strong background in the industry of construction materials to gain professional recognition from the industry. Furthermore, market participants with the background of state-owned enterprise will have credit endorsement from the government that enables market participants to gain the trust of clients more easily and therefore bringing more business opportunities.

(ii) ***Strict management on quality control and cost management.*** Market participants in the construction materials industry are required to establish strict management on quality control and cost management to ensure the quality of products and stable profit margin. Since the industry of construction materials produces highly standardised products and maintain relatively stable profit margin, the ability to provide products of high quality and simultaneously maintain efficient cost control is essential for market participants to ensure the future success.

(iii) ***Sufficient capital support and production capacity.*** Capital support is essential in construction materials industry. Sufficient capital support is essential for market participants to expand production capacity to further enjoy economy of scale. In addition, clients would consider production capacity as a key factor which ensures the stable supply and delivery of construction materials on time.

COMPETITIVE ADVANTAGES OF THE COMPANY IN CONSTRUCTION MATERIALS INDUSTRY

As a leading player in the construction aggregate products market in Huaibei City and its Surrounding Cities, the Company enjoys significant advantages over its competitors. With a convenient location in Huaibei City, the Company maintains relatively low operating costs and provides products of high quality. Moreover, the background of state-owned company enables the Company to build long-term relationships with large-scale clients, and its experienced management team and technical staffs secure the operating efficiency of the Company.

LAWS AND REGULATIONS RELATED TO OPERATIONS IN CHINA

Overview

Mining enterprises in China must comply with many laws and regulations, which involve mineral resources exploration, mining, work safety, trade and transportation, land, environmental protection, occupational disease prevention, labour, product quality and foreign exchange.

The Company is mainly under supervision of the following Chinese governmental agencies:

The State Council, as the supreme administrative body, is responsible for formulating and reforming the investment system and examination and approval system of the Chinese government and the catalogue of investment projects subject to approval by the government.

The National Development and Reform Commission ("**NDRC**") is responsible for (i) formulating and implementing major policies on China's economic and social development; (ii) planning major construction projects and productivity distribution; and (iii) examining and approving investment projects exceeding certain capital expenditures or those in special industries. Investment authorities of local governments at various levels are responsible for (i) implementing specific policies formulated by NDRC; (ii) examining and approving investment projects not subject to examination and approval of NDRC; and (iii) filing other enterprise investment projects that are not subject to examination and approval.

The Ministry of Natural Resources has the right to (i) grant land use right certificates and mining right licences; (ii) approve the transfer and lease of mining rights; and (iii) review mining fees and reserves assessment. The authorities for natural resources of local governments at various levels are responsible for the administration of natural resources and assets within their administrative divisions.

The Ministry of Ecology and Environment is responsible for (i) establishing and perfecting the basic system of ecological environment, and formulating the national environmental protection guidelines, policies and regulations; (ii) undertaking overall coordination, supervision and administration of major ecological and environmental problems, and conducting environmental impact assessment on major economic and technological policies, development plans and major economic development plans; and (iii) supervision and administration of environmental pollution prevention and control. The authorities for ecology and environment of local governments at various levels are responsible for supervising and inspecting the environmental protection "three simultaneities" of construction projects within their administrative divisions, and licencing and supervising the sewage discharge of industrial and mining enterprises.

The Ministry of Emergency Management is responsible for (i) national supervision and management of work safety, and safety supervision to ensure the implementation of national laws and regulations on work safety; and (ii) comprehensive supervision and management of work safety and supervision and management of work safety in industrial, mining and trade industries. The authorities for emergency management of local governments at various levels are responsible for supervising and inspecting the work safety of industrial and mining enterprises within their administrative divisions, and for supervising and inspecting the "three simultaneities" of work safety of engineering projects.

The State Administration for Market Regulation is responsible for (i) comprehensive market supervision and administration, unified registration of market entities, establishment of information publicity and sharing mechanism, and organisation of comprehensive law enforcement related to market supervision; and (ii) product quality management, technical supervision and standardisation of product, and inspection and testing, certification and accreditation of product. The authorities for market supervision and administration of local governments at various levels are responsible for the comprehensive supervision and management of industrial and commercial administration, product quality and technical quality of industrial and mining enterprises within their administrative divisions.

LAWS AND REGULATIONS RELATED TO FOREIGN-INVESTED MINING ENTERPRISES

According to the Foreign Investment Law (《外商投資法》) promulgated by the National People's Congress on 15 March 2019 and implemented on 1 January 2020, foreign investors who invest directly or indirectly in China must comply with the provisions of the Law. Article 4 of the Law stipulates that China implements the pre-establishment national treatment and negative list system for foreign investment. On 23 June 2020, NDRC and the Ministry of Commerce jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》), which specifies the areas from which foreign investments were prohibited and restricted, and the mining industry involved therein is "prohibition from investment in rare earths, radioactive minerals, tungsten exploration, mining and beneficiation". Our businesses fall beyond these categories and are not restricted by the Negative List for Foreign Investment Access (《外商投資准入負面清單》).

According to the Guidance Catalogue for Industrial Structure Adjustment (Edition 2019) (《產業結構調整指導目錄(2019年本)》) promulgated by NDRC on 30 October 2019 and implemented on 1 January 2020, including the encouraged, restricted and eliminated industries, the businesses of the Company fall beyond restricted or eliminated industries.

LAWS AND REGULATIONS RELATED TO MINERAL RESOURCES

According to the Mineral Resources Law of the People's Republic of China (《中華人民共和國礦產資源法》) promulgated by the Standing Committee of the National People's Congress on 19 March 1986, implemented on 1 October 1986, and amended on 29 August 1996 and 27 August 2009, and the Detailed Rules for the Implementation of the Mineral Resources Law of the People's Republic of China (《中華人民共和國礦產資源法實施細則》) promulgated and implemented by the State Council on 26 March 1994, (i) mineral resources are owned by the state and the ownership of mineral resources are exercised by the State Council (ii) the competent authority of geology and mineral resources under the State Council is responsible for the supervision and administration of exploration and mining of mineral resources throughout the country. The competent authorities for geology and mineral resources of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall be in charge of the supervision and administration of the exploration and mining of mineral resources within their respective administrative areas; and (iii) to explore and exploit mineral resources, it is necessary to apply separately according to law, obtain exploration right and mining right upon approval, and go through registration; unless mining enterprises that have applied for obtaining mining rights according to law shall conduct exploration for their own production within the designated mining area.

According to the Detailed Rules for the Implementation of the Mineral Resources Law of the People's Republic of China (《中華人民共和國礦產資源法實施細則》), the mining right holder has the right and obligation to engage in mining activities in accordance with the mining scope and time limit stipulated in the mining licence. The mining right holder enjoys certain additional rights, including (i) to establish production and living facilities required for mining within the mining area; (ii) to obtain land use rights according to the needs of production and construction. The mining right holder must fulfil certain additional obligations, including (i) to effectively protect, rationally exploit and comprehensively utilise mineral resources; (ii) to pay resource tax and mineral resources compensation fee according to law; (iii) to comply with national laws and regulations on labour safety, water and soil conservation, land reclamation and environmental protection; and (iv) to accept the supervision and management of the relevant competent authorities, and fill in the mineral reserves form and the statistical report on the development and utilisation of mineral resources as required.

According to the Administrative Measures for the Registration of Mineral Resources (《礦產資源開採登記管理辦法》) promulgated by the State Council on 2 February 1998 and amended on 29 July 2014, in any of the following circumstances, including changing the mining area, changing the main mining minerals, changing the mining method, changing the name of the mining enterprise and transferring the mining right upon approval according to law, the mining right holder shall apply to the registration authority for change registration within the validity period of the mining licence. According to the Administrative Measures for the Registration of Mineral Resources (Amended in 2014) (《礦產資源開採登記管理辦法(2014修訂)》), the term of validity of a mining licence shall be determined according to the construction scale of the mine: if the mine is large-scale, the maximum term of the mining licence shall be 30 years; for medium-scale mines, the maximum term is 20 years; and for small-scale mines, the maximum term is 10 years. If the mining licence expires and it is necessary to continue mining, the mining right holder shall go through the renewal registration formalities with the registration authority 30 days before the expiration of the mining licence. If the mining right holder fails to go through the renewal registration formalities within the time limit, the mining licence shall be automatically abolished. Once the mining licence is abolished, the mining right holder shall cease the mining activities. If the mining right holder wishes to re-commence the mining activities, it is required to make a new application and obtain the mining licence beforehand.

According to the Mineral Resources Law of the People's Republic of China (《中華人民共和國礦產資源法》), (i) if a company mines beyond the approved limits of its mining area, it shall be ordered to return to and mine in its own area and compensate for the losses caused, and the mineral products extracted outside its area and its unlawful proceeds shall be confiscated, and it may also be fined. If it refuses to return to its own mining area and causes damage to the mineral resources, its mining licence shall be revoked and the persons directly responsible shall be investigated for criminal responsibility in accordance with the relevant provisions of the Criminal Law; (ii) if a company purchases, sells or leases mineral resources or transfer them by other means, its unlawful proceeds shall be confiscated and it shall be fined. If a company profiteers in exploration right or mining right, its exploration or mining licence shall be revoked, its unlawful proceeds shall be confiscated, and it shall be fined; and (iii) if a company mines mineral resources in a destructive way, it shall be fined and its mining licence may be revoked; if serious damage is caused to the mineral resources, the persons directly responsible shall be investigated for criminal responsibility in accordance with the relevant provisions of the Criminal Law. According to the Administrative Measures for the Registration of Mineral Resources (《礦產資源開採登記管理辦法》), (i) if a company fails to submit the annual report pursuant to the provisions of these Measures, refuses to accept supervision and inspection or practises fraud, it shall be ordered to stop the illegal acts, administered a warning and may concurrently be imposed a fine of less than RMB50,000 by the department responsible for the administration of geology and mineral resources of the people's government at or above the county level pursuant to the terms of reference prescribed by the competent department of geology and mineral resources under the State Council; where the circumstances are serious, its mining licence shall be revoked by the original issuing authority; (ii) if a company fails to pay the payable fees on time, it shall be ordered by the registration authority to effect the payment within the specified time limit, and an additional 2% of delaying payment per day shall be charged from the date of delayed payment; if the company still fails to effect the payment on expiry of the specified time limit, its mining licence shall be revoked by the original issuing authority; and (iii) if a company fails to register the change or nullification of its mining licence, it shall be ordered by the registration authority to make rectification within the specified time limit; if the company still fails to make rectification on expiry of the specified time limit, its mining licence shall be revoked by the original issuing authority.

In order to standardise the management of mining right evaluation and promote the healthy development of mining right evaluation industry, the Administrative Measures for the Appraisal of Mining Rights (Trial) (《礦業權評估管理辦法(試行)》) was promulgated and implemented on 23 August 2008.

LAWS AND REGULATIONS RELATED TO WORK SAFETY

The Chinese government has formulated comprehensive work safety-related laws and regulations, including the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), which came into effective on 1 November 2002 and amended on 31 August 2014, the Law of the People's Republic of China on Safety in Mines (《中華人民共和國礦山安全法》), which came into effective on 1 May 1993 and amended on 27 August 2009, and the Implementation Regulations of the Law of the People's Republic of China on Safety in Mines (《中華人民共和國礦山安全法實施條例》), which came into effective on 30 October 1996, covering exploration and mining of mineral resources, mine construction, pit abandonment and other related businesses. Ministry of Emergency Management is responsible for the overall supervision and management of the national work safety, and the work safety supervision and management authorities at or above the county level is responsible for the overall supervision and management of the work safety within their jurisdictions.

According to the Law of the People's Republic of China on Safety in Mines (《中華人民共和國礦山安全法》) and relevant implementation regulations, mine construction projects must comply with the corresponding requirements for approval and acceptance: (i) design, construction, operation and use of the safety facilities of mine construction projects must be synchronised with the main project; (ii) mine construction projects must comply with mine safety regulations and industry technical specifications, and subject to approval by relevant competent authorities; and (iii) the mine can only start production or put into operation after it is successful in the safety inspection and approval procedures stipulated by the relevant Chinese laws and administrative regulations.

Mine enterprises must establish and improve the responsibility system for work safety, and China has also formulated regulations on supervision and administration of safety in mines. According to the Law of the People's Republic of China on Safety in Mines (《中華人民共和國礦山安全法》), the labour administrative authorities of the people's governments at or above the county level exercise the following supervisory duties on mine safety work: (i) check the implementation of mine safety laws and regulations by mining enterprises; (ii) participate in the design review and completion acceptance of safety facilities in mine construction projects; (iii) check the working conditions and safety conditions in mines; (iv) inspect the safety education and training of workers in mine enterprises; (v) supervise the utilisation of special expenses for safety technical measures of mine enterprises; (vi) participate in and supervise the investigation and handling of mine accidents; and (vii) other supervisory duties stipulated by laws and administrative regulations.

The Regulations on Work Safety Licence (《安全生產許可證條例》) came into effect on 13 January 2004 and was amended on 29 July 2014. The Measures for the Implementation of Work Safety Licence for Non-coal Mining Enterprises (《非煤礦礦山企業安全生產許可證實施辦法》) came into effect on 8 June 2009 and was amended on 26 May 2015. In accordance with the said regulations and implementation measures, (i) non-coal mining enterprises must obtain work safety licences, and those who have not obtained work safety licences shall not engage in production activities; (ii) the validity period of the work safety licence is three years. If the validity period needs to be extended after its expiration, the mining enterprise shall apply to the issuing authority of the original work safety licence for going through extension procedures three months before the expiration; and (iii) after obtaining the work safety licence, the non-coal mining enterprise shall strengthen the daily work safety management, and shall not lower the work safety conditions, and shall accept the supervision and inspection of the local work safety supervision and administration authority at or above the county level. If, in the opinion of the licence issuing and administration authority, the mining enterprise fails to meet the work safety requirements, it may temporarily suspend or revoke the work safety licence.

LAWS AND REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

Chinese laws and regulations related to environmental protection mainly include the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), which was promulgated on 26 December 1989 and amended on 24 April 2014; the Air Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), which was amended and implemented on 26 October 2018; the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), which was amended on 27 June 2017 and implemented on 1 January 2018; the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), which was amended on 29 April 2020 and implemented on 1 September 2020, and the Implementation Regulations of the Environmental Protection Tax Law of the People's Republic of China (《中華人民共和國環境保護税法實施條例》), which was promulgated on 25 December 2017 and implemented on 1 January 2018.

According to the above laws and regulations, enterprises that discharge and dispose of toxic and dangerous substances such as waste water, waste gas and solid waste must comply with the applicable national and local standards and report and register with the relevant environmental protection administrative authority. Enterprises, institutions and other production operators subject to pollutant discharge permit administration shall discharge pollutants in accordance with the requirements of pollutant discharge permits, and they shall not discharge pollutants without a discharge permit. Enterprises that fail to comply with these regulations will subject to warning, order of compliance or punishment.

According to the Regulations on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) amended on 16 July 2017 and implemented on 1 October 2017, an enterprise shall, before it commences a construction project, submit an environmental impact report and an environmental impact report form to the competent administrative authority of environmental protection with the power of examination and approval for examination and approval. After the completion of the construction project, the enterprise shall, in accordance with the standards and procedures prescribed by the competent administrative authority of environmental protection under the State Council, carry out acceptance of the supporting environmental protection facilities and prepare an acceptance report.

LAWS AND REGULATIONS RELATED TO GEOLOGICAL ENVIRONMENT PROTECTION AND RESTORATION

According to the Regulations on Land Reclamation (《土地復墾條例》) promulgated and implemented on 5 March 2011 and the Regulations on Geological Environment Protection in Mines (《礦山地質環境保護規定》) promulgated on 2 March 2009 and amended and implemented on 24 July 2019, (i) when applying for a mining licence, a mining right applicant shall prepare a geological environment protection and land reclamation plan for the mine and submit the same to the competent authority of natural resources with the power of approval for approval; (ii) if the exploitation of mineral resources causes damage to the geological environment in the mine, the mining right holder shall be responsible for the restoration, and the restoration cost shall be included in the production cost; and (iii) the mining right holder shall, in accordance with the relevant provisions of the state, make provision for the geological environment restoration fund for the mine. The fund is used independently by the enterprise to carry out mine geological environment restoration and land reclamation as a whole under the budget, project implementation plan and progress schedule determined by the mine geological environment protection and land reclamation scheme of the enterprise.

According to Implementation Rules for Administration of Mine Geological Environment Restoration Fund in Anhui Province (Trial) (《安徽省礦山地質環境治理恢復基金管理實施細則(試行)》) jointly issued by Department of Natural Resources of Anhui Province, Anhui Provincial Department of Finance and Anhui Provincial Department of Ecology and Environment on 10 August 2020, (i) following the fund management principles of separate storage, independent use, governmental supervision and use for special purpose, the fund shall be used for mine ecological protection and restoration and land reclamation; (ii) mining enterprises must set up fund accounts in their bank accounts, and set up fund entry to separately reflect the provision and use of funds; and (iii) if a mining enterprise fails to make provision for funds according to the regulations, it will be ordered by the competent authority of natural resources at or above the county level to make provision within a time limit; and if the enterprise fails to make such provision within such time limit, the competent authority of natural resources issuing the mining licence shall not approve the annual report of mining activities of the enterprise, and shall not accept the enterprise's application for the continuation and change of the mining rights.

LAWS AND REGULATIONS RELATED TO LAND

According to the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) amended on 26 August 2019 and implemented on 1 January 2020 and the Implementation Regulations of the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法實施條例》) amended and implemented on 29 July 2014, the land in China belongs to the state and the collectives, and state-owned land and land collectively owned by farmers may be determined to be used by units or individuals according to the laws. The lawfully registered ownership of land and right to the use of land shall be protected by law and may not be infringed upon by any units or individuals. If the temporary use of state-owned land or land collectively owned by farmers is necessary for construction projects and geological exploration, it shall be approved by the competent authority of natural resources of the people's government at or above the county level. Land users shall, according to the land ownership, enter into temporary land use contracts with the relevant natural resources authorities or rural collective economic organisations and villagers' committees, and pay compensation fees for temporary land use in accordance with the contract. Period of temporary use of land is generally not more than two years.

LAWS AND REGULATIONS RELATED TO OCCUPATIONAL DISEASE PREVENTION AND CONTROL

According to the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) amended and implemented on 29 December 2018, where a new construction, an expansion, or a reconstruction project or a technical transformation or technology introduction project may cause any occupational hazards, the construction entity shall: (i) conduct the reassessment of occupational hazards at the feasibility study stage; (ii) include the expenses necessary for the protective facilities against occupational diseases of a construction project into the project budget of the construction project, and shall synchronise the design, construction, use for production and other operations of such facilities with the main body of the project; (iii) evaluate the control effect of occupational hazards before the completion acceptance of the construction project; and (iv) organise the acceptance according to law, and only after passing the acceptance can the project be put into production and operation.

According to the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), employers shall: (i) establish and improve the responsibility system for occupational disease prevention and control, strengthen the management of occupational disease prevention and control, improve the level of occupational disease prevention and control, and assume responsibility for the occupational hazards generated by their own units; (ii) participate in injury social insurance against work-related injury according to law; (iii) adopt effective occupational disease prevention facilities and provide workers with personal articles against occupational disease; (iv) for toxic and harmful workplaces where acute occupational injuries may occur, provide alarm devices, and on-site first-aid supplies, flushing equipment, emergency evacuation passages and necessary risk relief areas; and (v) when entering into a labour contract with an employer, truthfully keep the workers informed of the occupational hazards and their consequences, occupational disease prevention measures and treatment that may occur during the work process, which shall be clearly stated in the labour contract, and shall not be concealed or deceived.

LAWS AND REGULATIONS RELATED TO LABOUR AND PERSONNEL

According to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) amended and implemented on 29 December 2018, a written labour contract shall be concluded when an employer establishes a labour relationship with an employer. The wage distribution policy shall be subject to the principle of distribution according to performance and equal pay for equal work, and the minimum wage guarantee and special labour security for female employees and minors shall be provided. The Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) amended on 28 December 2012 and implemented on 1 July 2013 and the Implementation Regulations of the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) implemented on 18 September 2008 regulate the conclusion, execution, performance, modification, dissolution and termination of labour contracts, improve the labour contract system, clarify the rights and obligations of parties to labour contracts, and protect the legitimate rights and interests of employers and employees.

According to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) amended and implemented on 29 December 2018, the state has established social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance, to protect citizens' rights to receive material assistance from the state and society according to law in cases of old age, illness, work-related injury, unemployment and childbirth. Employers and individuals within the territory of the People's Republic of China shall pay social insurance contributions according to law.

According to the Regulations on Administration of Housing Fund (《住房公積金管理條例》) amended and implemented on 24 March 2019, the employer shall register the deposit and payment of housing fund with the housing fund administration centre, and go through the formalities for setting up housing fund accounts for its employees. Employers who engage employees shall, within 30 days from the date of employment, apply for deposit and payment registration with the housing fund administration centre, and go through the formalities for the establishment or transfer of employee housing fund accounts. The proportion of housing funds to be paid by employees and employer shall not be less than 5% of the average monthly wage of the employees in the previous year.

LAWS AND REGULATIONS RELATED TO PRODUCT QUALITY

According to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) promulgated on 22 February 1993 and amended and implemented on 29 December 2018, producers shall: (i) be responsible for the quality of the products they produce; (ii) not produce products that have been explicitly eliminated by the state; (iii) not forge the place of origin, forge or falsely use the name and address of another person's factory; and not forge or fraudulently use quality marks such as certification marks; (iv) not produce or market adulterated products or use fake goods as genuine or sub-standard products as standard; and (v) ensure that the packaging quality of fragile, flammable, explosive, toxic, corrosive, radioactive and other dangerous goods, products that cannot be inverted during storage and transportation and other products with special requirements meet the corresponding requirements, and make warning signs or warning instructions in Chinese, or indicate matters needing attention during storage and transportation.

LAWS AND REGULATIONS RELATED TO TAXES AND FEES

Resource tax

According to the Resource Tax Law of the People's Republic of China (《中華人民共和國資源稅法》) promulgated on 26 August 2019 and implemented on 1 September 2020, any enterprise engaged in the exploitation of taxable resources within the territory of China must pay the resource tax. The applicable resource tax rate on construction aggregate ranges from 1% to 6% or from RMB1 to RMB10 per tonne (or per cubic metre). According to the Provisions on the administration of collection of the Mineral Resources Compensation (《礦產資源補償費徵收管理規定》) promulgated on 27 February 1994 and amended on 3 July 1997, mining rights holders shall pay mineral resources compensation fee according to a certain proportion of the income from sales of mineral products when exploiting mineral resources in China. The rate of mineral resources compensation for construction aggregate is 2%.

Corporate income tax

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) most last amended and implemented on 29 December 2018 and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) most last amended and implemented on 23 April 2019, an enterprise that is established within China, or which is established under the law of a foreign country (region) but whose actual office of management is within China are resident enterprises, and resident enterprises shall pay corporate income tax at the rate of 25% for their income from inside and outside China.

Value-added tax

According to the Provisional Regulations on Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) most last amended and implemented on 19 November 2017, enterprises that sell goods, or engage in processing, repairs and replacement services, sales services, intangible properties, real estate and import of goods within China must pay value-added tax. In addition, any such enterprise shall also pay urban maintenance construction tax (5% or 7% of VAT), education surcharge (3% of VAT) and local education surcharge (2% of VAT).

LAWS AND REGULATIONS RELATED TO FOREIGN EXCHANGE

According to the Regulations of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) most last amended and implemented on 5 August 2008, (i) unless otherwise stipulated by the state, foreign currencies shall be banned from circulation in the People's Republic of China and from being used for pricing or account settlement; (ii) foreign institutions and individuals who make direct investment in China shall register with the foreign exchange administration after being approved by the relevant competent authority; (iii) foreign institutions and individuals engaged in the issuance and trading of securities or derivatives in China shall comply with the provisions of the state on market access and register in accordance with the provisions of the foreign exchange administration authority of the State Council; (iv) retention or sales of foreign exchange earnings from capital projects to financial institutions engaged in the settlement and sale of foreign exchange shall be subject to approval of the foreign exchange administration authority; and (v) the retention or sale of foreign exchange earnings from capital projects to financial institutions engaged in the settlement and sale of foreign exchange shall be subject to the approval of the foreign exchange administration authority, except where approval is not required by the state.

SUMMARY OF JORC CODE

The Mineral Resources and Ore Reserves statements in this prospectus have been prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**"). The JORC Code is one of the internationally accepted Mineral Resources and Ore Reserves classification system established in Australia, which was first published in February 1989 and last revised in December 2012. The JORC Code is commonly used in independent technical reports for reporting Resources and Reserves for public companies reporting to the Stock Exchange. The JORC Code is used by the Independent Technical Consultant to report the Mineral Resources and Ore Reserves of the Gaoloushan Project in this prospectus.

The JORC Code defines "Mineral Resource" as a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality) and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are subdivided in order of increasing geological confidence into the following categories:

- **Inferred Mineral Resource** – is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes;

- **Indicated Mineral Resource** – is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered; and

- **Measured Mineral Resource** – is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered.

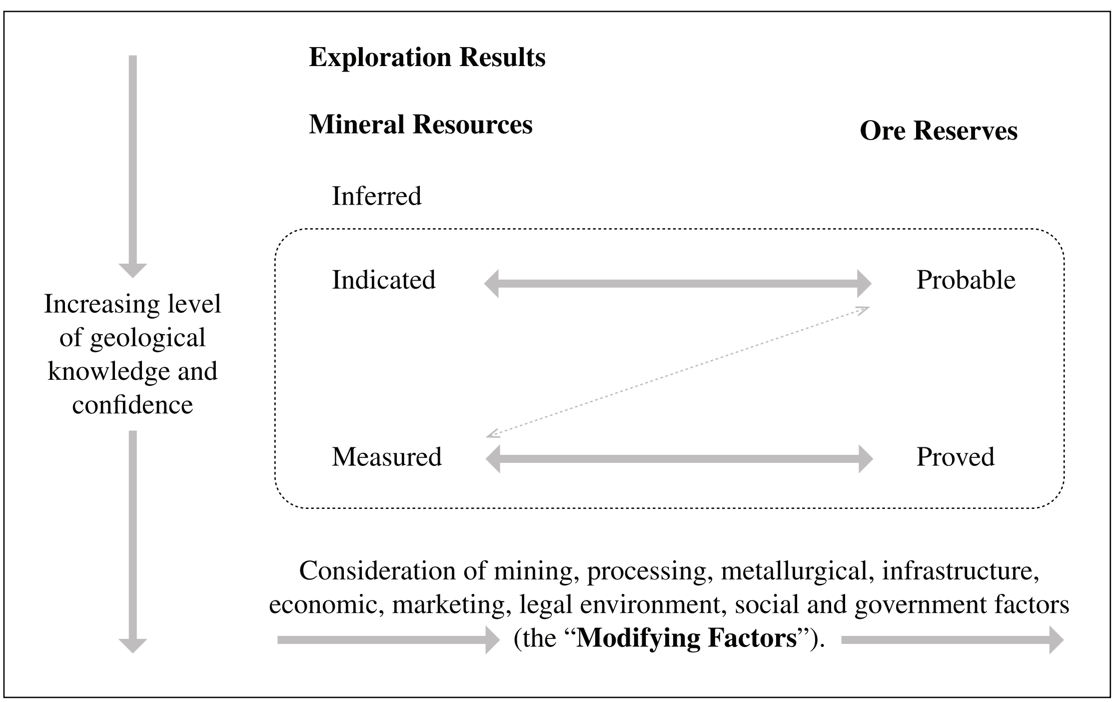
The JORC Code defines "Ore Reserve" as the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

Ore reserves are sub-divided into the following categories:

- **Probable Ore Reserve** – is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve; and

- **Proved Ore Reserve** – is the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors.

The following diagram summarises the general relationship between Exploration Results, Mineral Resources and Ore Reserves under the JORC Code:



Source: JORC Code, 2012

Ore Reserves are generally quoted as comprising a portion of the total Mineral Resource rather than the Mineral Resources being additional to the Ore Reserves quoted. Under the JORC Code either procedure is acceptable, provided the method adopted is clearly identified. The Independent Technical Report in this prospectus reports all of the Ore Reserves as part of the Mineral Resources.

OUR HISTORY

Our history can be traced back to the establishment of our two major operating subsidiaries, namely (i) Liantong Municipal, which was established in February 2016 by Huaibei Transportation Investment (being a direct wholly-owned subsidiary of our Controlling Shareholder, Huaibei Construction Investment), and Shanghai Hanglong; and (ii) Tongming Mining, which was established in April 2016 by Huaibei Transportation Investment and Leiming Blasting. Huaibei Construction Investment is a direct wholly-owned subsidiary of Huaibei SASAC. For details of Shanghai Hanglong and Leiming Blasting, please refer to the paragraphs headed "Our subsidiaries" in this section.

Against the backdrop of the national policies including Opinion of the State Council on Encouraging and Guiding the Healthy Development of Private Investment (《國務院關於鼓勵和引導民間投資健康發展的若干意見》) issued by State Council in 2010 and the Opinions of the People's Government of Huaibei City on Further Accelerating the Development of the Construction Industry (《淮北市人民政府關於進一步加快建築業發展的意見》) and the Detailed Rules for the Implementation of the Reward Policies for the Development of Construction Industry in Huaibei City (《淮北市建築業發展獎勵政策實施細則》) issued by Huaibei Municipal Government in 2016 and 2017, respectively in relation to the promotion of the development of the construction industry and encouragement of the cooperation of state-owned companies and private companies and infrastructure development, our Controlling Shareholder, Huaibei Construction Investment, intended to enter into the construction materials industry back in 2016 in order to tap into the rising business opportunities generated by favourable government policies. However, Huaibei Construction Investment did not possess relevant experience of setting up a concrete business at the material time. Mr. Chen Xue, who (i) was a resident in Huaibei City at the material time; (ii) held and operated businesses in relation to the sale of construction materials, investment management, asset management and property management in Huaibei and Shanghai; and (iii) possesses the experience in construction materials industry, was introduced to Huaibei Construction Investment by Xiangshan District Investment Promotion Leading Unit* (相山區招商引資領導小組), a unit managed by Xiangshan District People's Government of Huaibei City (淮市北相山區人民政府) to explore the opportunities for cooperation. Mr. Chen reached a consensus with Huaibei Construction Investment and agreed to establish Liantong Municipal together with Huaibei Construction Investment by contributing capital as well as his experience. Mr. Chen (through Shanghai Hanglong) was primarily responsible for the early set-up of Liantong Municipal, including the construction of production plants, the application of the relevant licenses for the operation of the business, procurement of necessary production equipment and the preparation of the feasibility report in relation to the operation of concrete products business in Huaibei City.

For Listing purposes, our Company was established as a joint stock limited company in the PRC on 21 December 2018 to act as our proposed listing vehicle. To rationalise our corporate structure, we undertook Reorganisation whereby Huaibei Transportation Investment injected its equity interests in two subsidiaries to our Company. On 19 December 2022, we obtained approvals of the CSRC for the Global Offering and the making of the application to list our H Shares on the Stock Exchange.

Our Company's name "淮北綠金產業投資股份有限公司" relates to the strategic government policy "China Carbon Valley GreenGold Huaibei" (中國碳谷•綠金淮北) promulgated by the Congress of the Communist Party of Huaibei City in September 2016. The government in Huaibei City aims to restructure the economy in Huaibei City "*by shifting its focus from coal production to environmentally sustainable industries (or green industries) such as construction, tourism and other industries characterised by low carbon emissions*".

Historically, coal produced from Huaibei City was referred to as "*Huaibei BlackGold*" while Huaibei City was also symbolically described as "*Huaibei BlackGold*" due to the presence of and its focus on coal production in the city. With the promulgation of the aforementioned policy and the industrial and social development of Huaibei City, the focus of industrial development has shifted to more environmentally friendly industries such as construction. "*Huaibei BlackGold*" thus has consequently been known as "*Huaibei GreenGold*". "*Huaibei GreenGold*" refers to low carbon emission and relatively environmentally friendly products in Huaibei City.

Our Group has been committed to achieve low carbon emission and sustainable development as evidenced by, among others,

(i) our compliance with the statutory permitted level of air pollutant emission and noise pollutant emissions; and

(ii) the adoption of various management measures to reduce (a) air pollutant emission, (b) noise pollutant emissions, (c) potential water pollution risk, (d) risk of acid rock drainage and (e) risk of pollution caused by leakage of hazardous materials, as detailed in the subsection headed "Business – Environmental protection, land rehabilitation and other social matters – Environmental risks identification and management" in this prospectus;

(iii) the Phase I Processing Plant, ready-mixed concrete, cement stabilised macadam and asphalt concrete production lines of our Group comply with the relevant environmental protection laws and regulations and do not fall into the category of "high energy consumption and emission" (高耗能,高排放), as confirmed by Huaibei City Ecology and Environment Bureau* (淮北市生態環境局); and (iv) our Group's commitment to achieve the emission and consumption targets in respect of greenhouse gas, hazardous waste and water consumptions.

Therefore, our aggregates and concrete products and our line of business and industry are perceived to be relatively environmentally friendly as compared to coal production and fit into the definition of "*Huaibei GreenGold*".

In addition, our Directors consider that in view of the fact that (i) our Group is the third largest construction aggregates producer in the market of Huaibei City and its surrounding cities including Suzhou City and Bozhou City in 2021 in terms of sales volume, and (ii) that our Group is one of the largest business enterprises in Huaibei City with a state-owned background, through our Group's established market presence and well-known industry reputation, our Group will promote, support and comply with the strategic government policy in Huaibei City as well as attracting positive recognition from our customers as to our commitment to environmental protection in the region while it seeks to protect and maximise its shareholders interests.

BUSINESS MILESTONES

The following table sets out a summary of our Group's major business development milestones:

Time	Milestone
2016	Established Liantong Municipal to engage in the production and sale of concrete products
	Established Tongming Mining to engage in exploration, mining and processing of aggregate products
	Obtained mining rights in respect of Phase I Gaoloushan Mine by way of public listing (公開掛牌出讓) held by the Land and Resources of Huaibei City (淮北市國土資源局) (currently renamed as Natural Resources and Planning Bureau of Huaibei City (淮北市自然資源和規劃局))
2017	Obtained mining licence which permits an annual production volume of aggregate products of 3.5 million tonnes per year
2018	Commenced the production and sale of ready-mixed concrete, cement stabilised macadam and asphalt concrete
	Commenced commercial production for Gaoloushan Project (Phase I)
2019	Accredited with Non-Coal Mine Safety Quality Standardisation Secondary Enterprise* (非煤礦山安全質量標準化二級企業)
	Participated in the construction of Huaibei People's Hospital (淮北市人民醫院) through our provision of concrete products

Time	Milestone
	Participated in the construction of Huaibei Lvjin Lake Environmental Renovation (綠金湖環境整治) through our provision of concrete products
	Participated in the construction of China Construction Third Engineering Bureau Co., Ltd. Huaibei Technology Development Centre (中建三局淮北市科創中心) through our provision of concrete products
2021	Accredited with Outstanding Contribution Award for Green Mine* (綠色礦山突出貢獻獎)
	Obtained mining rights in respect of Phase II Gaoloushan Mine by way of public listing (公開掛牌出讓) held by the Natural Resources and Planning Bureau of Huaibei City (淮北市自然資源和規劃局)
	Obtained mining licence which permits an annual production volume of aggregate products of 8 million tonnes per year
	Obtained ISO 9001:2015 certification for quality management system in respect of the processing and production of ready-mixed concrete, asphalt concrete and building materials (cement stabilised macadam)

OUR CORPORATE DEVELOPMENT

The following describes the corporate history of the Company and its subsidiaries.

Our Company

Our Company was established in the PRC as a joint stock limited company on 21 December 2018 with a registered capital of RMB198 million. As of the date of its establishment, our Company had a total of 198,000,000 Domestic Shares, with a par value of RMB1.00 each. Of which, Huaibei Transportation Investment directly held 138,600,000 Domestic Shares, representing 70% equity interest in our Company and Huaibei Construction Investment directly held 59,400,000 Domestic Shares, representing 30% equity interest in our Company as of the date of its establishment. Huaibei Construction Investment is principally engaged in investment and management of infrastructure construction projects. Huaibei Transportation Investment is principally engaged in investment and management of transportation infrastructure construction projects.

Immediately after the Reorganisation, Huaibei Construction Investment directly held 196,020,000 Domestic Shares, representing 99% equity interest in our Company and Cultural Tourism Investment (which is wholly-owned by Huaibei Construction Investment) directly held 1,980,000 Domestic Shares, representing 1% equity interest in our Company.

Each of Huaibei Transportation Investment, Huaibei Construction Investment and Cultural Tourism Investment is ultimately owned by Huaibei SASAC.

Our subsidiaries

As at the Latest Practicable Date, our Company had three non-wholly owned subsidiaries with details of our subsidiaries set out below:

Liantong Municipal

Liantong Municipal is a concrete producer in the PRC. It was established in the PRC with limited liability on 29 February 2016 with a registered capital of RMB100 million and was owned as to 55% by Huaibei Transportation Investment and 45% by Shanghai Hanglong, respectively, as at the date of its establishment. Shanghai Hanglong is a limited liability company established in the PRC on 5 January 2016. On the date of establishment of Shanghai Hanglong, it was owned as to 90% by Mr. Chen Xue (陳學), a former director of Liantong Municipal, and 10% by Mr. Du Gang (杜剛), an Independent Third Party. In October 2021, Mr. Chen Xue transferred the 90% equity interest in Shanghai Hanglong to Ms. Chen Yuwei (陳雨薇), daughter of Mr. Chen Xue and Ms. Wang Huifeng (王惠峰), the current director of Liantong Municipal and niece of Ms. Wang Xianfeng (王顯峰) and Mr. Du Gang transferred the 10% equity interest in Shanghai Hanglong to Ms. Wang Xianfeng, sister-in-law of Mr. Chen Xue, sister of Ms. Wang Huifeng and aunt of Ms. Chen Yuwei. Shanghai Hanglong is primarily engaged in investment management, asset management and property management.

The reason that Mr. Chen Xue resigned as director of Liantong Municipal in December 2020 was due to his involvement in an allegation of intentional assault which rendered him being unable to discharge his duties as a director of Liantong Municipal. According to Ms. Wang Huifeng, spouse of Mr. Chen, to the best of her understanding, Mr. Chen was allegedly accidentally involved in a fight scene in 1996 where he did not engage in the fight. Mr. Chen was not being charged until 2019 by the governmental authority for alleged intentional assault. As at the Latest Practicable Date, to the best knowledge of our Directors, (i) Mr. Chen had been remanded in custody since October 2019; (ii) the legal proceeding in relation to Mr. Chen's allegation of intentional assault was first heard in the Intermediate People' Court of Huaibei City and a corresponding ruling has been made. Mr. Chen did not accept the ruling and appealed to the Higher People's Court of Anhui Province. The Higher People's Court of Anhui Province accepted the appeal and ordered the case for retrial in the Intermediate People's Court of Huaibei City in February 2022. The judgement of the re-trial (i.e. first instance trial) at the Intermediate People's Court of Huaibei City was handed down in April 2022 and as at the Latest Practicable Date, the ruling did not take effect and Mr. Chen was subject to the hearing of the second instance trial, the date of which is yet to be set; and (iii) no final judgement nor ruling handed down.

To the best knowledge of our Directors, given that (i) Mr. Chen has not participated in the daily operation of Liantong Municipal (except the early set-up of Liantong Municipal) since its incorporation in 2016; (ii) Mr. Chen has been only one of five directors of Liantong Municipal; (iii) the alleged assault was not related to any affairs of the business of our Company; and (iv) our Company has the actual control over the board of Liantong Municipal, the resignation of Mr. Chen as a director of Liantong Municipal has not had any adverse effect on the business, financial conditions and results of operations of Liantong Municipal.

Immediately after the Reorganisation, Liantong Municipal was owned as to 55% by our Company and 45% by Shanghai Hanglong and Liantong Municipal became a direct non-wholly owned subsidiary of our Company.

Tongming Mining

Tongming Mining is principally engaged in mining and processing of aggregate products. It was established in the PRC with limited liability on 29 April 2016 with an initial registered capital of RMB100 million and was owned as to 67% by Huaibei Transportation Investment and 33% by Leiming Blasting, as of the date of its establishment. Its registered capital was further increased to RMB200 million in December 2016. Leiming Blasting is a company established in the PRC with limited liability on 1 April 2004 and was owned as to 93.99% by Leiming Kehua and 2.38%, 2.38% and 1.25% by Mr. Li Jie (李杰), Mr. Wu Zhongchen (武仲振) and Mr. Hu Kunlun (胡坤倫) as at the Latest Practicable Date. Leiming Blasting is principally engaged in the provision of mine blasting services. Leiming Kehua is wholly-owned by Huaibei Mining.

Immediately after the Reorganisation, Tongming Mining was owned as to 67% by our Company and 33% by Leiming Blasting and Tongming Mining became a direct non-wholly owned subsidiary of our Company.

Pursuant to the Capital Injection Framework Agreement (增資框架協議) dated 17 August 2021 among our Company, Leiming Blasting and Leiming Kehua (the "**Original Capital Injection Framework Agreement**") and the Capital Injection and Share Enlargement Agreement (增資擴股協議) dated 28 November 2021 among our Company, Leiming Blasting and Leiming Kehua (the "**Supplemental Capital Injection Framework Agreement**") (collectively the "**Tongming Mining Capital Injection Agreements**"), Leiming Kehua proposed to provide a capital injection of approximately RMB62.7 million to the registered capital of Tongming Mining and the calculation of the consideration for the capital injection is to be based on the valuation carried out as at 31 December 2020 and such valuation shall be valid for a period of one year from 31 December 2020 (the "**Valuation**"). As at the Latest Practicable Date, our Company received cash in advance of RMB212.1 million from Leiming Kehua, in which RMB62.7 million shall be credited to the registered capital of Tongming Mining and the remaining sum shall be credited to the capital reserve of Tongming Mining should the capital injection materialise after obtaining the approval from Huaibei SASAC and the passing of the shareholders' resolutions.

However, given (i) the Valuation is valid for a period of one year from 31 December 2020; (ii) no valuation of Tongming Mining was conducted after the expiration of the Valuation; (iii) approval from Huaibei SASAC has not been obtained and the shareholders' resolutions in relation to capital injection has not been passed; and (iv) the capital injection was not completed on or before 31 December 2021, both our Directors and our PRC Legal Advisers are of the view that Leiming Kehua no longer could proceed with the capital injection pursuant to the terms of the Tongming Mining Capital Injection Agreements.

Nonetheless, our Directors entered into subsequent negotiation with the parties to the Tongming Mining Capital Injection Agreements. It is expected that the capital injection by Leiming Kehua will proceed and target to complete around early to mid-2023, subject to, amongst others, the approval from Huaibei SASAC and the passing of the shareholders' resolutions of Tongming Mining, which are expected to take place in 2023. Our Directors expect that a supplemental capital injection agreement will be signed once the terms of the capital injection are agreed among the parties to the Tongming Mining Capital Injection Agreements.

Based on the preliminary negotiation between parties to the Tongming Mining Capital Injection Agreements on 18 August 2022 and subject to contract, it is agreed that: (i) upon completion of the capital injection, Tongming Mining will be held as to approximately 59.0%, 29.1% and 11.9% by our Company, Leiming Blasting and Leiming Kehua, respectively; (ii) valuation of Tongming Mining will be reconducted and the amount of consideration for capital injection will be determined based on the then valuation of Tongming Mining (the "**Revaluation**"); and (iii) the cash of RMB212.1 million (the "**Cash**") received from Leiming Kehua by Tongming Mining will be used for the capital injection to be carried out. As such, the Cash will not be returned by Tongming Mining to Leiming Kehua and will continue to be treated as other payables as at the Latest Practicable Date. The Cash will serve as the consideration for capital injection in future. In the event that the amount to be contributed by Leiming Kehua is less than the Cash after the Revaluation, the exceeded amount will be returned to Leiming Kehua and if the amount of consideration is more than the Cash, Leiming Kehua will further provide the outstanding amount accordingly.

Our Company will comply with the requirements post-Listing having regard to the applicable percentage ratios in accordance with the Listing Rules as and when appropriate (including the announcement, circular and/or shareholders' approval requirements as applicable).

As at the Latest Practicable Date, Tongming Mining is still owned as to 67% by our Company and 33% by Leiming Blasting.

Pursuant to Tongming Mining Capital Injection Agreements, (a) the board of directors of Tongming Mining shall consist of five directors, two of whom shall be appointed by our Company, one of whom shall be nominated by our Company and elected by the entire staff of Tongming Mining, one of whom shall be appointed by Leiming Blasting and one of whom shall be appointed by Leiming Kehua; and (b) the chairman of the board of directors shall be a director appointed by our Company. Whereas the existing articles of association of Tongming Mining also specifies that (a) the board of directors of Tongming Mining shall consist of five directors, three of whom shall be appointed by our Company and two of whom shall be appointed by Leiming Blasting; and (b) the chairman of the board of directors shall be a director appointed by our Company. In light of the above, assuming the capital injection will proceed on the same basis, our Directors believe that the our Company retains the same level of control on the board of directors of Tongming Mining as three directors will be appointed and/or nominated by our Company and the chairman of the board of directors of Tongming Mining remains to be appointed by our Company.

Furthermore, as advised by our PRC Legal Advisers, in case Leiming Group would like to increase its right to nominate and/or appoint director to the board of Tongming Mining in future, there should be an amendment to the articles of association of Tongming Mining, which has to be approved by not least than 75% of the shareholders of Tongming Mining. Given that our Group would still control approximately 59% of voting right in Tongming Mining after the proposed capital injection, any amendment to the articles of association will not be effective without our approval. As such, our Directors are of the view that our Group shall continue to control the board of directors of Tongming Mining even after the capital injection.

Tongtai Tongjin

Tongtai Tongjin is principally engaged in mining and processing of copper and gold. It was established in the PRC with limited liability on 16 March 2022 with a registered capital of RMB20 million and was owned as to 55% by our Company and 45% by Zhongjue International, as of the date of its establishment. The board of directors of Tongtai Tongjin consists of five members, (i) Mr. Zhang Dayong (張大永) ("**Mr. Zhang**") and Mr. Zhang Zhenfa (張振法), as nominated by Zhongjue International and (ii) Mr. Zhang Lizhe (張立哲), Mr. Liu Yong (劉勇) and Mr. Li Zhuangzhi (李壯志), as nominated by our Company. Zhongjue International is a company established in the PRC with limited liability on 8 April 2019 and was owned as to 95% by Mr. Zhang, an Independent Third Party, and 5% by Ms. Kuang Yane (匡艷娥) ("**Ms. Kuang**"), an Independent Third Party, as at the Latest Practicable Date. Ms. Kuang is the wife of Mr. Zhang. Zhongjue International is primarily engaged in the investment in mine projects. To the best knowledge of our Directors, save and except the co-investment in Tongtai Tongjin with our Group and Ms. Kuang is a supervisor of Zhongjue International, each of Mr. Zhang and Ms. Kuang has no other past or present relationship (including, without limitation, business, employment, family, trust, financing, shareholding or otherwise) with our Group, our Directors, supervisors, senior management or the Controlling Shareholders, or any of their respective associates.

Our Directors have from time to time been looking for potential mine projects in the Huaibei region for the benefits of our Group's long-term business development and to broaden the income sources in order to achieve better return for the Shareholders. Apart from the operation of our Gaoloushan Project, which is a non-metallic mine, we have been looking into the possibility of expanding to the operation of metallic mines, such as copper and gold mine, in the Huaibei region. Through the operation of our Gaoloushan Project, we have developed experiences in mine development and mine operations. According to our Independent Technical Consultant, the operation of metallic mine is similar to our Gaoloushan Project as the processes including extraction, crushing and the skills in relation to sales and marketing are transferable in principle. Accordingly, our management takes the view that it would be beneficial for our Group to form a joint venture with professionals or companies with expertise in metallic mines so as to pull together expertise and resources as well as sharing the risks. Leveraging on the success and experience of Tongming Mining and Liantong Municipal, our Directors believe that it is advantageous for our Group to continue to adopt our usual business practice of forming joint venture with third parties while retaining the majority ownership. Our management have come across Mr. Zhang in industry events such as conferences and meetings. Mr. Zhang obtained a Bachelor degree specialised in mining engineering from the Shandong Institute of Mining and Technology (currently, the Shandong University of Science and Technology) and has been in the mining industry for around 20 years. In particular, Mr. Zhang developed solid experiences in metallic mine through working as a general manager of Huaibei Xulou Mining Co., Ltd. (淮北徐樓礦業有限公司), who is responsible for overseeing the operation of the mine. Huaibei Xulou Mining Co., Ltd. (淮北徐樓礦業有限公司) is principally engaged in the development and operation of the Xulou metallic mine in Suixi County of Huaibei City. Our Directors believe that with the extensive background on mining, including metallic mine, Mr. Zhang could contribute his experience and knowledge in the operation of metallic mine held under the joint venture company.

As at the Latest Practicable Date, Tongtai Tongjin is looking for potential metallic mine projects in the Huaibei region. Based on the preliminary business plan, Tongtai Tongjin has identified a potential metallic mine project, being the Yangqiaozi copper-gold mine in Suixi County (濉溪縣楊橋孜銅金礦), and plans to bid the mining rights once it is released for public listing (公開掛牌出讓) by the local government authority. According to the research paper titled "Discovery and geological significance of the Yangqiaozi copper-gold deposit in Suixi County, northern Anhui Province (皖北濉溪縣楊橋孜銅金礦床的發現及其地質意義)" published in December 2015, Yangqiaozi copper-gold deposit is the biggest skarn type gold deposit in northern Anhui Province. In the event Tongtai Tongjin successfully acquires the mining rights, it will (i) conduct further exploration on the mineral resources; (ii) engage a contractor to design and construct the mining and production facilities; and (iii) hire a team of professionals with mining experience to manage the mining operation as Zhongjue International and us will be responsible for the overseeing the operation of the mine project as a whole. As at the Latest Practicable Date, (i) Tongtai Tongjin has not commenced business and (ii) the local government authority has yet to announce the public listing of the mining rights of Yangqiaozi copper-gold mine in Suixi County.

Control over our non-wholly owned subsidiaries

As advised by our PRC Legal Advisers, pursuant to the articles of association of Liantong Municipal, matters concerning daily operation and investment plan of Liantong Municipal, appointment and replacement of non-employees' representative directors and supervisor, remuneration of directors and supervisors, approval of directors' report and supervisors' reports, approval of annual budget and the appointment and change of external auditor, approval by way of a simple majority at shareholders' meeting is required. For matters concerning profit distribution and loss recovery proposals, increase or reduction of registered capital and equity transfers, merger, division, dissolution, and liquidation of the company or change of its corporate form, amendment to the company's articles of association, decision on matters concerning external investments, the transfer or acquisition of significant assets, issuance of debentures or the provision of external guarantees require approval by way of special resolutions (i.e. over two-thirds) at the shareholders' meetings. As at the Latest Practicable Date, as our Company owns 55% equity interest of Liantong Municipal, our Company can pass resolutions that only require a simple majority of the votes and has veto rights to matters that require special resolutions.

Pursuant to the articles of association of Tongming Mining, matters concerning daily operation and investment plan of Tongming Mining, appointment and replacement of non-employees' representative directors and supervisor, remuneration of directors and supervisors, approval of directors' report and supervisors' reports, approval of annual budget and the appointment and change of external auditor, approval by way of a simple majority at shareholders' meeting is required. For matters concerning profit distribution and loss recovery proposals, increase or reduction of registered capital and equity transfers, merger, division, dissolution, and liquidation of the company or change of its corporate form, amendment to the company's articles of association, decision on matters concerning external investments, the transfer or acquisition of significant assets, issuance of debentures or the provision of external guarantees require approval by way of special resolutions (i.e. over three quarters) at the shareholders' meetings. As at the Latest Practicable Date, as our Company owns 67% equity interest of Tongming Mining, our Company can pass resolutions that only require a simple majority of the votes and has veto rights to matters that require special resolutions.

Pursuant to the articles of association of Tongtai Tongjin, matters concerning daily operation and investment plan of Tongtai Tongjin, appointment and replacement of non-employees' representative directors and supervisor, remuneration of directors and supervisors, approval of directors' report and supervisors' reports, approval of annual budget and profit distribution and loss recovery proposals, approval by way of a simple majority at shareholders' meeting is required. For matters concerning increase or reduction of registered capital and equity transfers, merger, division, dissolution, and liquidation of the company or change of its corporate form, amendment to the company's articles of association, decision on matters concerning external investments, the transfer or acquisition of significant assets, issuance of debentures or financing require approval by way of special resolutions (i.e. over two-thirds) at the shareholders' meetings. As at the Latest Practicable Date, as our Company owns 55% equity interest of Tongtai Tongjin, our Company can pass resolutions that only require a simple majority of the votes and has veto rights to matters that require special resolutions.

As advised by our PRC Legal Advisers, each of the articles of association of Liantong Municipal, Tongming Mining and Tongtai Tongjin confers no special right to any of its respective shareholder.

As at the Latest Practicable Date, for Liantong Municipal, (i) the board of directors consisted of five directors, three of whom were appointed by our Company, one of whom was appointed by Shanghai Hanglong and one of whom was appointed through open recruitment; (ii) the chairman of the board of directors was a director appointed by our Company; and (iii) at the senior management level, the general manager was appointed through open recruitment.

As at the Latest Practicable Date, for Tongming Mining, (i) the board of directors consisted of five directors, three of whom were appointed by our Company and two of whom were appointed by Leiming Blasting; (ii) the chairman of the board of directors was a director appointed by our Company; and (iii) at the senior management level, the general manager was nominated by Leiming Blasting, and the deputy general manager and financial director were nominated by our Company.

As at the Latest Practicable Date, for Tongtai Tongjin, (i) the board of directors consisted of five directors, three of whom were appointed by our Company and two of whom were appointed by Zhongjue International; (ii) the chairman of the board of directors was a director appointed by our Company; and (iii) at the senior management level, the general manager was nominated by Zhongjue International, and the deputy general manager and financial director were nominated by our Company.

As advised by our PRC Legal Advisers, pursuant to each of the articles of association of Liantong Municipal and Tongming Mining, matters concerning increase or reduction of registered capital, merger, division, dissolution, and liquidation of the company or change of its corporate form, decision on matters concerning external investments, the transfer or acquisition of significant assets, issuance of debentures or the provision of external guarantees, the appointment or removal of senior management or manager or their remuneration or financing require approval by two-third of the board of directors. For other matters, approval by three or more directors is required. Pursuant to the articles of association of Tongtai Tongjin, all matters require approval of three or more directors. As at the Latest Practicable Date, as three of the directors of each of Liantong Municipal, Tongming Mining and Tongtai Tongjin were appointed by our Company, our Company can pass resolutions which require a simple majority of the votes and has veto rights to matters that require two-third approval of the board of directors.

Based on the above, although our Company owns 67%, 55% and 55% of the total registered share capital of Tongming Mining, Liantong Municipal and Tongtai Tongjin respectively, at the Latest Practicable Date, our Directors believe, and our PRC Legal Advisers concur, that we are able to exercise control on the board and shareholder level of Tongming Mining, Liantong Municipal and Tongtai Tongjin.

Reporting Accountants' view on our Group's control over Liantong Municipal and Tongming Mining

Liantong Municipal and Tongming Mining are considered as non-wholly owned subsidiaries of our Group and hence their respective financial information is consolidated in our Group's historical financial information during the Track Record Period.

To determine whether an investor shall consolidate an investee, it requires the investor to control the investee. According to paragraphs 6 of International Financial Reporting Standards 10 Consolidated Financial Statements ("**IFRS 10**"), it states that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. According to paragraphs 10 of IFRS 10, it states that for the purpose of assessing power, only substantive rights shall be considered.

By applying the above principles, in assessing whether Liantong Municipal and Tongming Mining are regarded as being controlled by our Group, our Directors have taken into consideration the following factors:

(1) Our Group has substantive rights in Liantong Municipal and Tongming Mining

The relevant activities, which will significantly affect the returns of Liantong Municipal and Tongming Mining, are primarily manufacture and sales of goods, management of business operations and obtaining financing resources (the "**Key Matters**").

Pursuant to the articles of association of Liantong Municipal and Tongming Mining, shareholders' meeting is responsible for the decision-making of the Key Matters. As disclosed in the paragraph headed "Control over our non-wholly owned subsidiaries" in this section, for matters concerning daily operation and investment plan of Liantong Municipal and Tongming Mining including approval of annual budget, capital expenditure forecast and financing plan, appointment of non-employees' representative directors and supervisor and determination of their remuneration, a simple majority of votes at the respective shareholders' meeting is required. As shareholders shall exercise their voting rights attached to the equity interest in Liantong Municipal and Tongming Mining they hold, our Group has 55% voting rights in Liantong Municipal and 67% voting rights in Tongming Mining. Accordingly, resolutions relating to the Key Matters can simply be passed by the votes held by our Group and hence our Group is considered as having substantive rights to direct the Key Matters.

Our Group also prevails in the respective board of directors of Liantong Municipal and Tongming Mining and has the right to appoint three (including the chairperson) out of five directors for both Liantong Municipal and Tongming Mining. Board resolutions (including the profit distribution proposal to be put forward to the shareholders' meeting for approval) are passed/to be passed on a simple majority basis. Accordingly, our Group can determine the details of how the resolutions approved in the shareholders' meeting should be put into effect and implemented by the management of Liantong Municipal and Tongming Mining.

(2) The minority shareholders of Liantong Municipal and Tongming Mining (i.e. Shanghai Hanglong and Leiming Blasting) have passive interest in Liantong Municipal and Tongming Mining only

According to paragraph 14 of IFRS 10, it states that an investor can have power over an investee even if other entities have existing rights that give them the current ability to participate in the direction of the relevant activities, for example when another entity has significant influence. Our Company (i) acknowledges that to a certain extent, the minority shareholders may have influence over Liantong Municipal and Tongming Mining and (ii) considers the level of participation of the minority shareholders in the financial and operating decisions is commensurate with their shareholdings in Liantong Municipal and Tongming Mining. Nevertheless, Shanghai Hanglong and Leiming Blasting are considered to have passive interest in Liantong Municipal and Tongming Mining, respectively, because they have minor interest in Liantong Municipal and Tongming Mining and do not have the power to direct the Key Matters. Hence, they do not have substantive rights in Liantong Municipal and Tongming Mining.

Further, to identity whether the minority shareholders have other influence over Liantong Municipal and Tongming Mining beyond their voting rights and the relevant extent, our Group has performed an assessment and observed the following:

(a) There was no evidence to indicate that the minority shareholders have any power to direct the Key Matters by way of bypassing the mechanism in which our Group can exert its influence over Liantong Municipal and Tongming Mining. For example, no member in the senior management team of Liantong Municipal is nominated by Shanghai Hanglong. Despite the general manager of Tongming Mining is nominated by Leiming Blasting, his roles and responsibilities are mainly to carry out the strategies approved in the shareholders' meeting and therefore they are ultimately held accountable to all shareholders including our Group but not only Leiming Blasting.

(b) There was no evidence to indicate that a special relationship may exist between the minority shareholders and Liantong Municipal and Tongming Mining such that the operations are conducted on behalf of, or otherwise dependent on, the minority shareholders. For example, Shanghai Hanglong does not have continuous business relationship with Liantong Municipal. Although Leiming Blasting provides blasting services to Tongming Mining, Tongming Mining can benefit from the synergy and efficiency through cooperation. In addition, such a continuous business relationship does not lead to any undue reliance of Tongming Mining on Leiming Blasting as the transaction is generally conducted on market terms and alternative suppliers are available.

(c) In terms of investment return, our Group and the minority shareholders are entitled to pro-rata share of the profit or loss and net assets in Liantong Municipal and Tongming Mining based on their respective equity interest. The fact that the profit distribution proposals require the consent from the minority shareholders at the shareholders' meeting of Liantong Municipal and Tongming Mining merely affects the timing when our Group can realise its economic benefits in the form of dividends from Liantong Municipal and Tongming Mining. It does not change the entitlements of economic benefits of our Group nor impair our Group's ability to make decisions that significantly affect the returns of Liantong Municipal and Tongming Mining.

In light of the above assessment, our Directors are of the view that our Group has control over Liantong Municipal and Tongming Mining and thus their respective financial information should be consolidated in our Group's historical financial information during the Track Record Period.

Based on the work performed by our reporting accountants, our reporting accountants are of the view that no significant adjustment has to be made to the consolidated financial information set forth in the Accountants' Report of our Group in Appendix I to this prospectus.

Competing interest of our substantial shareholder at subsidiary level

During the Track Record Period, Tongming Mining is principally engaged in mining and processing of aggregate products in Huaibei City, Anhui Province. Anhui Leiming Mining Co., Ltd.* (安徽雷鳴礦業有限責任公司) ("**Leiming Mining**"), which is wholly-owned by Leiming Kehua, is an associate of Leiming Blasting and principally engaged in mining and processing of aggregate products in Suzhou City, Anhui Province.

Our Directors are of the view, and the Sole Sponsor concurs, that there may be potential competition between the businesses carried on by Leiming Mining and us, where the extent of such competition is not material and severe because each company has its own major clientele which are located in different geographical area.

The location of our Gaoloushan Mine is in Lieshan District, Huaibei City, Anhui Province. The three aggregate mines of Leiming Mining are located in Xiao County, Suzhou City, Anhui Province, which are approximately 42km to 63km north from our Gaoloushan Mine. As such, the customer base between Leiming Mining and our Group are generally different since customers tend to select supplier of aggregate products where the location of aggregate mine is more favourable to them. According to CIC, it is a market practice for customers of aggregate products (i) arranging transportation themselves to collect aggregate products at the aggregate mine and (ii) bearing the mode and costs of transportation themselves. Since the customers are cost conscious, the distance between the aggregate mine and the designated site of delivery of aggregate products serves as a determining factor in choosing an aggregate products supplier.

During the Track Record Period, our revenue attributable to the sale of aggregate products in Huaibei City amounted to approximately RMB295.7 million, RMB316.5 million, RMB209.5 million and RMB183.5 million, accounting for approximately 91.3%, 85.6%, 81.9% and 80.8% of our total revenue, respectively and our revenue attributable to the sale of aggregate products in Suzhou City amounted to approximately RMB18.7 million, RMB25.4 million, RMB16.2 million and RMB17.4 million, accounting for approximately 5.8%, 6.9%, 6.3% and 7.7% of our total revenue, respectively. To the best knowledge of our Directors, most of the customers of the three aggregate mines of Leiming Blasting are from Suzhou City, Xuzhou City, Jiangsu Province and Yongcheng City, Henan Province. During the Track Record Period and as at the Latest Practicable Date, our Group did not sell any of our aggregate products to customers in Xuzhou City and Yongcheng City.

Despite the potential conflict of interest between Tongming Mining and Leiming Group, we have put in place the following conflict management measures which our Directors believe will be able to demonstrate Tongming Mining is capable of carrying on its business independently from Leiming Group.

(1) Although Mr. Xu Jingen and Mr. Zhao Zhongwei, both directors of Tongming Mining also hold the following positions with Leiming Group, we consider that Tongming Mining will function independently of Leiming Group for the corporate governance measures implemented or to be implemented as stated below.

Name	**Position in our Group**	**Position in Leiming Group and/or its close associates**
Mr. Xu Jingen (徐錦根)	Director of Tongming Mining	Chairman of Hunan Leiming Western Civil Explosives Co., Ltd.* (湖南雷鳴西部民爆有限公司)
		Director of Jingzhou Leiming Yian Gravel Co., Ltd.* (靖州雷鳴億安砂石有限公司)
		Chairman of Huaibei Leiming Civil Explosives Equipment Co., Ltd.* (淮北市雷鳴民爆器材有限責任公司)

Name	Position in our Group	Position in Leiming Group and/or its close associates
		Director of Sangzhi Leiming Mining Co., Ltd.* (桑植雷鳴礦業有限責任公司) Director of Tongling Leiming Shuangshi Chemical Co., Ltd.* (銅陵雷鳴雙獅化工有限責任公司)
Mr. Zhao Zhongwei (趙忠偉)	Director of Tongming Mining	Supervisor of Anhui Leiyue Construction Materials Co., Ltd.* (安徽雷躍建築材料有限公司)

(a) the principal responsibilities of Mr. Xu Jingen and Mr. Zhao Zhongwei in Tongming Mining include provision of strategic guidance and taking part with other three directors of Tongming Mining in the discussion and approval of major investment decisions while they would not participate in our daily operations, and our daily operations would be managed by our senior management who are independent of Leiming Group;

(b) each director of Tongming Mining (including Mr. Xu Jingen and Mr. Zhao Zhongwei) is aware of his/her fiduciary duties as a director of Tongming Mining which requires, among other things, that he/she acts for the benefit and in the best interests of Tongming Mining and that he/she does not allow any conflict between his/her duties as a director of Tongming Mining and his/her personal interest;

(c) in the event that there is a potential conflict of interests arising out of any transaction to be entered into, the interested director of Tongming Mining shall abstain from voting at the relevant board meetings of Tongming Mining in respect of such transactions and shall not be counted as quorum under the decision-making mechanism of the board of Tongming Mining;

(d) other than Mr. Xu Jingen and Mr. Zhao Zhongwei, there is no other overlapping directors nor senior management holding roles in both Tongming Mining and Leiming Group;

(e) the supervisors of Tongming Mining will also monitor the activities and performance of directors of Tongming Mining and make sure that they would act in the best interest to Tongming Mining; and

(f) among the five directors of Tongming Mining, three of them, namely Mr. Zhang Lizhe, Ms. Zhang Xiaobing and Mr. Mao Hongxian, were appointed by our Company while among the three supervisors of Tongming Mining, two of them, namely, Ms. Dong Jing and Ms. Zhao Mingling, were appointed by our Company. Therefore, our Company is able to control the board as well as the supervisory committee.

(2) There is no sharing of sales and marketing team between Tongming Mining and Leiming Group, and our marketing responsibility is allocated to the management of Tongming Mining;

(3) We determine the prices of aggregate product with reference to the general market trend, the prices of products of similar specifications and quality offered by our competitors, and the quality of our aggregate products. Accordingly, the price of our aggregate products will be determined independently by the management of Tongming Mining and Leiming Group will not be able to affect the price of our aggregate products to the detriment of Tongming Mining;

(4) More than half of the equity interest in Tongming Mining is owned by our Company as at the Latest Practicable Date and therefore, we are able to control Tongming Mining as its shareholder; and

(5) Having considered that (a) we have established our own organisational structure comprising individual departments and business and administrative units, each with specific areas of responsibilities and (b) Tongming Mining does not share our operational resources, such as marketing, sale and general administration resources with Leiming Group and/or its close associates, our Directors consider that Tongming Mining can operate independently from Leiming Group from the operational perspective.

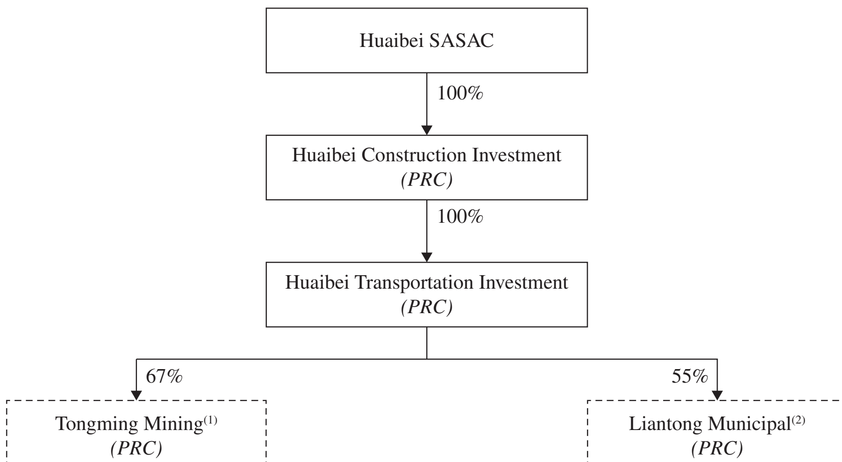
Furthermore, Leiming Group is only a connected person of the Company at subsidiary level and does not own any Shares and it does not have any representative in the Board. Therefore, members of the Leiming Group are not our Controlling Shareholders, and the business of Leiming Mining is not the "excluded business" within the meaning of Rule 8.10(1) of the Listing Rules.

Based on the above, our Directors believe that (i) robust governance measures are in place to ensure management independence; (ii) the competition between Tongming Mining and Leiming Group are fair and (iii) such fair market competition will ensure that transfer of value from Tongming Mining to Leiming Group cannot be effected efficiently and the interest of Tongming Mining would not be undermined.

REORGANISATION

In preparation for the Listing, we underwent the Reorganisation pursuant to which our Company became the holding company and listing vehicle of our Group.

The following chart sets forth our shareholding structure immediately before the Reorganisation:



Notes:

(1) Tongming Mining was owned as to 67% by our Company and 33% by Leiming Blasting.

(2) Liantong Municipal was owned as to 55% by our Company and 45% by Shanghai Hanglong.

The Reorganisation involved the following major steps:

1. Incorporation of our Company

Our Company was established in the PRC as a joint stock limited company on 21 December 2018 to act as the holding company and listing vehicle of our Group with a registered capital of RMB198 million. As of the date of its establishment, our Company had a total of 198,000,000 Domestic Shares, with a par value of RMB1.00 each. Of which, Huaibei Transportation Investment directly held 138,600,000 Domestic Shares, representing 70% equity interest in our Company and Huaibei Construction Investment directly held 59,400,000 Domestic Shares, representing 30% equity interest in our Company as of the date of its establishment.

2. Transfer of Domestic Shares in our Company to Huaibei Transportation Investment

On 18 December 2019, Huaibei Construction Investment agreed to transfer 50,400,000 Domestic Shares to Huaibei Transportation Investment at nil consideration pursuant to the "Transfer of State-owned Assets at Nil Consideration Agreement" (國有股權無償劃轉協議). Immediately after the transfer of Domestic Shares, Huaibei Transportation Investment directly held 189,000,000 Domestic Shares, representing approximately 95.45% equity interest in our Company and Huaibei Construction Investment directly held 9,000,000 Domestic Shares, representing approximately 4.55% equity interest in our Company. According to the supplemental agreement to the Transfer of State-owned Assets at Nil Consideration Agreement (國有股權無償劃轉協議之補充協議), the effective date of the above transfer of Domestic Shares would be on 22 December 2019.

3. Transfer of equity interest in Tongming Mining and Liantong Municipal

On 18 December 2019, a shareholders' meeting of our Company was convened and resolved to approve Huaibei Transportation Investment to contribute its 67% equity interest in Tongming Mining and 55% equity interest in Liantong Municipal as in-kind contribution of RMB189 million to the capital of our Company. The value of the 67% equity interest in Tongming Mining was approximately RMB180,507,000 and the 55% equity interest in Liantong Municipal was approximately RMB46,286,000, which were determined based on their respective net assets value as of 31 March 2020 and 31 January 2020, being the respective dates when the audited financial statements of Tongming Mining and Liantong Municipal were consolidated into the financial statements of our Company. Such basis of consideration was approved and confirmed by Huaibei SASAC. The aggregate value of the in-kind contribution to the capital of our Company by Huaibei Transportation Investment was approximately RMB226,793,000, in which RMB189,000,000 was contributed to the registered capital of our Company and the remaining sum was contributed to the capital reserve of our Company.

Pursuant to the equity transfer agreement dated 18 December 2019 entered into between Huaibei Transportation Investment and our Company, in order to settle the aforesaid capital contribution to our Company, Huaibei Transportation Investment transferred the 55% equity interest in Liantong Municipal to our Company as in-kind contribution. Liantong Municipal completed the registration of the above change in shareholders with Market Supervision Administration of Huaibei City on 6 January 2020.

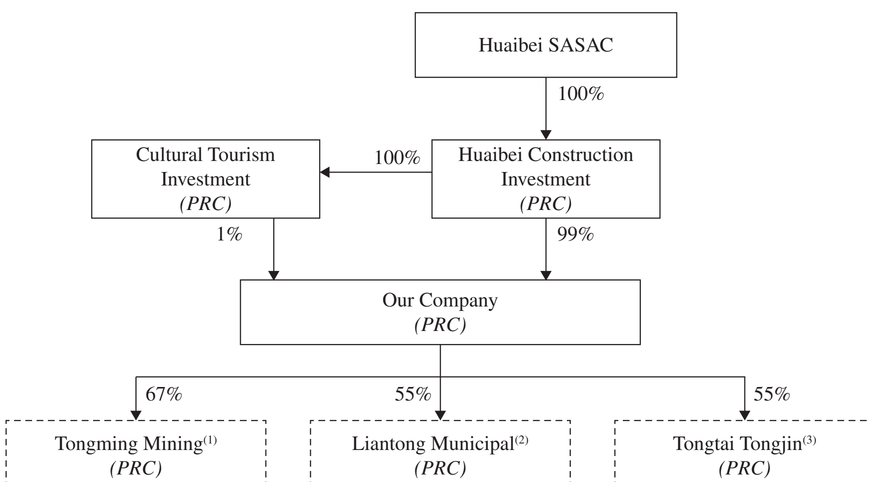
Pursuant to the equity transfer agreement dated 18 December 2019 entered into between Huaibei Transportation Investment and our Company, in order to settle the aforesaid capital contribution to our Company, Huaibei Transportation Investment transferred the 67% equity interest in Tongming Mining to our Company as in-kind contribution. Tongming Mining completed the registration of the above change in shareholders with Market Supervision Administration of Huaibei City on 30 March 2020.

4. Transfer of Domestic Shares in our Company to Huaibei Construction Investment and Cultural Tourism Investment

On 26 May 2021, Huaibei Transportation Investment transferred 187,020,000 Domestic Shares to Huaibei Construction Investment and 1,980,000 Domestic Shares to Cultural Tourism Investment (which is a direct wholly-owned subsidiary of Huaibei Construction Investment) at nil consideration, pursuant to the respective Transfer of State-owned Assets at Nil Consideration Agreements (國有股權無償劃轉協議). Immediately after the transfer of Domestic Shares, Huaibei Construction Investment directly held 196,020,000 Domestic Shares, representing 99% equity interest in our Company and Cultural Tourism Investment directly held 1,980,000 Domestic Shares, representing 1% equity interest in our Company.

CORPORATE STRUCTURE

As at the Latest Practicable Date, our Company had issued 198,000,000 Domestic Shares and had a registered capital of RMB198 million. The registered capital is expected to increase to RMB264 million, comprising 198,000,000 Domestic Shares and 66,000,000 H Shares upon the Listing (assuming the Over-allotment Option is not exercised). The following chart sets forth our corporate and shareholding structure immediately after the completion of the Reorganisation and prior to the Global Offering:



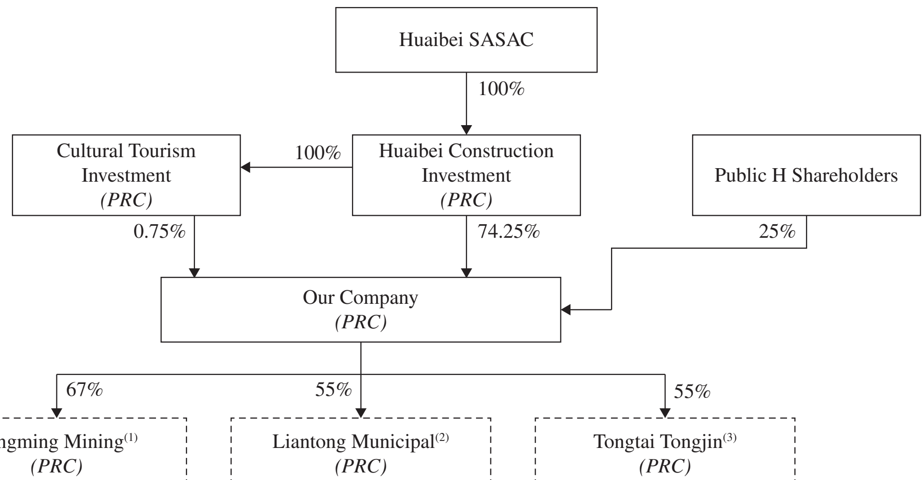
Notes:

(1) Tongming Mining was owned as to 67% by our Company and 33% by Leiming Blasting. Pursuant to Tongming Mining Capital Injection Agreements, there is a proposed capital injection to Tongming Mining to be completed subject to obtaining the approval from Huaibei SASAC and the passing of the shareholders' resolutions. However, as at the Latest Practicable Date, both our Directors and our PRC Legal Advisers are of the view that Leiming Kehua no longer could proceed with the capital injection pursuant to the terms of the Tongming Mining Capital Injection Agreements. Our Group entered into subsequent negotiations with parties to the Tongming Mining Capital Injection Agreements and it is expected that the capital injection by Leiming Kehua will proceed and target to complete around early to mid-2023 subject to obtaining the approval from Huaibei SASAC and the passing of the shareholders' resolutions. For further details, please refer to the paragraph headed "Our subsidiaries — Tongming Mining" in this section.

(2) Liantong Municipal was owned as to 55% by our Company and 45% by Shanghai Hanglong.

(3) Tongtai Tongjin was owned as to 55% by our Company and 45% by Zhongjue International.

The following chart sets forth our corporate and shareholding structure immediately after the Global Offering:



Notes:

(1) Tongming Mining was owned as to 67% by our Company and 33% by Leiming Blasting. Pursuant to Tongming Mining Capital Injection Agreements, there is a proposed capital injection to Tongming Mining to be completed subject to obtaining the approval from Huaibei SASAC and the passing of the shareholders' resolutions. However, as at the Latest Practicable Date, both our Directors and our PRC Legal Advisers are of the view that Leiming Kehua no longer could proceed with the capital injection pursuant to the terms of the Tongming Mining Capital Injection Agreements. Our Group entered into subsequent negotiations with parties to the Tongming Mining Capital Injection Agreements and it is expected that the capital injection by Leiming Kehua will proceed and target to complete around early to mid-2023 subject to obtaining the approval from Huaibei SASAC and the passing of the shareholders' resolutions. For further details, please refer to the paragraph headed "Our subsidiaries — Tongming Mining" in this section.

(2) Liantong Municipal was owned as to 55% by our Company and 45% by Shanghai Hanglong.

(3) Tongtai Tongjin was owned as to 55% by our Company and 45% by Zhongjue International.

(4) The public float of our Company at the time of Listing and after the completion of the Global Offering will be 25%, which will not be subject to any lock-up requirement.

Confirmation from our PRC Legal Advisers

Save as the proposed capital contribution to Tongming Mining, our PRC Legal Advisers have confirmed that, as at the Latest Practicable Date, (i) the settlement of all the equity transfers and/or capital increase had been legally completed; (ii) the Reorganisation of our Group was in compliance with the provisions of relevant PRC laws and regulations in all material aspects; and (iii) our Group had obtained all necessary approvals from the relevant authorities in the PRC related to the Reorganisation under the relevant PRC laws and regulations.

OVERVIEW

We are a construction materials provider with state-owned background located in Huaibei City, Anhui Province. Our major products include (i) aggregate products, which we mine in our Gaoloushan Mine and process at our nearby production facilities located in Lieshan District, Huaibei City; and (ii) concrete products, which we manufacture at our production facilities located in Xiangshan District, Huaibei City. During the Track Record Period, we mainly sold our aggregate products and concrete products to construction companies, building materials companies and wholesalers.

According to the CIC Report, we are the third largest construction aggregates producers in the markets of Huaibei City and its surrounding cities including Suzhou City and Bozhou City with the market share of approximately 12.9% in 2021 in terms of sales volume. According to the CIC Report, the fixed assets investment (including but not limited to investment in infrastructure construction, industrial construction and urban renewal) in Huaibei City increased from RMB105.6 billion in 2017 to RMB153.2 billion in 2021, representing a CAGR of approximately 9.7%. Such strong growth was driven by, among other things, the favourable government policies in supporting industrial projects, construction of urban infrastructure and urban renewal projects. The policies include (i) the "Financial Bonus Policies to Support the Development of the Real Economy" (《淮北市支持實體經濟發展政策清單》), which the government will provide financial subsidies to support strategic industrial projects; (ii) the "Implementation Plan for Strengthening Urban Infrastructure Construction in Huaibei City" (《淮北市加強城鎮基礎設施建設實施方案》), which aims to accelerate the construction of urban infrastructure; and (iii) the "Three-year Reconstruction Plan for Shanty Towns in Huaibei City" (《淮北市棚戶區三年改造規劃》), which is an urban construction plan to promote urban renewal projects. Looking forward, it is forecasted that the fixed assets investment in Huaibei City will rise to approximately RMB228.6 billion in 2026, at a CAGR of approximately 8.3% between 2021 and 2026, according to the CIC Report. Our Directors believe that the construction materials industry would benefit from the future growth in fixed assets investment in Huaibei City as concrete is the key construction materials in the PRC and construction aggregate is one of the primary raw materials in producing concrete products.

During the Track Record Period, we supplied products to a range of public and private construction projects in Anhui Province, including Huaibei People's Hospital (淮北市人民醫院), Huaibei City – S101 Hexiang Road renovation project (淮北市S101合相路改建工程), Huaibei Longshan North Road (淮北龍山北路項目) and Huaibei City Bus Passenger Transport Complex Building Hub Station (淮北市公交客運綜合樓樞紐站). For the three years ended 31 December 2021 and the nine months ended 30 September 2022, our revenue was RMB492.5 million, RMB506.4 million, RMB370.3 million and RMB313.3 million, respectively. Our profits for the same periods were approximately RMB168.9 million, RMB182.5 million, RMB98.9 million and RMB77.6 million, respectively.

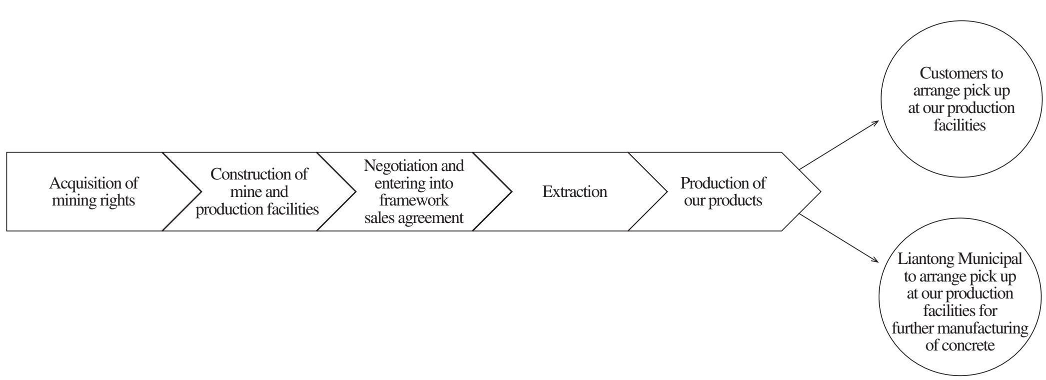
Our Gaoloushan Project (Phase I) commenced commercial production in June 2018. Pursuant to the Phase I Mining Licence, the designated mining area is 0.3330 km^2, the permitted elevation is +247 m to +150 m and the permitted annual production volume is 3.5 million tonnes per annum. Our aggregate products are produced by way of conventional open-pit mining and on-site crushing and screening. On 30 June 2021, we obtained the Phase II Mining Licence, which increased the permitted maximum production volume from 3.5 million tonnes per annum to 8 million tonnes per annum. The designated mining area also increased from 0.3330 km^2 to 0.8777 km^2 pursuant to the Phase II Mining Licence. According to the Independent Technical Report, as at 30 September 2022, the estimated Resources of our Gaoloushan Mine was approximately 184.3 million tonnes, comprising Indicated Resources of approximately 178.9 million tonnes and Inferred Resources of approximately 5.4 million tonnes; and the Probable Reserves of approximately 126.8 million tonnes; and the estimated mine life of our Gaoloushan Mine was approximately 18 years based on the Probable Reserves of approximately 126.8 million tonnes and an anticipated annual production up to 8 million tonnes in 2031 upon implementation of our development plan. Our Gaoloushan Mine in essence is a quarry.

We plan to gradually increase our annual production volume from 3.5 million tonnes to ultimately 8 million tonnes in 2031 with a view to meeting the increasing demand of aggregate products from our existing customers and potential customers who are expected to benefit from the economic development in Huaibei City and surrounding cities, including Suzhou City and Bozhou City. To achieve such production volume, we plan to increase our extraction capacity as well as build a new production plant. With reference to the Independent Technical Report, our Directors confirmed that the estimated capital costs for the development of our Gaoloushan Project (Phase II) is approximately RMB1,674.5 million (excluding sustaining), amongst which, HK$86.3 million (approximately RMB78.0 million) is expected to be paid by the proceeds of the Listing and the remaining to be paid by bank borrowings and/or internal resources.

OUR BUSINESS MODEL

Production and sale of construction aggregate

The following diagram illustrates our business model for the aggregate products segment:



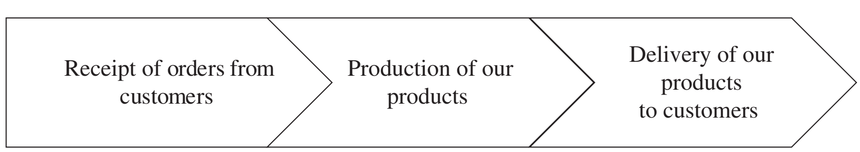
We produce and sell construction aggregate. Our aggregate products mainly comprise of scalping (0 mm-3 mm), sand powder (0 mm-5 mm), 0.5-1 construction aggregate (5 mm-15 mm), 1-2 construction aggregate (15 mm-25 mm), and 1-3 construction aggregate (25 mm-31.5 mm), which are generally used in concrete manufacturing, masonry construction and construction filling, according to the CIC Report. The customers of our aggregate products are primarily construction companies, building materials companies and wholesalers.

In December 2016, we obtained the mining rights in respect of our Phase I Gaoloushan Mine from Land and Resources Bureau of Huaibei City (currently renamed as Natural Resources and Planning Bureau of Huaibei City). In January 2021, we obtained the mining rights in respect of our Phase II Gaoloushan Mine by way of public listing (公開掛牌出讓) from Natural Resources and Planning Bureau of Huaibei City.

In general, we enter into framework sales agreement with our customers after direct negotiation. We normally require our customers to make prepayment by way of bank transfer after entering into the framework sales agreement and before delivery of our aggregate products. We mine and extract ore from our Gaoloushan Mine by adopting the conventional open-pit mining method, which comprises drilling, blasting, loading and hauling. In relation to the extraction process, we outsource the drilling and blasting process to Leiming Blasting. Upon completion of the blasting, we screen out overburden and wastes and the extracted limestone ore will be transported to our production facilities for further processing. For details of the production process, please refer to the paragraph headed "Production Process and Production Facilities – Production processes" in this section. Once our customers or Liantong Municipal collected the aggregate products from our production facilities, we will deduct the fees from the prepayment based on the transaction amount of the aggregate products collected.

Production and sale of concrete products

The following diagram illustrates our business model for the concrete products segment:



We produce and sell concrete products to our customers, which are primarily construction companies, building materials companies and wholesalers. Our concrete products mainly comprise of ready-mixed concrete, cement stabilised macadam and asphalt concrete.

Due to the nature of concrete products which will harden over time, the increase in transportation time will have a negative impact on the quality of concrete products. Therefore, we usually produce the required amount of concrete products upon receiving purchase orders from our customers. The concrete products produced by us will then be delivered by our trucks or third party trucks to our customers' designated sites. Paving of roads by our cement stabilised macadam and asphalt concrete products will be handled by subcontractors arranged by us upon delivery. To the best knowledge of our Directors, all of our subcontractors of paving services engaged during the Track Record Period were Independent Third Parties. The total subcontracting fees we paid for the paving services were approximately RMB2.0 million, RMB3.0 million, RMB1.6 million and RMB0.2 million, representing approximately 0.9%, 1.4%, 0.8% and 0.1% of our total cost of sales, respectively, for the three years ended 31 December 2021 and the nine months ended 30 September 2022. Moreover, due to the nature of concrete products, which will harden over time, we primarily sell our concrete products to customers in Huaibei City.

During the Track Record Period, Tongming Mining also supplied aggregate products to Liantong Municipal as raw materials for the manufacturing of our concrete products. During the Track Record Period, Liantong Municipal procured approximately 49,000 tonnes, 40,000 tonnes, 54,000 tonnes and 1,000 tonnes of construction aggregate from Tongming Mining, which accounted for approximately 9.4%, 9.8%, 11.0% and 0.4% of the total purchases of construction aggregate of Liantong Municipal.

During each of the three years ended 31 December 2021 and the nine months ended 30 September 2021, the revenue derived from the provision of consignment processing service of asphalt concrete products amounted to nil, nil, approximately RMB1.0 million and RMB0.3 million, respectively. Our customer provides us with all the necessary raw materials and arrange transportation to pick up the processed products while we provide the processing services at our production facilities.

OUR COMPETITIVE STRENGTHS

We believe our success and future prospects are contributed by a combination of the following competitive strengths:

We are well-positioned to capture to the rising opportunities in Huaibei City and its surrounding cities.

During the Track Record Period, the majority of our customers are located in Huaibei City and its surrounding cities, including Suzhou City and Bozhou City. According to the CIC Report, the fixed assets investment in Huaibei City, Suzhou City and Bozhou City had demonstrated a steady increasing trend between 2017 and 2021. The fixed assets investment in Huaibei City increased from approximately RMB105.6 billion in 2017 to approximately RMB153.2 billion in 2021, representing a CAGR of approximately 9.7%. The fixed investment of Huaibei City is expected to increase from approximately RMB153.2 billion to approximately RMB228.6 billion between 2021 and 2026, with a CAGR of approximately 8.3%. Such increase was driven by, amongst others, the favourable policies implemented by the local government in encouraging the fixed asset investments, including investments in industrial projects, urban infrastructure and urban renewal projects, according to the CIC Report. The policies include the (i) "Financial Bonus Policies to Support the Development of the Real Economy" (《淮北市支持實體經濟發展政策清單》), which the government will provide financial subsidies to support strategic industrial projects; (ii) the "Implementation Plan for Strengthening Urban Infrastructure Construction in Huaibei City" (《淮北市加強城鎮基礎設施建設實施方案》), which aims to accelerate the construction of urban infrastructure; and (iii) the "Three-year Reconstruction Plan for Shanty Towns in Huaibei City" (《淮北市棚戶區三年改造規劃》), which is a urban construction plan to promote urban renewal projects. In addition, the fixed assets investment in Suzhou City and Bozhou City increased from approximately RMB140.3 billion in 2017 to approximately RMB225.3 billion in 2021, representing a CAGR of approximately 12.6% and from approximately RMB106.7 billion in 2017 to approximately RMB139.0 billion in 2021, representing a CAGR of approximately 6.8%, respectively. The fixed assets investments in Suzhou City and Bozhou City are expected to increase from approximately RMB225.3 billion to approximately RMB357.9 billion between 2021 and 2026, with a CAGR of approximately 9.7% and from approximately RMB139.0 billion to approximately RMB187.2 billion between 2021 and 2026, with a CAGR of approximately 6.1%, respectively.

Our Directors believe that we have established our reputation in Huaibei City and its surrounding cities over years of operation. Our Gaoloushan Project is located in Song Tuan Town, Lieshan District, Huaibei City, Anhui Province. Our Gaoloushan Mine and production facilities are well-connected to other parts of Huaibei City via the Anhui Provincial Highway S101 and other paved roads. Apart from Huaibei City, we have access to Suzhou City in the south via the G3 Expressway and other all-weather roads, and Bozhou City in the west via National Expressway G237 and other paved roads. Such comprehensive transportation network provides a convenient network for the transportation of our aggregate products to Huaibei City and its surrounding cities, including Suzhou City (as to approximately 31 km from our Gaoloushan Project) and Bozhou City (as to approximately 158 km from our Gaoloushan Project). We believe that our customers could benefit from such network by saving the time and costs in delivering the construction aggregates purchased from our production facilities to their plants. This is especially the case given that in light of the weight of the construction aggregates, it is not economically viable to transport and sell construction aggregates from a far distance. In addition, due to the nature of ready-mixed concrete which is a semi-finished product that will harden over time, the increase in transportation time will have a negative impact on the quality of concrete. Accordingly, our Directors believe that in view of our physical location and our established presence in those areas, we are well-positioned to capture the rising opportunities in Huaibei City and its surrounding cities.

We are the third largest construction aggregates producers in the region with state-owned background.

We are the third largest construction aggregates producers in the markets of Huaibei City and its surrounding cities including Suzhou City, and Bozhou City in 2021, accounting for approximately 12.9% of the total market in terms of sales volume of construction aggregates in 2021, according to the CIC Report. Our Controlling Shareholder, Huaibei Construction Investment, is a wholly state-owned company approved by Huaibei Municipal Government and was established on 24 April 2008 with the entire capital contributed by Huaibei SASAC, a PRC governmental body which is principally engaged in the management of state-owned assets as authorised by the relevant finance and regulatory bodies of the PRC. Huaibei Construction Investment is principally engaged in investment and management of infrastructure construction projects. According to the CIC Report, state-owned enterprises are generally perceived to have credit endorsement from the government that enables themselves to gain a higher level of trust from customers. Our Directors also believe that the background of state-owned company enables us to build long-term relationship with large-scale clients. We believe our Controlling Shareholders, being state-owned enterprises, give us an edge over other non state-owned competitors.

The PRC government issued several policies and regulations regarding the construction materials industry to enhance product standards, energy efficiency, emission reduction as well as production safety, and to further promote the structural adjustment of construction materials. The policies and regulations include (i) "Certain Opinions on Promoting the High-Quality Development of the Machine-made Sand Industry" (《關於推進機製砂石行業高質量發展的若干意見》), which was promulgated with the aim to, among others, (i) promoting the use of machine-made construction aggregate products to replace the natural construction aggregate; (ii) setting out specific products standards, which have to be achieved by 2025; (iii) emphasising on the importance of complying with the environmental protection requirements such as adopting measures to control dust emissions, water usage, energy consumption, noise pollution and air pollution; and (iv) focusing on the safety requirements on production including encouraging the use of automatic production equipment and enhancing the procedures of mining operation, transportation of mined rocks and screening so as to minimise occupational risks. The construction materials producers are then required to inject more capital to upgrade their production facilities and enhance their operations so as to keep up with the requirements under those regulations and policies. Therefore, according to CIC, against this backdrop, it is beneficial for those leading companies with strong capital inputs, manufacturing capabilities and technical advantages to carry out their business and enhance competitiveness, while those smaller and less competitive companies in the industry would be phased out as they will be forced to shut down if they fail to comply with those requirements. Leveraging on our established market presence, manufacturing capabilities and measures in place to manage our pollutant emissions, energy consumption and work safety, our Directors believe that we will be able to outstand ourselves in the market competition against the smaller and less competitive construction materials producers and capture the market opportunities presented in case those manufacturers are forced to shut down as a result of failing to comply with the policies and regulations.

Our Gaoloushan Mine possesses plentiful resources and reserves and allows us to operate in a cost-effective manner.

According to the Independent Technical Report, as at 30 September 2022, the estimated Resources of our Gaoloushan Mine was 184.3 million tonnes, comprising Indicated Resources of 178.9 million tonnes and Inferred Resources of 5.4 million tonnes; and the Probable Reserves was approximately 126.8 million tonnes. The estimated mine life of our Gaoloushan Mine was approximately 18 years, based on the Probable Reserves of 126.8 million tonnes and an anticipated annual production up to 8 million tonnes in 2031 upon implementation of our development plan. Our Directors believe that a secure and stable supply of limestone from our Gaoloushan Mine for a relatively long period of time is crucial to the future success of our Group.

We adopt a conventional open pit mining method for our operation at our Gaoloushan Mine. As compared to the underground mining method, open-pit mining is more cost-effective as it does not require the construction of supporting structures for underground mining nor the development of designated equipment and machinery to conduct extraction, according to the Independent Technical Consultant. Further, according to the Independent Technical Report, it is estimated that approximately 14.5 million tonnes of waste material (i.e. stripping) will be extracted when all the Probable Reserves of 126.8 million tonnes are extracted at the end of life of mine, resulting a stripping ratio is 0.11. In general, a lower stripping ratio will result in a lower operating cost. Moreover, apart from selling aggregate products, we also sell overburden, being waste rocks and soils produced during our operation, as a by-product to our customers. The revenue generated from selling of such by-product during the three years ended 31 December 2021 and the nine months ended 30 September 2022 were approximately RMB0.7 million, RMB1.6 million, RMB1.5 million, and RMB1.2 million respectively.

We have put in place a safety management system which contributed to our safety track record and success.

We believe production safety is a critical factor to the success of our business and operation. It is our top priority to maintain work safety at our business operations. During the Track Record Period, we had not experienced any serious or material accident nor production suspension due to safety issues and have passed all relevant governmental inspections, achieved zero fatalities in the mining operations as well as our production operations. We also have not been adjudicated by any relevant PRC governmental authority for any material non-compliance with any health and safety requirements under PRC laws and regulations during the Track Record Period. According to our PRC Legal Advisers, we had not been subject to any material penalty imposed by the relevant authorities due to non-compliance with all relevant laws and regulations in respect of occupational health and safety in the PRC during the Track Record Period. We have adopted a comprehensive safety management system, including the establishment of a work safety committee to ensure the compliance of the PRC laws and regulations relating to work safety during our production, provision of regular training to our employees, adoption of protocol for the handling of incidents and other safety measures. Our aim is to implement the national work safety policy of "safety first, prevention first, and comprehensive governance (安全第一、預防為主、綜合治理)", and to ensure the safety of our mines as well as production facilities, promote production development, and improve economic efficiency. With the comprehensive safety management system in place, it enables us to minimise interruptions to our operations and contribute to our proven track record on work safety.

OUR BUSINESS STRATEGY

With the aim of further developing our business and maintaining our growth momentum, we plan to expand our production volume by implementing our Gaoloushan Project (Phase II).

According to the CIC Report, the fixed assets investment (including but not limited to investment in infrastructure construction, industrial construction and urban renewal) in Huaibei City and its surrounding cities, including Suzhou City and Bozhou City, had shown a steady increasing trend between 2017 and 2021. According to the CIC Report, the fixed assets investment in Huaibei City increased from approximately RMB105.6 billion in 2017 to approximately RMB153.2 billion in 2021, representing a CAGR of approximately 9.7%. The fixed assets investment of Huaibei City is expected to increase from approximately RMB153.2 billion to approximately RMB228.6 billion between 2021 and 2026, with a CAGR of approximately 8.3%. Such increase was driven by, among other things, favourable policies implemented by the local government in encouraging the fixed asset investment, according to the CIC Report. The policies include (i) the "Financial Bonus Policies to Support the Development of the Real Economy" (《淮北市支持實體經濟發展政策清單》), which the government will provide financial subsidies to support strategic industrial projects; (ii) the "Implementation Plan for Strengthening Urban Infrastructure Construction in Huaibei City" (《淮北市加強城鎮基礎設施建設實施方案》), which aims to accelerate the construction of urban infrastructure; and (iii) the "Three-year Reconstruction Plan for Shanty Towns in Huaibei City" (《淮北市棚戶區三年改造規劃》), which is an urban construction plan to promote urban renewal projects. According to the CIC Report, there are 232 urban construction projects in Huaibei City with the total project sum of RMB40.6 billion, such as the railway construction project of Huaibei, Suzhou and Bengbu City (淮宿蚌) and the construction project of Huaibei No. 1 Middle School (淮北一中). The fixed assets investments in Suzhou City and Bozhou City increased from approximately RMB140.3 billion in 2017 to approximately RMB225.3 billion in 2021, representing a CAGR of approximately 12.6% and from approximately RMB106.7 billion in 2017 to approximately RMB139.0 billion in 2021, representing a CAGR of approximately 6.8%, respectively. The fixed assets investments in Suzhou City and Bozhou City are expected to increase from approximately RMB225.3 billion to approximately RMB357.9 billion between 2021 and 2026, with a CAGR of approximately 9.7% and from approximately RMB139.0 billion to approximately RMB187.2 billion between 2021 and 2026, with a CAGR of approximately 6.1%, respectively.

The government of Huaibei City has been promoting the construction of transportation infrastructure in the past years. Investment on transportation infrastructure construction in Huaibei City increased from approximately RMB1.0 billion in 2019 to RMB2.0 billion in 2020. The construction of road grew steadily from approximately 4,244.3 km in 2017 to approximately 5,305.1 km in 2021, with a CAGR of approximately 5.7% and it is expected to reach approximately 7,122.3 km by 2025, with a CAGR of approximately 6.1%, according to the CIC Report. The road construction mileage of Suzhou City and Bozhou City increased from 2017 to 2021 with a CAGR of approximately 8.4% and 8.5% respectively. In addition, the construction of new infrastructure (新基建), such as 5G base stations, electrical substations and big data centre has become a development priority for China, according to the CIC Report. According to the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), China plans to construct five million 5G base stations by 2025. According to the CIC Report, the Anhui government proposed to implement the new infrastructure plan, aiming to build more than 200 industrial internet platforms by 2025 and accelerate the construction of key projects such as Huaibei Big Data Centre (淮北大數據中心). As Anhui Province aims to speed up the construction of modern infrastructure system and new infrastructure, the investment in infrastructure construction is forecasted to grow from approximately RMB939.4 billion in 2021 to RMB1,215.2 billion in 2026, at a CAGR of 5.3%.

Concrete is the key construction materials in the PRC and construction aggregate is one of the primary raw materials in producing concrete products. It is expected that the growth in fixed asset investment would continue to boost the demand for construction materials in the region. As a result, according to the CIC Report, the sales volume of construction aggregate in Huaibei City, Suzhou City, and Bozhou City is estimated to increase from 26.8 million tonnes in 2021 to 35.6 million tonnes in 2026 at a CAGR of 5.8%. Leveraging on our established reputation and being deeply rooted in Anhui Province, our Directors believe that we are in a good position to capture these market opportunities.

Our Gaoloushan Project (Phase I) first commenced trial production in January 2018 and formal commercial production in June 2018. During the three years ended 31 December 2021 and the nine months ended 30 September 2022, we produced approximately 3.3 million tonnes, 4.3 million tonnes, 3.5 million tonnes and 3.3 million tonnes, respectively, of aggregate products. In order for us to capture the market opportunities, we plan to gradually increase our annual production volume and ultimately to 8 million tonnes in 2031 with a view to meeting the increasing demand of aggregate products from our existing customers and potential customers which are expected to also benefit from the above economic development in the region. To this end, we will increase both our extraction and production capacities. According to the Independent Technical Report, the current nameplate annual production capacity of our Phase I Processing Plant is approximately 3.6 million tonne per annum. The utilisation rate of our Phase I Processing Plant were approximately 92.3%, 119.9%, 97.8% and 121.1% during the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively.

In view of the utilisation rates, which were over 90% during each of the three years ended 31 December 2021 and the nine months ended 30 September 2022 and in particular, the production volume for the year ended 31 December 2020 exceeded the nameplate production capacity, we plan to construct a new production plant in order to capture the market opportunities. In order to achieve our target of aggregate production volume of 8 million tonnes per annum gradually, our Directors plan to complete the construction of a new production plant, being the Phase II Processing Plant, by the end of third quarter of 2023 and to commence trial production by the end of third quarter of 2023. With reference to the Independent Technical Report our Directors confirmed that the estimated aggregate capital costs for the development of our Gaoloushan Project (Phase II) is approximately RMB1,674.5 million (excluding sustaining). We intend to settle the capital cost by internal resources, bank borrowings and proceeds from Listing.

For details of the development plan of our Gaoloushan Project (Phase II), please refer to the paragraph headed "Our Production Schedule and Development Plan" in this section.

OUR GAOLOUSHAN PROJECT

Gaoloushan Project (Phase I)

Our Gaoloushan Project (Phase I) commenced trial production in January 2018 and formal commercial production in June 2018. The permitted annual production volume is 3.5 million tonnes per year. Our aggregate products are produced by way of conventional open-pit mining blasting and on-site crushing and screening.

The table below sets forth a summary of the information relating to our Gaoloushan Project (Phase I):

Key data	**Gaoloushan Project (Phase I)**
Location	Lieshan District, Huaibei City
Date of trial production	January 2018
Date of formal commercial production	June 2018
Mining method	Open-pit mining
Designated mining area (s.q. km)	0.3330
Permitted elevation	+247 m to + 150 m
Permitted annual production volume (tonnes)	3.5 million(1)
Historical production volume	
For the year ended 31 December 2019 (tonnes)	3.3 million
For the year ended 31 December 2020 (tonnes)	4.3 million(2)
For the year ended 31 December 2021 (tonnes)	3.5 million
For the nine months ended 30 September 2022 (tonnes)	3.3 million

Notes:

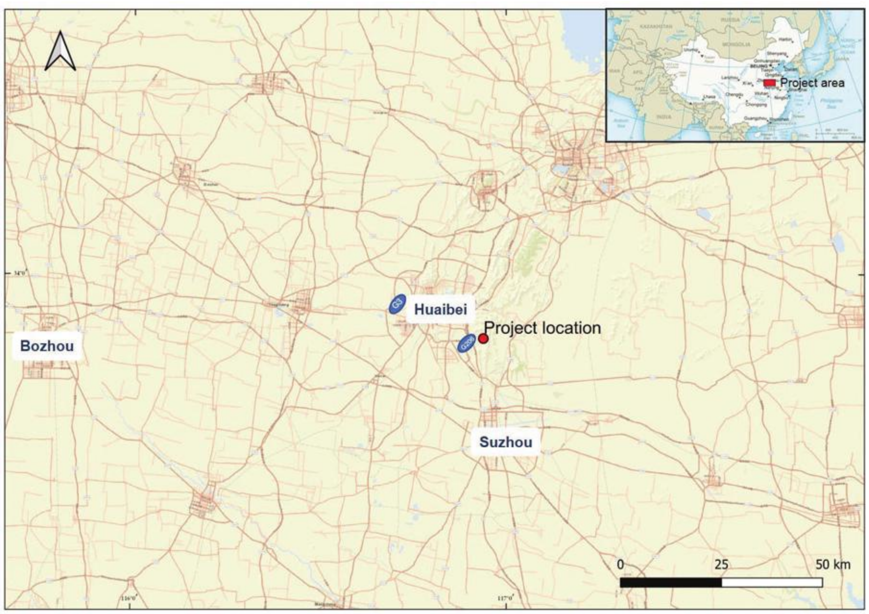
(1) The annual production volume permitted under the Phase I Mining Licence.

(2) For details of over-production, please refer to the subsection headed "Utilisation Rate – Historical Production Volume of Gaoloushan Project (Phase I)" in this section.

Geographical location

Our Gaoloushan Project is located in Huaibei City, Anhui Province. More specifically, it is situated in Gaoloushan in Song Tuan Town, Lieshan District of Huaibei City. Our Phase I Processing Plant is situated at the west of Phase I Gaoloushan Mine and connected through paved roads. Our Gaoloushan Project is connected to other parts of Huaibei City via the Anhui Provincial Highway S101 and other paved roads. Apart from Huaibei City, we have access to Suzhou City in the south via the G3 Expressway and other all-weather roads, and Bozhou City in the west via National Expressway G237 and other paved roads. Such transportation network provides a convenient network for the transportation of our aggregate products to Huaibei City and the surrounding areas, including Suzhou City and Bozhou City.

The following map shows the location of our Gaoloushan Project:



Development history

The following timeline illustrates key milestones in the development of our Gaoloushan Project (Phase I):

Time/Period	Major events
July 2016	Xuzhou Wanyuan Geological and Mineral Research Company Limited (徐州萬源地質礦產研究有限公司) was engaged to conduct an exploration programme on geological mapping and resource estimation over Phase I Gaoloushan Mine.

Time/Period	Major events
December 2016	Tongling Chemical Group Chemical Research and Design Institute Co., Ltd. (銅陵化工集團化工研究設計院有限責任公司) was engaged to conduct a feasibility study in respect of our Gaoloushan Project (Phase I).
	Tongming Mining obtained the mining rights in respect of our Phase I Gaoloushan Mine from the Land and Resources of Huaibei City (淮北市國土資源局) (currently renamed as Natural Resources and Planning Bureau of Huaibei City (淮北市自然資源和規劃局)).
February 2017	Tongming Mining obtained approval from the Huaibei City Water Supplies Bureau (淮北市水務局) for our soil and water conservation plan.
	Tongming Mining obtained the Phase I Mining Licence.
March 2017	Tongming Mining obtained the environmental impact assessment approval from the Environmental Protection Bureau of Huaibei City (淮北市環境保護局).
April 2017	Anhui Provincial Forestry Investigation and Planning Institute (安徽省林業調查規劃院) issued a report on the feasibility study on the use of forest land (使用林地可行性報告) in our Phase I Gaoloushan Mine.
January 2018	Our Gaoloushan Project (Phase I) commenced trial production.
June 2018	Tongming Mining obtained the Work Safety Licence (安全生產許可證) and commenced commercial production of our Gaoloushan Project (Phase I).
July 2018	Tongming Mining renewed the Phase I Mining Licence to until 1 July 2021.

Our Phase I Mining Licence

Pursuant to the contract dated 14 December 2016 entered between Tongming Mining and the Land and Resources Bureau of Huaibei City (淮北市國土資源局) (currently renamed as Natural Resources and Planning Bureau of Huaibei City (淮北市自然資源和規劃局)), Tongming Mining acquired the mining rights in respect of our Phase I Gaoloushan Mine by way of tender at the consideration of RMB201,000,000. We have fully settled the mining rights premium by a payment of RMB201,000,000 in January 2017.

We held a mining licence in respect of our Gaoloushan Project (Phase I), which was valid until 1 July 2021. The following table sets forth particulars of our Phase I Mining Licence:

Name of mine	:	Gaoloushan aggregate mine
Address	:	Lieshan District, Huaibei City, Anhui Province, the PRC
Holder of mining licence	:	Tongming Mining
Mining licence number	:	C3406002017027130143848
Mining method	:	Open-pit
Approved production volume	:	3,500,000 tonnes per year
Mining licence area	:	0.3330 km^2
Mining elevation	:	+247 m to +150 m
Period of validity	:	16 February 2017 to 1 July 2021[(1)]
Issuing authority	:	Land and Resources Bureau of Huaibei City (淮北市國土資源局)

Notes:

(1) Pursuant to the Transfer of Mining Rights Agreement dated 14 December 2016, Tongming Mining has obtained the mining rights (採礦權) in respect of Phase I Gaoloushan Mine for a period of 7 years. Tongming Mining first obtained the Phase I Mining Licence in February 2017. The period of validity was extended to until 1 July 2021 after the renewal on 1 July 2018. In January 2021, we obtained the mining rights in respect of our Phase II Gaoloushan Mine, which covers substantially all of the permitted mining area of our Phase I Gaoloushan Mine and an extension to such area. For details, please refer to the paragraph headed "Our Production Schedule and Development Plan – Gaoloushan Project (Phase II)" in this section.

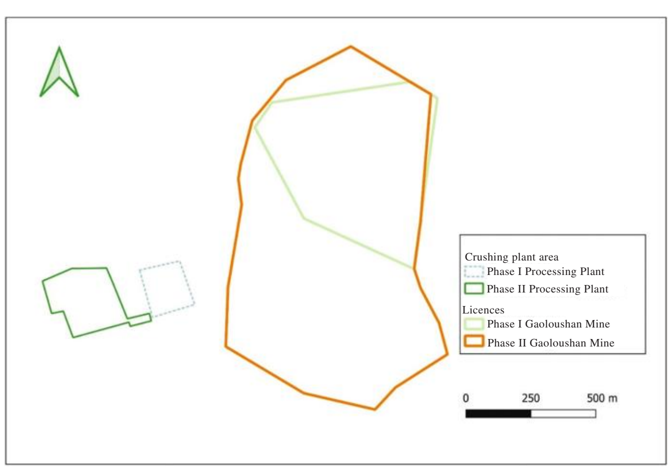
(2) As advised by our PRC Legal Advisers, our concrete products production (which is carried out by Liantong Municipal) is not subject to the permitted annual production volume under the Phase I Mining Licence, as the Phase I Mining Licence is for the production of aggregate products (which is carried out by Tongming Mining).

For details of our other licences, permits and approvals which are material to our business operations, please refer to the paragraph headed "Licences, Approvals and Permits" in this section.

OUR PRODUCTION SCHEDULE AND DEVELOPMENT PLAN

Gaoloushan Project (Phase II)

Our mining rights (採礦權) in respect of our Phase I Gaoloushan Mine (Phase I) is valid till 15 February 2024. In anticipation of the increasing demands of aggregate products as a result of the growing demand in Huaibei City and its surrounding cities, and in view of the forthcoming expiry date of the mining rights in respect of our Phase I Gaoloushan Mine, we obtained the mining rights in respect of our Phase II Gaoloushan Mine in January 2021. Pursuant to the "Notice on the Listing and Assignment of Limestone Mines for Building Stones in Gaoloushan Mining Area, Lieshan District, Huaibei City, Anhui Province"《安徽省淮北市烈山區高樓山礦區建築石料用灰岩礦採礦權掛牌出讓公告》issued by the Natural Resources and Planning Bureau of Huaibei City on 24 November 2020 and the Transfer of Mining Rights Agreement dated 21 January 2021, Tongming Mining has obtained the mining rights at the acquisition price of RMB1,367.7 million in respect of Phase II Gaoloushan Mine for a period of 19.7 years from the date of obtaining the Phase II Mining Licence (i.e. 30 June 2021) until 30 March 2041. According to our PRC Legal Advisers, after obtaining the mining rights, the mining rights holder has to obtain the mining licence (採礦許可證) prior to the commencement of the mining activities; and in order to obtain the mining licence, the mining rights holder is required to make an application to the competent governing authority. On 30 June 2021, Tongming Mining obtained the Phase II Mining Licence, which was issued by the Natural Resources and Planning Bureau of Huaibei City. Pursuant to the Phase II Mining Licence, the permitted maximum production volume of our Gaoloushan Project (Phase II) was increased to 8 million tonnes per annum from 3.5 million tonnes per annum (as per the Phase I Mining Licence). The designated mining area of our Phase II Gaoloushan Mine was also extended to 0.8777 km^2, covering substantially all of the mining area permitted under the Phase I Mining Licence and an extension to such area as well. The diagram below illustrates the location of Phase I Gaoloushan Mine, Phase II Gaoloushan Mine, Phase I Processing Plant and Phase II Processing Plant:



Our Phase II Mining Licence

The following table sets forth particulars of our Phase II Mining Licence:

Name of mine	:	Gaoloushan aggregate mine
Address	:	Lieshan District, Huaibei City, Anhui Province, the PRC
Holder of mining licence	:	Tongming Mining
Mining licence number	:	C3406002021067160152182
Mining method	:	Open-pit
Approved production volume	:	8,000,000 tonnes per year
Mining licence area	:	0.8777 km^2
Mining elevation	:	+216 m to +50 m
Period of validity	:	30 June 2021 to 30 June 2024[(1)]
Issuing authority	:	Natural Resources and Planning Bureau of Huaibei City (淮北市自然資源和規劃局)

Notes:

(1) Pursuant to the "Notice on the Listing and Assignment of Limestone Mines for Building Stones in Gaoloushan Mining Area, Lieshan District, Huaibei City, Anhui Province"《安徽省淮北市烈山區高樓山礦區建築石料用灰岩礦採礦權掛牌出讓公告》issued by the Natural Resources and Planning Bureau of Huaibei City on 24 November 2020 and the Transfer of Mining Rights Agreement dated 21 January 2021, Tongming Mining has obtained the mining rights (採礦權) in respect of Phase II Gaoloushan Mine for a period of 19.7 years from the date of obtaining the Phase II Mining Licence (i.e. 30 June 2021) until 30 March 2041. The existing Phase II Mining Licence is valid for a period between 30 June 2021 and 30 June 2024. As advised by our PRC Legal Advisers, pursuant to the confirmation issued by the Natural Resources and Planning Bureau of Huaibei City dated 3 December 2021, it is confirmed that, during the grant period of the mining rights, the renewal process of the Phase II Mining Licence is merely an administrative process, no further approval is required and that such confirmation letter was issued by the competent government authority; and our PRC Legal Advisers also confirmed that there is no legal impediment to the renewal of the Phase II Mining Licence. As at the Latest Practicable Date, we did not pledge the mining rights under the Phase II Mining Licence to secure any banking facilities.

(2) As advised by our PRC Legal Advisers, our concrete products production (which is carried out by Liantong Municipal) is not subject to the permitted annual production volume under the Phase II Mining Licence, as the Phase II Mining Licence is for the production of aggregate products (which is carried out by Tongming Mining).

As advised by our PRC Legal Advisers, according to the Article 7 of the Administrative Measures for the Registration of Mineral Resources (《礦產資源開採登記管理辦法》) ("**Administrative Measures**"), the length of a mining license shall be determined according to the construction scale of the mine and in order for the holder of the mining right to continue to carry out mining activities, it is required to apply for renewal with the competent authority 30 days prior to the expiration of the mining license. Pursuant to the confirmation (the "**Confirmation**") issued by the Natural Resources and Planning Bureau of Huaibei City (the "**Bureau**"), which is the competent government authority as confirmed by our PRC Legal Advisers, it is the Bureau's practice that the length of a mining license shall generally be valid for three years. It is further confirmed by the Bureau that (i) Tongming Mining is required to apply for renewal of the Phase II Mining Licence 30 days prior to the expiration of the Phase II Mining Licence; (ii) Tongming Mining could apply for renewal of the Phase II Mining Licence (and subsequent license(s)) until the expiry of the mining rights (i.e. 30 March 2041), and (iii) the renewal process is an administrative procedure, and the Bureau will not conduct any additional assessment and/or inspection on Tongming Mining and/or require it to meet any condition for the renewal. In light of the above, our PRC Legal Advisers are of the view that the renewal process of the Phase II Mining Licence is purely an administrative procedure to comply with the Administrative Measures and there is no legal impediment for Tongming Mining to renew our Phase II Mining Licence until the expiry of the mining rights (i.e. 30 March 2041).

Pursuant to the Confirmation, a portion of the land of 0.02906km^2 (the "**Subject Land**") that was originally within the area of Gaoloushan Mine (Phase I), representing approximately 8% of the original area, was no longer categorized as a public forest land (公益林地) within the boundary of Anhui Province since 2020. Therefore, the area of Gaoloushan Mine (Phase II) does not include the Subject Land. Our Directors also confirmed that the Subject Land was not being utilised nor planned to be utilised for our operations and therefore did not have any material adverse impact on our Group with respect to our business and/or operations.

For details of the licences, permits and approvals which are material to the development of our Gaoloushan Project (Phase II), please refer to the paragraph headed "Our Production Schedule and Development Plan – Implementation Plan of Our Development Plan – Obtaining required approvals, licences, permits and consents".

Resources and Reserves

According to the Independent Technical Report, the Mineral Resource of Gaoloushan Mine has been classified as Indicated and Inferred according to increasing degrees of geological confidence in the geological continuity, sample density, data quality, surface mapping and drilling spacing; and a geological modelling was conducted based on the topographic and geological mapping and the results of the drilling programmes. Our Gaoloushan Mine possesses Probable Reserves of approximately 126.8 million tonnes, and total estimated Resources of approximately 184.3 million tonnes as at 30 September 2022. Our Gaoloushan Mine does not have any Proven Ore Reserve. The resource classification is based on the continuity of the limestone and diorite units. Two ore units have been modelled, namely, limestone and diorite.

Resources

According to the Independent Technical Report, there is sufficient confidence in the continuity and aggregate quality of the limestone and diorite domains to classify Indicated Resources prepared under the guidelines of the JORC Code within the licenced area under the Gaoloushan Mine. A small proportion on the edge of the Resource is classified as an Inferred Resource and no significant faults or karst cavities that may affect geological continuity were observed; and the Resources estimated by the Independent Technical Consultant are in accordance with the guidelines of the JORC Code and as at 30 September 2022, the estimated Resources of our Gaoloushan Mine were approximately 184.3 million tonnes.

Domain	**Mineral Resource category**	**Volume**	**Tonnes**
		('000 m^3)	*(kt)*
Limestone	Indicated	60,780	164,108
	Inferred	1,601	4,323
	Total	62,381	168,431
Diorite	Indicated	5,656	14,819
	Inferred	403	1,056
	Total	6,059	15,875
Total	Indicated	66,436	178,927
	Inferred	2,004	5,379
	Total	68,440	184,306

Reserves

According to the Independent Technical Report, the Probable Reserves of our Gaoloushan Project under the JORC Code as at 30 September 2022 were approximately 126.8 million tonnes. The estimated mine life of our Gaoloushan Project was 18 years based on the Probable Reserves and the anticipated annual production pursuant to our development plan. The following table sets forth the Probable Reserves of our Gaoloushan Project as at 30 September 2022:

Domain	**Reserve Category**	**Volume** *('000 m^3)*	**Tonnes** *(kt)*
Limestone	Probable	46,956	126,781
Total		46,956	126,781

Note:

(1) Ore Reserve is inclusive of the Mineral Resource and factored in a 2% mining loss.

According to the Independent Technical Report, there had been no material change to the Mineral Resource and Reserve estimates of our Gaoloushan Mine since 30 September 2022, which is the effective date of the Independent Technical Report, and up to the Latest Practicable Date.

Diorite

According to the Independent Technical Report, the estimated Resources of our Gaoloushan Mine under the JORC Code as at 30 September 2022 were approximately 184.3 million tonnes, which consists of approximately 15.9 million tonnes of diorite. A series of tests were carried out to determine the suitability of the sample diorite extracted at our Gaoloushan Mine for use as construction aggregate. The test results show that the sample diorite (i) is slightly less dense and has higher water absorption and crushing index than the sample limestone; (ii) has a relatively low compressive strength as a magmatic rock; and (iii) failed the test on alkali aggregate reactivity and therefore is considered not suitable as a raw material for ready-mixed concrete. The test results showed that the diorite sample is suitable to be used for lower specification applications, such as railway ballast, asphalt concrete, road sub-base and landscaping and is not suitable for the production of concrete products. Although diorite has certain potential applications, its marketability remains uncertain. During the Track Record Period, we did not sell and/or produce any diorite. No research on diorite was conducted to cover areas including the supply and demand, customer and competitor analysis, price and volume forecast, customer specifications and trial sales to demonstrate the marketability of diorite. Therefore, the Independent Technical Consultant did not declare the Resource of diorite as Reserve.

Exploration work

According to the Independent Technical Report, regional exploration and prospecting work, including regional geological mapping campaigns at scales of 1:200,000 and 1:50,000, have been conducted since 1970. In July 2016, an assessment of potential construction aggregate resource was conducted by Xuzhou Wanyuan Geological and Mineral Research Company Limited (徐州萬源地質礦產研究有限公司) ("**Wanyuan**"), which is permitted to conduct solid mineral exploration and environmental geological survey. Wanyuan compiled the annual resource reports for the years of 2018 and 2019, respectively. In June 2020, the Land and Resources Bureau of Huaibei City (淮北市國土資源局) engaged East-China Metallurgical Institute of Geology and Exploration (華東冶金地質勘查研究所) ("**ECMIGE**") which is an institution under the management of the government of Anhui Province, to carry out an exploration over the entire area and its vicinity to ascertain the potential resources beyond the boundary of Phase I Gaoloushan Mine. The Independent Technical Consultant reviewed the previous exploration works and recommended a resource definition sampling programme, comprising surface mapping, sampling and drilling. The surface sampling and drilling were focused on validating the previous exploration work and improving confidence in the geological model, as well as obtaining data of adequate quality to define a Mineral Resource in accordance with the JORC Code. No. 325 geological team, Bureau of Geology and Mineral Resources of Anhui Province (安徽省地質礦產局第325地質隊) ("**Team 325**"), was engaged to perform the sampling programme as recommended by the Independent Technical Consultant. According to the Independent Technical Report, our Probable Reserves and Resources were estimated by reference to the exploration work undertaken by ECMIGE in 2020 and Team 325 in 2021. Please refer to Appendix VII to this prospectus for further details about the exploration work that has been undertaken in respect of our Gaoloushan Project.

According to the Independent Technical Report, the estimated Probable Reserves of our Gaoloushan Mine under the JORC Code as at 30 September 2022 were approximately 126.8 million tonnes of limestone, which is sufficient to support our development plan. As such, we currently have no plan to carry out any further exploration works at our Gaoloushan Mine. During the Track Record Period we incurred total exploration expenses in the sum of approximately RMB0.8 million, which were accounted for our administrative expenses contained in the consolidated statements of profit or loss and other comprehensive income of our Group.

Our Development Plan

In order to implement our business strategy, we plan to gradually increase our production of aggregate products to 8 million tonnes per annum in 2031. Our Gaoloushan Project (Phase I) is well-developed with our Phase I Gaoloushan Mine and Phase I Processing Plant, which includes site buildings of a four-storey administration office, a two-storey dormitory, canteen, toilet and weighing station. It is also supported with utilities supply and transportation infrastructure. Leveraging on the developed infrastructure of our Gaoloushan Project (Phase I), we plan to build our Phase II Processing Plant at the immediate west of the Phase I Processing Plant.

We plan to build our Phase II Processing Plant after considering, among others, the below factors: (i) our Directors confirm, which the Independent Technical Consultant concurs that, our Phase I Processing Plant could not be upgraded to reach an annual output of 8.0 million tonnes through simple adjustment or technical transformation because, among others, (a) the designated name plate production capacity of processing fleet of Phase I Processing Plant is 1,300 t/h (whereas the Phase II Processing Plant is 2,500 t/h) and the infrastructure and ancillary machineries such as the vibrating screenings are designed to support such production rate only; and (b) the processing fleet in our Phase I Processing Plant is a closed-circuit production line, and therefore it is infeasible to install additional machineries into our Phase I Processing Plant to expand its production capacity due to compatibility issues and space concern; (ii) according to the preliminary design of our Gaoloushan Project (Phase II), the safety distance from the blasting activities shall be 300 m and the area within the 300 m shall be regarded as the warning zone (the "**Warning Zone**"). Based on the projection of the mining schedule, with the continuous expansion of the scale of operation, it is foreseen that the mining operation (which involves blasting) of our Gaoloushan Project (Phase II) will take place in an area within 300 m from our Phase I Processing Plant. Since our Phase I Processing Plant will eventually fall within the Warning Zone as the blasting activities of our Gaoloushan Project (Phase II) progresses (i.e. less than 300 m from the blasting activities), our Phase I Processing Plant therefore will need to be emptied or demolished. Hence, our Directors decided to build our Phase II Processing Plant instead of expanding or upgrading the capacity of the Phase I Processing Plant to avoid the duplication of cost as our Phase I Processing Plant will eventually need to emptied or demolish.

Pursuant to the projected mining schedule, our mining operation is expected to reach to an area which is less than or around 350 m away from our Phase I Processing Plant in around 2026. Despite the Warning Zone shall be approximately 300 m, our Directors are of the view that, for the sake of prudence, a buffer ("**Buffer**") of 50 m of safety distance shall be added because, whilst every safety pre-cautions, including but not limited to, (i) engaging a qualified contractor to handle explosives at the mining site, (ii) establishing a work safety committee to ensure the compliance of the PRC laws and regulations relating to work safety during our production, (iii) adopting a work safety manual that covers identification of dangers, emergency handling procedures and handling of explosives and work safety in respect of rock drilling and blasting, and (iv) providing work safety training to our staff, there may still be slim chances that fly rocks generated by the force of explosion may be projected in varying directions that exceed the desired or expected distances. The Independent Technical Consultant opines that it is reasonable to maintain a safety distance and the Buffer could help to minimise the risks associated with the mining operation, in particular, those brought by the blasting operation. In view of the above and the fact that safety is a top priority to our Group, it is expected that our Phase I Processing Plant shall be emptied or demolished in or around 2026 because our mining operation is expected to reach to an area which is less than or around 350m away from our Phase I Processing Plant at that time, subject to the mining schedule. Pursuant to the mining schedule, and the Independent Technical Consultant concurs that, our mining operation will not reach a distance of 350m from our Phase I Processing Plant (i.e. not fall within the Warning Zone and the Buffer) during period of 2023 to 2026. From 2027 onwards, according to the development plan, all production will be shifted to our Phase II Processing Plant. As we will not have any need for the machineries and equipment of our Phase I Processing Plant, we plan to sell the machineries and equipment after our Phase I Processing Plant ceases operation.

We plan to complete the construction of our Phase II Processing Plant and commence trial production by the end of third quarter of 2023. The Phase II Processing Plant is planned with a nameplate capacity of 8.0 million tonnes per annum (i.e. working processing capacity of 2,500 tonnes per hour, 13 hours per day, 250 working days per year). According to the Independent Technical Report, Gaoloushan Project (Phase II) will generally adopt the same mining method as Gaoloushan Project (Phase I), which is the conventional open-pit mining method, which consists of drilling, blasting, loading and hauling, but a small portion of the ore (i.e. 0.4%) is expected to be mined by the mechanical excavation method since a historical coal ash dump is located within the blast buffer zone of the northern margin of the pit. The Independent Technical Consultant considers that the chosen quarrying method is appropriate, and the technical operation is feasible with a low risk of inadequate capacity in meeting demand from the operation of the Phase II Processing Plant.

During the ramp-up period, it is expected that we will reach an annual production volume of 4.0 million tonnes, 5.0 million tonnes, 6.0 million tonnes, 7.0 million tonnes, and 8.0 million tonnes in 2023, 2025, 2027, 2029 and 2031, respectively. By the end of the third quarter of 2023, it is expected that Phase II Processing Plant will begin trial production, while production will continue at our Phase I Processing Plant until the end of 2026. During the transition period, we expect to operate both Phase I Processing Plant and Phase II Processing Plant for the production of our aggregate products. From 2027, we expect that all production will be from our Phase II Processing Plant.

The below table sets forth a breakdown of the historical production volume of aggregate products during the Track Record Period and target production volume of aggregate products between 2022 and 2031 based on our production schedule. The Independent Technical Consultant is of the view that the forecasted target production volume is achievable.

	Historical Volume			**Target volume**									
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
	(tonnes)	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*
	'000	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*
Phase I Processing Plant	3,300	4,300	3,500	3,500	3,500	3,500	3,500	3,500	–	–	–	–	–
Phase II Processing Plant	–	–	–	–	500	1,000	1,500	2,000	6,000	6,500	7,000	7,500	8,000
Total	3,300	4,300	3,500	3,500	4,000	4,500	5,000	5,500	6,000	6,500	7,000	7,500	8,000

The below table sets forth a breakdown of the historical production volume during Track Record Period and target production volume by size fractions. The Independent Technical Consultant considers that the proposed processing flowsheet of the Phase II Processing Plant is appropriate and the proportion of products of various specifications is in line with the historical operation statistics of Phase I Processing Plant during the Track Record Period and can be adjusted by changing the size of the screen to fit the market demand.

Aggregate products	**Proportion**				
	Historical Volume				**Target volume**
	For the year ended 31 December			**For the nine months ended 30 September**	
	2019	**2020**	**2021**	**2022**	
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
Scalping	1.9	2.3	1.2	1.1	1.5
Sand powder	30.0	30.1	31.1	31.7	30.0
0.5-1 construction aggregate	25.4	28.0	29.2	27.6	25.5
1-2 construction aggregate	33.1	32.0	27.8	30.2	33.0
1-3 construction aggregate	9.6	7.5	10.7	9.4	10.0
Total	100	100	100	100	100

Implementation Plan of our Development Plan

The following timeline illustrates the implementation plan of our expansion plan mentioned above:

2022

- Place order for machinery and equipment for the Phase II Processing Plant by the end of third quarter.
- Complete acquisition of land for the Phase II Processing Plant by the end of fourth quarter.
- Complete construction of mine roads, drainage and other infrastructure of our Phase II Gaoloushan Mine by the end of fourth quarter.

2023

- Obtain all relevant approvals, licences, permits and consents required for (i) carrying out mining operation at our Phase II Gaoloushan Mine and (ii) the construction of Phase II Processing Plant by the end of first quarter.
- Upon obtaining all relevant approvals, licences, permits and consents, if applicable, complete construction of the foundation and structure, supporting facilities, and roads and other infrastructure of our Phase II Processing Plant by the end of first quarter.
- Complete installation of machinery and equipment at the Phase II Processing Plant by the end of second quarter.
- Complete construction of Phase II Processing Plant and commence trial production by the end of third quarter.
- Production capacities to reach 8.0 million tonnes per annum and commence commercial production by the end of fourth quarter.

2024 – 2031

- Annual production volume of aggregate products to reach 4.5, 5.0, 5.5, 6.0, 6.5, 7.0, 7.5 and 8.0 million tonnes in 2024, 2025, 2026, 2027, 2028, 2029, 2030 and 2031, respectively.

Detailed design, construction administration and supervision

We engaged Hebei Building Materials Industry Design and Research Institute Co., Ltd. (河北省建築材料工業設計研究院有限公司, ("**Hebei Building Materials Research Institute**") to design a construction plan and safety facility design plan of our Gaoloushan Project (Phase II) in January 2022. Hebei Building Materials Research Institute possesses the qualification of "Building materials industry (cement engineering, non-metallic minerals and raw material preparation engineering) engineering design (Class A) (建材行業(水泥工程、非金屬礦及原料製備工程)工程設計(甲級))". The preliminary construction plan and the safety facility design plan was submitted and reviewed by experts invited by Emergency Management Bureau of Huaibei City (淮北市應急管理局) in April 2022 and June 2022, respectively. On 9 May 2022, the Emergency Management Bureau of Huaibei City (淮北市應急管理局) issued the "Preliminary design review opinion for non-coal mine construction project (非煤礦山建設項目初步設計審查意見書)" approving the preliminary construction plan. On 28 June 2022, the Emergency Management Bureau of Lieshan District of Huaibei City (淮北市烈山區應急管理局) issued the "Opinions on review of safety facility design for non-coal mine construction projects (非煤礦山建設項目安全設施設計審查意見書)" approving the safety facility design plan. We will continue to supervise and monitor the process of implementation of the development plan in respect of our Gaoloushan Project (Phase II). The estimated cost for the detailed design, construction administration and supervision is RMB5.8 million, which will be settled by our internal resources and/or borrowings.

Acquisition of mining rights in respect of Phase II Gaoloushan Mine

Tongming Mining acquired the mining rights (採礦權) in respect of Phase II Gaoloushan Mine by way of public listing (公開掛牌出讓) organised by the Land and Resources of Huaibei City (淮北市國土資源局) (currently renamed as Natural Resources and Planning Bureau of Huaibei City (淮北市自然資源和規劃局)). Pursuant to the "Notice on the Listing and Assignment of Limestone Mines for Building Stones in Gaoloushan Mining Area, Lieshan District, Huaibei City, Anhui Province"《安徽省淮北市烈山區高樓山礦區建築石料用灰岩礦採礦權掛牌出讓公告》issued by the Natural Resources and Planning Bureau of Huaibei City on 24 November 2020 and the Transfer of Mining Rights Agreement dated 21 January 2021, Tongming Mining has obtained the mining rights at the acquisition price of RMB1,367.7 million in respect of Phase II Gaoloushan Mine for a period of 19.7 years from the date of obtaining the Phase II Mining Licence (i.e. 30 June 2021) until 30 March 2041. According to our PRC Legal Advisers, after obtaining the mining rights, the mining rights holder has to obtain the mining licence (採礦許可證) prior to the commencement of the mining activities; and in order to obtain the mining licence, the mining rights holder is required to make an application to the competent governing authority. On 30 June 2021, Tongming Mining obtained the Phase II Mining Licence, which was issued by the Natural Resources and Planning Bureau of Huaibei City. The existing Phase II Mining Licence is valid for a period between 30 June 2021 and 30 June 2024. As advised by our PRC Legal Advisers, pursuant to the confirmation issued by the Natural Resources and Planning Bureau of Huaibei City dated 3 December 2021, it is confirmed that, during the grant period of the mining rights, the renewal process of the Phase II Mining Licence is merely an administrative process, no further approval is required and that such confirmation letter was issued by the competent government authority; and our PRC Legal Advisers also confirmed that there is no legal impediment to the renewal of the

Phase II Mining Licence. The Phase II Mining Licence would increase the permitted maximum production volume from 3.5 million tonnes per annum (as per the Phase I Mining Licence) to 8 million tonnes per annum. As at the Latest Practicable Date, we settled part of the acquisition price of RMB820.7 million. We are required to settle the remaining balance of the acquisition price of RMB547.0 million within four years with a minimum annual payment of RMB136.8 million, which will be partly settled by the proceeds from Listing, internal resources and/or borrowings. As confirmed by our PRC Legal Advisers, there is no claim or proceeding that may have an influence on the mining rights in respect of Phase II Gaoloushan Mine.

Construction of mine roads, drainage and other infrastructure

According to the Independent Technical Report, mine roads of a total length of approximately 2,570 m were constructed to connect the pit to the production facilities within our Gaoloushan Mine. In order to support the development of our Gaoloushan Project (Phase II), we plan to expand the mine roads and construct drainage and other infrastructure including temporary soil dump and digital mine management system at our Gaoloushan Mine. As of the Latest Practicable Date, we have commenced the construction of mine roads, drainage and other infrastructure and it is expected to be completed by the end of fourth quarter of 2022. The estimated construction costs are approximately RMB7.4 million, which will be settled by our internal resources and/or borrowings. The Independent Technical Consultant considers that the proposed road and infrastructure in respect of our Phase II Gaoloushan Mine is appropriate for our development plan.

Purchase of mining equipment

We plan to purchase additional mining equipment to meet the target extraction volume. The estimated costs of the mining equipment is approximately RMB19.9 million, which will be settled by our internal resources and/or borrowings.

The table below lists out the mining equipment that we currently possess and we planned to acquire for the expansion of our mining operation:

			Number		
Mining Equipment	**Purpose**	**Capacity**	(Existing equipment that we possess)	(Equipment to be acquired)	**Total**
Articulated haulage truck	Hauling	55 t	14	14	28
Excavator	Loading	3.2 m^3	3	4	7
Front-end loader	Loading	3.0 m^3	2	2	4
Road roller	Road construction and maintenance	22 t	1	1	2
Watering truck	Cleaning	10 m^3	1	2	3

The Independent Technical Consultant considers the existing mining machinery and equipment and machinery and equipment to be acquired are reasonable for the production capacity aggregate products of 8.0 million tonnes per annum.

Acquisition of land for our Phase II Processing Plant

Our Directors identified the site for our Phase II Processing Plant, which is located at the immediate west of our current Phase I Processing Plant. The site is estimated to be of approximately 114,703 m^2, of which approximately 103,703 m^2 (the "**Subject Site**") is located outside of the land where our Phase I Processing Plant is constructed upon. We currently own the land where our Phase I Processing Plant was constructed upon and plan to acquire the Subject Site. As confirmed by the People's Government of Lieshan District, Huaibei City (淮北市烈山區人民政府) (the "**Lieshan People's Government**") and Natural Resources and Planning Bureau of Lieshan District of Huaibei City (淮北市自然資源和規劃局烈山區分局), (i) the agricultural land within the Subject Site does not fall within the scope of prohibited reclamation (禁止開墾) under the national land planning (國土空間規劃), (ii) the Lieshan People's Government will convert the land from agricultural land to collectively-owned construction land (集體所有的建設用地) pursuant to the relevant laws and regulations (the "**Land Conversion**"), and (iii) Tongming Mining will be able to acquire the Subject Site through the bid invitation, auction or listing for sale procedure (招標、拍賣、掛牌程序). According to a confirmation issued by the Lieshan People's Government on 6 July 2022, the payment of a land use reservation fee (用地報批準備金) (the "**Land Use Reservation Fee**") is required for the Land Conversion. The Land Use Reservation Fee is inclusive of the compensation for attachments affected in the conversion of agricultural land, fees for utilising new construction land, farm land occupation tax, farm land reclamation fee and contribution to geological environment treatment and restoration fund. In June and August 2022, Tongming Mining paid the Land Use Reservation Fee in the total sum of approximately RMB37.2 million to the Finance Bureau of Lieshan District of Huaibei City (淮北市烈山區財政局) on behalf of Lieshan People's Government (which shall be responsible for the Land Conversion). In the event that (a) Tongming Mining is able to acquire the Subject Site through the bid invitation, auction or listing for sale procedure, the Land Use Reservation Fee shall be deducted as part payment for the acquisition of the land use right; and (b) Tongming Mining fails to acquire the Subject Site, the Lieshan People's Government shall refund the Land Use Reservation Fee or as far as possible to assist in liaising to apply the Land Use Reservation Fee as the leasing fee for Tongming Mining to carry out its operation at the Subject Site. On 23 November 2022, an announcement was made to invite public bidding of the land use right of the Subject Site. Pursuant to the sale and purchase confirmation (the "**Sale and Purchase Confirmation**") dated 13 December 2022 entered into among (i) Villagers Committee of Taishan Community, Song Tuan Town, Lieshan District, Huaibei City* (淮北市烈山區宋疃鎮太山社區居民委員會) and Villagers Committee of Xinyuan Community, Song Tuan Town, Lieshan District, Huaibei City* (淮北市烈山區宋疃鎮新園村村民委員會) (as joint sellers) and (ii) Tongming Mining (as successful bidder), Tongming Mining won the bid of the land use rights of the Subject Site at the auction with the bid price of RMB33.8 million and paid the price in December 2022. Tongming Mining shall proceed with the registration procedures with relevant government department within three months and enter into the Lieshan District Collective Management Construction Land Use Rights Grant Contract (烈山區集體經營性建設用地使用權出讓合同) within ten business days, from the date of the Sale and Purchase Confirmation. The consideration for the acquisition of land use right will be settled by internal resources and/or borrowings. Should we fail to complete the acquisition of the land use right of the Subject Site, we will explore the option of leasing the land from relevant right owners.

Contingency Plan

To cater for the remote possibility that we are unable to secure the Subject Site for our Phase II Processing Plant, our Directors devised a contingency plan. We have identified a piece of land ("**Back-up Land**") located approximately 10 km from the Subject Site as an alternative site for our Phase II Processing Plan to be constructed upon. The Back-up Land is state-owned construction land (國有建設用地) in nature and available for leasing or acquisition without going through the process of Land Conversion. In case of acquisition, the acquisition costs of the Back-up Land is estimated to be comparable to the Subject Site given both lands are located in proximate region in Lieshan District, Huaibei City with comparable site area, and therefore no additional cost is projected, whereas in case of leasing, the cost of leasing is estimated to be not more than RMB10,000/year per mu. Based on our preliminary estimation, in case we adopt the contingency plan, we expect to delay the commencement of commercial production of our Phase II Processing Plant for around 12 months to by the end of forth quarter of 2024 since, among others, (i) we need to engage a contractor to modify the current construction plan and safety design plan of our Gaoloushan Project (Phase II) and submit for the governing authority's approvals. The estimated costs are approximately RMB3 million; (ii) we will have to construct additional mine roads, drainage and other infrastructure in connection to our Gaoloushan Mine (Phase II) at an estimated costs at approximately RMB20 million as the Back-up Land is located further from the Subject Site; and (iii) we need to renew or reapply for the required approvals, licences, permits and consents, including Preliminary design review opinion for non-coal mine construction project (非煤礦山建設項目初步設計審查意見), Approval of Water and Soil Conservation Plan and Approval of the environmental impact report in respect of Gaoloushan Project (Phase II). According to a confirmation issued by the Lieshan People's Government, if Tongming Mining fails to obtain the Subject Site, the Lieshan People's Government will actively coordinate the sale or lease of the Back-up Land, being state-owned construction land (國有建設用地), to the grant period of Tongming Mining, so as to ensure the term of the sale or lease of the Back-up Land is at least equal to Tongming Mining's mining rights in respect of Phase II Gaoloushan Mine and the Back-up Land is leased or sold to Tongming Mining on or before the end of the third quarter of 2023. At the same time, in order to maintain our growth momentum and keep up with the production targets notwithstanding the delay, we plan to ramp up the annual production volume of our Phase I Processing Plant to 4.0 million tonnes in 2023 and 4.5 million tonnes in 2024. To achieve that, we will have to (i) obtain the required approvals and consents for us to increase the permitted annual production volume of our Phase I Processing Plant to 4.5 million tonnes; and (ii) hire additional staff for the longer working hours to fulfil the additional production volume. The estimated additional staff costs are approximately RMB1 million per year. Our Directors are of the view that there will not be material difficulties to ramp up the annual production volume to 4.5 million tonnes, as we produced approximately 4.3 million tonnes of aggregate products during the year ended 31 December 2020. For details, please refer to the subsection headed "Business – Utilisation Rate – Historical Production Volume of Gaoloushan Project (Phase I)" in this Prospectus.

Obtaining required approvals, licences, permits and consents

As at the Latest Practicable Date, we obtained the following material approvals, licences, permits and consents regarding our Gaoloushan Project (Phase II):

Name	Issuing authorities	Licence number	Expiry date
Phase II Mining Licence	Natural Resources and Planning Bureau of Huaibei City	C3406002021067160152182	30 June 2024
Work Safety Licence	Emergency Management Department of Anhui Province	(皖)FM安許證字[2021]Y067號	7 June 2024
Preliminary design review opinion for non-coal mine construction project (非煤礦山建設項目初步設計審查意見)	Emergency Management Bureau of Lieshan District of Huaibei City	淮應急非煤項目初計審字(2022)01號	8 May 2024
Opinions on review of safety facility design for non-coal mine construction projects (非煤礦山建設項目安全設施設計審查意見)	Emergency Management Bureau of Lieshan District of Huaibei City	淮應急非煤項目安設審字(2022)02號	27 June 2024
Approval of Water and Soil Conservation Plan	Agriculture and Rural Water Resources Bureau of Lieshan District of Huaibei City	淮烈水[2021]127號	No expiry date
Approval of the environmental impact report in respect of Gaoloushan Project (Phase II)	Ecology and Environment Bureau of Lieshan District, Huaibei City	淮烈環行[2022]8號	No expiry date
Consent Letter approving the use of forest land	Forestry Department of Anhui Province	皖林地審[2022]209號	13 June 2024
Pollutant Discharge Permit	Huaibei Municipal Ecology and Environment Bureau	91340600MA2MUW7Y4B001W	23 November 2023
Water Drawing Permit	Water Bureau of Huaibei City	C340604G2021-0009	26 October 2026

Name	Issuing authorities	Licence number	Expiry date
Water Drawing Permit	Water Bureau of Huaibei City	C340604S2021-0010	26 October 2026
Forest logging permit	Natural Resources and Planning Bureau of Huaibei City	烈山區採字[2022]65號 (64060401220828001)	27 July 2022(1)

Note: Tongming Mining will obtain the forest logging permit from time to time subject to its need based on the mining schedule. As advised by the PRC Legal Advisers, there is no legal impediment to obtain the permit as long as we meet all relevant laws and regulations issued by the competent authorities.

According to the development plan for our Gaoloushan Project (Phase II), Tongming Mining plans to enter into the necessary compensation agreement, if required for carrying our mining operations at our Phase II Gaoloushan Mine. The preliminary estimated consideration for the compensation is approximately RMB13 million, which will be settled by internal resources and/or borrowings of the Group.

We plan to obtain the following material approvals, licences, permits and consents required for the construction of our Phase II Processing Plant, if and when necessary in accordance with on development plan pursuant to the following timeline:

Target completion timeline	Item
Before construction	
By the end of the fourth quarter of 2022	Land use rights grant contract (集體建設用地使用權出讓合同) Land use right certificate (集體土地使用證)
By the end of the first quarter of 2023	Construction planning permit (建設工程規劃許可證) Construction permit (施工許可證)
Before commercial production	
Before the end of fourth quarter of 2023	Approval on the inspection and acceptance on completion construction project (建設工程竣工驗收) Approval on the inspection and acceptance on the completion of safety facilities (安全設施竣工驗收) Real estate ownership certificate (房產證) Approval on the inspection and acceptance on environmental impact assessment (環境影響評價驗收批覆)

As advised by our PRC Legal Advisers, the required licences, permits, approvals and consents are substantially the same as those for the development of our Gaoloushan Project (Phase I). Our PRC Legal Advisers are of the view that there is no legal impediment to obtain the abovementioned licences, permits and approvals as long as we meet all relevant laws and regulations, then applicable and the application procedures and requirements issued by the competent authorities.

Construction of the foundation and structure of our Phase II Processing Plant

We plan to complete the construction of the foundation and structure of our Phase II Processing Plant by the end of the first quarter of 2023. The estimated cost for construction of the foundation and structure of our Phase II Processing Plant is RMB101.5 million, which will be settled by our internal resources and/or borrowings.

Construction of the supporting facilities of our Phase II Processing Plant

We plan to complete the construction of the supporting facilities of our Phase II Processing Plant, such as power and water supplies and dust removal facility, by the end of the first quarter of 2023. The estimated cost for construction of the supporting facilities of our Phase II Processing Plant is RMB37.8 million, which will be settled by our internal resources and/or borrowings. In July 2022, we, by way of tender and bidding, selected a vendor to (i) construct the supporting facilities of our Phase II Processing Plant and (ii) procure and install the machinery and equipment at our Phase II Processing Plant. The tender price is approximately RMB86.0 million. As of the Latest Practicable Date, we are negotiating the terms with the vendor and has yet to enter into a formal procurement agreement. The Independent Technical Consultant considers that the supporting facilities of our Phase II Processing Plant is appropriate for our development plan.

Construction of our Phase II Processing Plant roads and other infrastructure

We plan to complete the construction of roads and other infrastructure of Phase II Processing Plant by the end of the first quarter of 2023. The estimated cost for construction our such roads and other infrastructure is RMB22.2 million, which will be settled by our internal resources and/or borrowings. The Independent Technical Consultant considers that the Phase II Processing Plant roads and other infrastructure is appropriate for our development plan.

Purchase and installation of machinery and equipment at our Phase II Processing Plant

The estimated purchase price and installation fee for the machinery and equipment is RMB48.2 million. In July 2022, we, by way of tender and bidding, selected a vendor to (i) construct the supporting facilities of our Phase II Processing Plant and (ii) procure and install the machinery and equipment at our Phase II Processing Plant. The tender price is approximately RMB86.0 million. As of the Latest Practicable Date, we are negotiating the terms with the vendor and has yet to enter into a formal procurement agreement. The table below lists out the key machinery and equipment we plan to purchase:

Machinery and equipment	Purpose	Motor Power/ Capacity	Quantity
Pan feeder	Loading and screening	220kW	1
Grizzly feeder	Loading and screening	60kW	1
Primary hammer crusher	Crushing	1,250kW	1
Secondary hammer crusher	Crushing	800kW	2
Primary rotary vibrating screen	Screening	110kW	6
Secondary rotary vibrating screen	Screening	90kW	4
Scalping removal screen	Screening	110kW	1
Tertiary rotary vibrating screen	Screening	90kW	4
Silo	Storage	20,000t	7

The Independent Technical Consultant considers the above planned production schedule, the time allocated to construction and the ramp-up process are reasonable.

With reference to the Independent Technical Report, our Directors confirmed that the estimated capital costs for the development of our Gaoloushan Project (Phase II) is approximately RMB1,674.5 million (approximately HK$1,860.6 million) (excluding sustaining), amongst which, HK$86.3 million (approximately RMB78.0 million) is expected to be paid by the proceeds of the Listing and the remaining to be paid by bank borrowings and/or internal resources. In particular, we plan to apply HK$86.3 million (approximately RMB78.0 million) or approximately 90% of the proceeds of the Listing to settle part of the acquisition price of our mining rights in respect of the Phase II Gaoloushan Mine (in the sum of approximately RMB1,367.7 million (approximately HK$1,519.7 million)). Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details of the use of proceeds from the Listing for this purpose.

Capital costs

With reference to the Independent Technical Report, our Directors confirmed that the estimated aggregate capital costs for the development of our Gaoloushan Project (Phase II) with an annual production volume of 8 million tonnes is RMB1,674.5 million (excluding sustaining) and the capital unit cost over the life of mine is estimated at RMB12.7 per tonne. The Independent Technical Consultant has reviewed the breakdown of the capital costs forecast and considered appropriate capital has been allocated to support the development of our Gaoloushan Project (Phase II) and the basis of the capital cost estimation is considered reasonable.

The following table sets forth a breakdown of the historical capital costs incurred during the Track Record Period and projected capital costs for the development of our Phase II Gaoloushan Mine and Phase II Processing Plant for the period between 2022 and 2030, which is based on the Independent Technical Report and confirmed by our Directors.

	Historical capital costs					Projected capital costs									
	For the year ended 31 December			For the nine months ended 30 September		For the three months ending 31 December	For the year ending 31 December								
	2019	2020	2021	2022	Total	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
	(million) (RMB)					*(million) (RMB)*									
Land-related fee[1]	63.8	–	–	37.2	101.0	14.9	(5.3)[12]	–	–	–	–	–	–	–	9.6
Mining equipment[2]	–	–	–	3.9	3.9	2.3	–	2.3	–	4.8	–	4.4	–	2.3	16.0
Mine roads, drainage and others[3]	1.4	23.8	10.6	1.1	36.9	2.6	4.5	–	0.3	–	–	–	–	–	7.4
Processing plant equipment[4]	2.3	0.4	2.2	–	4.9	28.9	14.5	–	4.8	–	–	–	–	–	48.2
Processing plant foundation and structure[5]	0.1	–	–	–	0.1	20.3	71.1	10.2	–	–	–	–	–	–	101.5
Supporting facilities (power and water supplies and dust removal facility)[6]	0.3	–	–	–	0.3	–	34.0	–	3.8	–	–	–	–	–	37.8
Processing plant roads and other infrastructure[7]	–	–	–	–	0.0	6.7	13.3	2.2	–	–	–	–	–	–	22.2
Detailed design, construction supervision[8]	0.3	0.0	1.2	3.5	5.0	1.1	4.1	–	–	–	–	–	–	–	5.1
Contingency[9]	–	–	–	–	–	3.8	7.7	0.7	0.4	0.2	0.0	0.2	0.0	0.1	13.3
Subtotal	68.1	24.3	14.0	45.7	152.1	80.5	143.8	15.4	9.4	5.0	0.0	4.6	0.0	2.4	261.2
Mining licence fee[10]	–	–	683.9	136.8	820.6	–	136.8	136.8	136.8	136.8	–	–	–	–	547.1
Sustaining[11]	–	–	–	–	–	0.3	1.4	1.5	1.7	1.9	17.9	2.2	6.0	2.5	35.3
Total	68.1	24.3	697.9	182.4	972.7	80.8	282.0	153.7	147.8	143.6	17.9	6.8	6.0	4.9	843.6

Notes:

(1) Land-related fee represents the cost for acquiring the land for our processing facilities for the production of our aggregate products and compensation for the use of certain land within the Phase II Gaoloushan Mine.

(2) Mining equipment cost refers to the purchase cost of the mining machinery and equipment.

(3) Cost for mine roads, drainage and others includes the cost for constructing of on-site roads, drainage and other infrastructure including temporary soil dump and digital mine management system at our Gaoloushan Mine.

(4) Cost for processing plant equipment refers to the purchase cost and installation cost of the equipment at our processing facilities for the production of our aggregate products.

(5) Cost for production plant foundation and structure refers to the cost for construction of the foundation and steel structure of our processing facilities for the production of our aggregate products.

(6) Cost for supporting facilities includes cost for supporting facilities of our processing facilities for the production of our aggregate products such as utilities including power and water supplies and dust removal facility.

(7) Cost for processing plant roads and other infrastructure refers to the cost for the construction of roads and other infrastructure of our processing facilities for the production of our aggregate products.

(8) Cost for detailed design, construction administration and supervision refers to the cost for detailed design of our Gaoloushan Project and administration and supervision cost during the construction.

(9) Contingency fee representing 5% of the total capital costs (excluding mining licence fee) has been reserved in case of any unforeseen events which may occur during the course of development of our Phase II Gaoloushan Mine and Phase II Processing Plant.

(10) Mining licence fee represents the fee payable for the acquisition of the mining rights in respect of Phase II Mining Licence.

(11) Sustaining equals to 1.5% of the estimated annual operation costs.

(12) The projected cash inflow is mainly attributable to the refund of Land Use Reservation Fee from the Finance Bureau of Lieshan District of Huaibei City (淮北市烈山區財政局) in respect of the acquisition of Subject Site.

Operating costs

Historical operating costs

Our Directors confirmed that the historical average operating cash unit cost for the Gaoloushan Project (Phase I) for the three years ended 31 December 2021 and nine months ended 30 September 2022 were approximately RMB24.1/tonne, RMB21.0/tonne, RMB26.0/tonne and RMB19.4/tonne. The following table sets forth a breakdown of the historical cash operating cost during the Track Record Period.

Cash operating cost		For the year ended 31 December 2019	2020	2021	For the nine months ended 30 September 2022
Blasting	RMB million	14.9	19.3	15.8	14.4
Diesel	RMB million	6.5	7.1	7.4	5.9
Environmental and safety	RMB million	3.8	4.4	6.8	1.4
Water and electricity	RMB million	5.5	5.2	5.4	3.6
Consumables	RMB million	5.1	5.8	4.3	3.1
Employment	RMB million	13.6	14.7	14.0	10.2
Administrative	RMB million	5.6	5.6	8.0	5.4
Other	RMB million	1.4	0.8	2.0	1.4
Royalty and government charges	RMB million	22.4	25.4	27.6	18.2
Total	RMB million	78.8	88.3	91.3	63.5
Operating cash unit cost	RMB/t	24.1	21.0	26.0	19.4

Projected operating costs

Our Directors confirmed that, based on the projection, between October 2022 and 2031 (when our Gaoloushan Project (Phase II) reaches its target production capacity of 8 million tonne per year), the average operating cash unit cost per tonne of ore is estimated at RMB22.7 per tonne, with a minimum of RMB22.4 per tonne and a maximum of RMB24.5 per tonne. The operating cash unit cost will gradually lower when the production gradually ramps up.

The Independent Technical Consultant is of the view that the forecast cash operating cost is in the same order of magnitude of projects of similar scales. The following table sets forth a breakdown of the projected operating costs for the development of our Phase II Gaoloushan Mine and Phase II Processing Plant for the period between October 2022 and 2031:

		For the three months ended 31 December	For the year ended 31 December								
Production Profile	**Unit**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Limestone	Mt	0.8	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0
Waste	Mt	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.8
Total materials moved	Mt	0.8	4.1	4.6	5.1	5.6	6.1	6.7	7.2	7.8	8.8
Cash operating cost											
Blasting	RMB million	3.6	18.6	20.9	23.2	25.5	27.8	30.5	32.8	35.4	39.8
Diesel	RMB million	2.3	10.8	12.2	12.8	14.4	15.7	17.2	18.5	19.9	22.4
Environmental and safety	RMB million	0.7	3.8	4.3	4.7	5.2	5.7	6.2	6.7	7.2	7.9
Water and electricity	RMB million	1.7	8.7	9.8	10.9	11.9	13.0	14.1	15.2	16.3	17.4
Consumables	RMB million	1.4	7.0	7.9	8.8	9.7	10.5	11.5	12.4	13.3	14.7
Transportation of workforce	RMB million	–	–	–	–	–	–	–	–	–	–
Employment cost	RMB million	1.8	9.1	9.8	10.4	11.1	11.6	12.2	12.8	13.3	13.8
Product marketing and transport	RMB million	–	–	–	–	–	–	–	–	–	–
Administrative	RMB million	2.1	9.4	10.6	11.8	13.0	14.1	15.3	16.5	17.7	18.9
Other	RMB million	0.6	3.1	3.3	3.5	3.7	3.9	4.1	4.3	4.5	4.7
Royalty and government charges	RMB million	4.9	20.3	23.0	25.8	29.0	32.4	35.1	37.7	40.3	43.5
Contingency allowances	RMB million	–	–	–	–	–	–	–	–	–	–
Total	RMB million	19.1	90.8	101.8	112.0	123.4	134.9	146.2	156.8	168.0	183.0
Operating cash unit cost	RMB/t	24.5	22.7	22.6	22.4	22.4	22.5	22.5	22.4	22.4	22.9

The forecasted operating cost between October 2022 and 2031 is based on:

- the contracts entered into between us and contractors and suppliers;
- the actual operating cost between 2018 and September 2022;
- royalty and government charges include resource tax, city maintenance and construction levy, education levy, stamp duty, environmental tax and property tax; and
- the preliminary construction plan prepared by Hebei Building Materials Industry Design and Research Institute Co., Ltd. (河北省建築材料工業設計研究院有限公司).

The Independent Technical Consultant has reviewed the breakdown of the operating cost forecast disclosed above and considered the forecast is reasonable and supported by historical costs. However, the projected operating costs are estimate only and are subject to change. Our actual operating costs may deviate from the estimate disclosed above due to various reasons, including the factors described in the section headed "Risk Factors" in this prospectus. Please also refer to the section headed "Forward-looking Statements" in this prospectus for the risks of placing undue reliance on any forward-looking information.

Although our Directors believe that the development plan for our Gaoloushan Project (Phase II) is viable, we may not be able to ultimately extract the Resources and process these Resources at a profit due to various factors. Please refer to the section headed "Risk factors – We are subject to the uncertainty surrounding our Resources and Reserves estimates which are based on a number of assumptions. The volume and grade of the aggregate products we produce may not conform to the estimated amounts" in this prospectus for more details about the risks associated with our development plan in respect of our Gaoloushan Project (Phase II).

In the event that an upside market development occurs, we will increase our production volume of Gaoloushan Project (Phase II) to reach the maximum annual production capacity of 8 million tonnes earlier than originally scheduled. On the other hand, in the event that a downside market development occurs, we will implement costs-cutting strategies such as reducing the number of workers, conduct less mining activities, lowering our production volume, and postponing the capital expenditure schedule.

OUR PRODUCTS

Our principal businesses include the production and sale of aggregate products and concrete products. We commenced the formal commercial production of our aggregate products and our concrete products in June 2018. The revenue generated from the sale of our aggregate products and its by-products (namely, overburden) for each year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 were approximately RMB323.8 million, RMB369.6 million, RMB255.9 million and RMB227.0 million, and accounted for approximately 65.8%, 73.0%, 69.1% and 72.5% of the total revenue of such period, respectively. The revenue generated from the sale of our concrete products for each year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 were approximately RMB168.7 million, RMB136.8 million, RMB114.4 million and RMB86.3 million, and accounted for approximately 34.2%, 27.0%, 30.9% and 27.5% of the total revenue of such period, respectively. Aggregate products are generally used for construction including masonry construction and construction filling as well as the production of concrete products; and concrete products are used in the construction of buildings, roads, highways and bridges.

Aggregate products

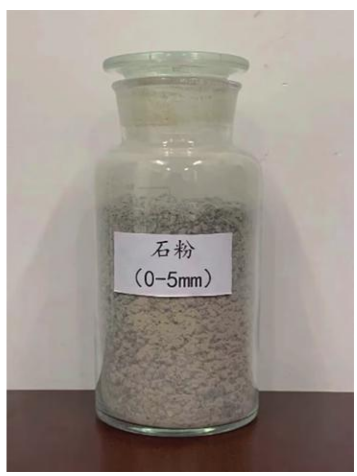
Our aggregate products are divided into mainly five types depending on their size. They include: (i) scalping, (ii) sand powder, (iii) 0.5-1 construction aggregate; (iv) 1-2 construction aggregate; and (v) 1-3 construction aggregate, which are processed at our Phase I Processing Plant.

The table below sets forth the principal types of our aggregate products manufactured by our Group and their respective features and general applications:

Product	Size	General application	Our customers
Scalping	0 – 3 mm	Production of concrete and construction filling	Construction companies, building materials companies and wholesalers
Sand powder	0 – 5 mm	Production of concrete and masonry construction	
0.5-1 construction aggregate	5 – 15 mm	Production of concrete and masonry construction	
1-2 construction aggregate	15 – 25 mm	Production of concrete and construction filling	
1-3 construction aggregate	25 – 31.5 mm	Production of concrete and construction filling	

Set out below are photos of our aggregate products:

Scalping



Sand powder

0.5-1 construction aggregate

1-2 construction aggregate

1-3 construction aggregate

Properties of our aggregate products

According to the Independent Technical Consultant, a series of tests were carried out to determine the suitability of the sample limestone extracted from Gaoloushan Mine for use as construction aggregate. The samples were tested and assessed according to the Technical Requirements for Geological Prospecting of Building Stones (安徽省建築石料用礦地質勘查技術要求) issued by the Department of Natural Resources of Anhui Province (安徽省自然資源廳) (the "**Anhui Provincial Standard**"). The Independent Technical Consultant considers that these tests are the appropriate tests for assessing construction aggregates. According to the Independent Technical Report, the test results indicate that the limestone (i) meets the requirements of the Anhui Provincial Standard for Class 2 aggregate and Class 3 aggregate; and (ii) generally meets the requirements of the Anhui Provincial Standard for Class 1 aggregate as a small proportion of samples are outside the requirements. Class 1 aggregate is suitable for concrete of high strength with grade level greater than C60; Class 2 aggregate is suitable for concrete of mid-to-low strength with grade level ranging from C30 to C60 and anti-freezing and impermeability requirements, and Class 3 aggregate is suitable for concrete of low strength with grade level less than C30. For details, please refer to the subsection headed "Independent Technical Report – 4 Geological setting – 4.4 Exploration results – 4.4.6 Construction materials testing" in Appendix VII to this prospectus.

Overburden

During the process of the production of our aggregate products, overburden (i.e. a mixture of waste rocks and soils) is produced during the mining process and treated as a by-product. The major usage of overburden is for the construction of road subbase course. We sell overburden by way of auction. During the three years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, the revenue generated from the sale of overburden were approximately RMB0.7 million, RMB1.6 million, RMB1.5 million and RMB1.2 million, respectively.

Concrete products

We produce (i) ready-mixed concrete, (ii) cement stabilised macadam; and (iii) asphalt concrete in our own production plant in Xiangshan District, Huaibei City.

The table below sets forth the principal types of concrete products manufactured by our Group and their respective features and applications:

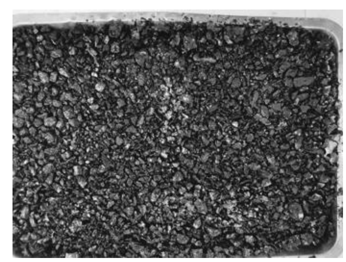
Concrete products	Characteristics	General application	National standards	Our customers
Ready-mixed concrete with low-to-mid strength level (grade level of C15, C20 and C25)	• Relatively low compressive strength • Anti-permeability	Mainly used in non-load bearing elements and temporary structures with relatively lower bearing strength and lower requirement on durability, such as: • concrete cushions for buildings • retaining walls for highways • foundation pit backfilling • construction roads	Standard for Quality Control of Concrete (GB50164-2011), Technical Specification for Ready-Mixed Concrete (GB14902-2012), Concrete Strength Testing and Evaluation Standard (GB/T50107-2010), Code for Acceptance of Construction Quality of Concrete (GB50204-2015) and/or Code for Construction of Concrete (GB50666-2011)	Construction companies and wholesalers
Ready-mixed concrete with mid-to-high strength level (grade level of C30, C35, C40, C45 and C50)	• Good compressive strength • Volume stability • Durability	Mainly used in load-bearing elements and permanent structures in infrastructures and house constructions, including: • raft foundations • prestressed T beams		
Ready-mixed concrete with high strength level (grade level of C55 and C60)	• High compressive strength • Durability • Volume stability	Mainly used in symbolic structures like: • main structure for large span bridges • core tube for skyscrapers		

Concrete products	Characteristics	General application	National standards	Our customers
Cement stabilised macadam	• High unconfined compressive strength	Mainly used in roads and highways	Technical Guidelines for Construction of Highway Roadbases (JTG/T F20-2015)	Construction companies
Asphalt concrete (ordinary, emulsified and coloured)	• High compaction • High rutting resistance	Mainly used in roads and highways	Technical Specifications for Construction of Highway Asphalt Pavements (JTG/T F40-2004)	Construction companies

Set out below are photos of our concrete products:

Ready-mixed concrete

Cement stabilised macadam



Asphalt concrete (ordinary)

Asphalt concrete (coloured)

Asphalt concrete (emulsified)

The table below sets forth the breakdown our average selling price, sales volume, revenue, gross profit and gross profit margin by product categories provided during the Track Record Period:

	For the year ended 31 December														
	2019					2020					2021				
Products	Average selling price[1] (RMB per m^3/tonne)	Sales volume[2] (thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)	Revenue[3] RMB'000	Gross profit RMB'000	Gross profit margin %	Average selling price[1] (RMB per m^3/tonne)	Sales volume[2] (thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)	Revenue[3] RMB'000	Gross profit RMB'000	Gross profit margin %	Average selling price[1] (RMB per m^3/tonne)	Sales volume[2] (thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)	Revenue[3] RMB'000	Gross profit RMB'000	Gross profit margin %
Aggregate products															
Scalping	54.0	60.3	3,254	1,709	52.5	46.7	96.2	4,495	2,173	48.3	39.5	41.2	1,625	517	31.8
Sand powder	83.4	964.7	80,454	55,626	69.1	72.9	1,255.4	91,551	61,238	66.9	61.1	1,047.3	63,964	35,727	55.9
0.5-1 construction aggregate	107.0	816.3	87,371	65,986	75.5	93.4	1,167.2	108,995	80,237	73.6	79.9	982.4	78,464	51,979	66.2
1-2 construction aggregate	111.0	1,065.7	118,331	90,337	76.3	99.6	1,336.4	133,083	100,415	75.5	86.8	935.6	81,193	55,970	68.9
1-3 construction aggregate	108.7	310.2	33,725	25,776	76.4	95.1	313.7	29,844	22,268	74.6	81.0	359.5	29,132	19,441	66.7
Sub-total	100.4	3,217.2	323,135	239,435	74.1	88.3	4,168.8	367,967	266,330	72.4	75.6	3,366.0	254,378	163,634	64.3
Others[4]	21.6	33.0	713	459	64.4	20.6	79.3	1,636	1,061	64.9	19.2	78.5	1,510	875	57.9
Subtotal (including others)		3,250.2	323,848	239,894	74.1		4,248.1	369,603	267,391	72.3		3,444.5	255,888	164,509	64.3
Concrete products															
Ready-mixed concrete	552.8	204.3	112,937	13,403	11.9	531.9	160.9	85,588	13,930	16.3	486.8	202.2	98,407	11,426	11.6
Cement stabilised macadam	150.7	218.5	32,933	4,941	15.0	145.0	120.1	17,415	3,114	17.9	140.7	31.6	4,453	658	14.8
Asphalt concrete[5]	414.2	55.1	22,824	1,070	4.7	412.4	81.9	33,776	4,089	12.1	471.1	24.6	11,579	1,756	15.2
Sub-total			168,694	19,414	11.5			136,779	21,133	15.5			114,439	13,840	12.1
Total			492,542	259,308	52.6			506,382	288,524	57.0			370,327	178,349	48.2

	For the nine months ended 30 September									
	2021					2022				
Products	Average selling price[1]	Sales volume[2]	Revenue[3]	Gross profit	Gross profit margin	Average selling price[1]	Sales volume[2]	Revenue[3]	Gross profit	Gross profit margin
	(RMB per m^3/tonne)	*(thousand m3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)*	*RMB'000 (unaudited)*	*RMB'000*	*%*	*(RMB per m^3/tonne)*	*(thousand m^3 in the case of ready-mixed concrete; thousand tonnes in the case of other products)*	*RMB'000*	*RMB'000*	*%*
Aggregate products										
Scalping	39.7	37.7	1,499	572	38.1	37.4	36.1	1,351	453	33.5
Sand powder	58.6	852.6	49,938	28,984	58.0	59.0	993.8	58,665	33,968	57.9
0.5-1 construction aggregate	79.6	782.8	62,347	43,110	69.1	74.7	880.1	65,769	43,897	66.7
1-2 construction aggregate	87.4	733.8	64,155	46,122	71.9	80.2	961.5	77,122	53,228	69.0
1-3 construction aggregate	81.0	291.1	23,569	16,415	69.6	76.7	299.4	22,964	15,524	67.6
Subtotal	74.7	2,698.0	201,509	135,202	67.1	71.2	3,170.8	225,871	147,070	65.1
Others[4]	18.0	39.2	704	415	59.0	15.1	76.8	1,162	590	50.7
Subtotal (including others)		2,737.2	202,213	135,617	67.1		3,247.6	227,033	147,660	65.0
Concrete products										
Ready-mixed concrete	484.5	133.1	64,492	8,538.0	13.2	452.9	161.7	73,243	8,473	13.2
Cement stabilised macadam	139.7	27.9	3,902	704	18.0	141.0	29.9	4,210	761	18.0
Asphalt concrete[5]	157.2	22.2	10,134	2,219	21.9	448.9	19.6	8,803[6]	1,203	21.9
Subtotal			78,528	11,461	14.6			86,256	10,437	12.1
Total			280,741	147,078	52.4			313,289	158,097	50.5

Notes:

(1) Average selling price is calculated by dividing (i) our revenue derived from sales of those products by (ii) the total sales volume of these products.

(2) The sum excludes the inter-segment sales volume of (i) approximately 49,000 tonnes, 40,000 tonnes, 54,000 tonnes, 50,000 tonnes and 1,000 tonnes for each year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, respectively, attributable to the sale of aggregate products by Tongming Mining to Liantong Municipal; (ii) approximately 200 m^3 for the year ended 31 December 2019, attributable to the sale of ready-mixed concrete products by Liantong Municipal to Tongming Mining; and (iii) approximately 200 tonnes for the year ended 31 December 2020, attributable to the sale of asphalt concrete by Liantong Municipal to Tongming Mining.

(3) The sum excludes the inter-segment revenue of (i) approximately RMB5,793,000, RMB4,043,000, RMB3,659,000, RMB3,322,000 and RMB83,000 for each year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, respectively, attributable to the sale of aggregate products by Tongming Mining to Liantong Municipal; and (ii) approximately RMB83,000, RMB98,000, nil, nil and nil for each year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, respectively, attributable to the sale of concrete products by Liantong Municipal to Tongming Mining.

(4) Others refer to overburden (i.e. a mixture of weathered rocks and soils) and its major use is for the construction of road subbase course.

(5) Asphalt concrete consists of three types of products: ordinary, emulsified and coloured asphalt concrete.

(6) We did not produce and sell asphalt concrete to independent customers during the nine months ended 30 September 2022. Approximately RMB0.5 million of our sales to independent customers occurred during the previous years was recognised during the nine months ended 30 September 2022 due to relevant accounting standards.

During each of the three years ended 31 December 2021, the gross profit margin of our aggregate products and others experienced a decreasing trend.

Our gross profit margin from sale of aggregate products and others decreased from approximately 74.1% for the year ended 31 December 2019 to approximately 72.3% for year ended 31 December 2020, which was primarily resulted from the decrease in average selling price of our aggregate products and others from approximately RMB99.6 per tonne for the year ended 31 December 2019 to approximately RMB87.0 per tonne for the year ended 31 December 2020.

Our gross profit margin from sale of aggregate products and others decreased from approximately 72.3% for the year ended 31 December 2020 to approximately 64.3% for year ended 31 December 2021 due to the average selling price of our aggregate products and others further decreased from approximately RMB87.0 per tonne for the year ended 31 December 2020 to approximately RMB74.3 per tonne for the year ended 31 December 2021.

For the reasons on fluctuation of our averages selling prices, please refer to the paragraph headed "Description of certain items from the consolidated statements of profit or loss and other comprehensive income – average selling price – Aggregate products and others" in the section headed "Financial Information".

Price range and average selling prices

The following table sets forth the price range and average selling prices of our aggregate products and concrete products during the Track Record Period:

		For the year ended 31 December			For the nine months ended 30 September
Aggregate products		**2019**	**2020**	**2021**	**2022**
Scalping	Price range[(1)]	RMB41.5/tonne – RMB55.3/tonne	RMB35/tonne – RMB55.3/tonne	RMB36.6/tonne- RMB44.8/tonne	RMB33.9/tonne – RMB40.5/tonne
	Average selling price[(2)]	RMB54.0/tonne	RMB46.7/tonne	RMB39.5/tonne	RMB37.4/tonne
Sand powder	Price range[(1)]	RMB69.1/tonne – RMB98.6/tonne	RMB60.8/tonne – RMB92.2/tonne	RMB53.9/tonne- RMB72.2/tonne	RMB55.5/tonne – RMB65.9/tonne
	Average selling price[(2)]	RMB83.4/tonne	RMB72.9/tonne	RMB61.1/tonne	RMB59.0/tonne

Aggregate products		For the year ended 31 December 2019	2020	2021	For the nine months ended 30 September 2022
0.5-1 construction aggregate	Price range(1)	RMB99.5/tonne – RMB114.3/tonne	RMB82/tonne – RMB114.3/tonne	RMB73.1/tonne-RMB89.6/tonne	RMB71.5/tonne – RMB84.7/tonne
	Average selling price(2)	RMB107.0/tonne	RMB93.4/tonne	RMB79.9/tonne	RMB74.7/tonne
1-2 construction aggregate	Price range(1)	RMB101.4/tonne – RMB120.7/tonne	RMB88.5/tonne – RMB120.7/tonne	RMB81.3/tonne-RMB96.0/tonne	RMB76.3/tonne – RMB90.4/tonne
	Average selling price(2)	RMB111.0/tonne	RMB99.6/tonne	RMB86.8/tonne	RMB80.2/tonne
1-3 construction aggregate	Price range(1)	RMB101.4/tonne – RMB116.1/tonne	RMB81.1/tonne – RMB116.1/tonne	RMB76.8/tonne-RMB88.7/tonne	RMB74.4/tonne – RMB86.6/tonne
	Average selling price(2)	RMB108.7/tonne	RMB95.1/tonne	RMB81.0/tonne	RMB76.7/tonne
Concrete products					
Ready-mixed concrete	Price range(1)	RMB466.0/m^3 – RMB699.5/m^3	RMB447.5/m^3 – RMB743.8/m^3	RMB413.5/m^3 – RMB622.6/m^3	RMB375.9/m^3 – RMB591.4/m^3
	Average selling price(2)	RMB552.8/m^3	RMB531.9/m^3	RMB486.8/m^3	RMB452.9/m^3
Cement stabilised macadam	Price range(1)	RMB135.9/tonne – RMB169.9/tonne	RMB140.7/tonne – RMB169.9/tonne	RMB131.6/tonne-RMB164.0/tonne	RMB141.0/tonne(4)
	Average selling price(2)	RMB150.7/tonne	RMB145.0/tonne	RMB140.7/tonne	RMB141.0/tonne(4)
Asphalt concrete(3)	Price range(1)	RMB369.9/tonne – RMB4,198.5/tonne	RMB349.6/tonne – RMB2,787.6/tonne	RMB354.0/tonne-RMB3,058.4/tonne	RMB354.0/tonne – RMB2,477.9/tonne
	Average selling price(2)	RMB414.2/tonne	RMB412.4/tonne	RMB471.1/tonne	RMB448.9/tonne

Notes:

(1) The price range per tonne/m^3 is exclusive of VAT.

(2) The average selling price is calculated by dividing (i) our revenue derived from sales of those products by (ii) the total sales volume of these products.

(3) Asphalt concrete consists of three types of products: ordinary, emulsified and coloured asphalt concrete. During the Track Record Period, the price range of (i) ordinary asphalt concrete was RMB349.6/tonne – RMB601.8/tonne; (ii) emulsified asphalt concrete was RMB2,163.7/tonne – RMB3,058.3/tonne; and (iii) coloured asphalt concrete was RMB858.4/tonne – RMB4,198.5/tonne.

(4) During the nine months ended 30 September 2022, cement stabilised macadam was sold at the price of RMB141.0/tonne.

Please refer to the subsection headed "Financial Information – Description of certain items from the consolidated statements of profit or loss and other comprehensive income – Average selling prices" for the discussion on the fluctuations of the average selling prices of our products and a comparison with the industry annual average price in Huaibei City during the Track Record Period.

MAJOR CONSTRUCTION PROJECTS UTILISING OUR PRODUCTS

The following table sets out particulars of the major construction projects that utilised our products:

Name of the construction project	Project location	Type(s) of our products provided	Type of project (Public/ Private)
East Huaibei – Wanghu Road, Woniu Hill Road, Huazhuang Road (淮北市東部城區路網 – 望湖路、卧牛山路、花莊路)	Lieshan Town, Lieshan District, Huaibei City	Cement stabilised macadam and asphalt concrete	Public
Huaibei City – S101 Hexiang Road renovation project (淮北市S101合相路改建工程)	Huaibei City	Aggregate products	Public
Huaibei Lujin Lake Environmental Renovation (綠金湖環境整治)	Xiangshan District, Huaibei City	Cement stabilised macadam and asphalt concrete	Public
Huaibei People's Hospital (淮北市人民醫院)	Xiangshan District, Huaibei City	Ready mixed concrete	Public
China Construction Third Engineering Bureau Co., Ltd. Huaibei Technology Development Centre (中建三局淮北市科創中心)	Duji District, Huaibei City	Ready mixed concrete	Public
Bengbu City – Longhua Road (蚌埠市龍華路項目)	Bengbu City	Aggregate products	Public
Huaibei City Bus Passenger Transport Complex Building Hub Station (淮北市公交客運綜合樓樞紐站)	Lieshan District, Huaibei City	Ready mixed concrete	Public
Huaibei East New Town Central Heating Project (淮北市東部新城集中供熱項目)	Lieshan District, Huaibei City	Ready mixed concrete	Public
School of Information, Huaibei Normal University (淮北師範大學信息學院)	Duji District, Huaibei City	Ready mixed concrete	Public

PRODUCTION PROCESS AND PRODUCTION FACILITIES

Production processes

Aggregate products

Mining operations

We adopt a conventional open pit mining method for our operation at our Gaoloushan Mine, which comprises of drilling, blasting, loading and haulage. The process of drilling and blasting, which includes drilling, hole survey, transportation of explosive, charging, stemming and blasting, are responsible by our contractor, Leiming Blasting. According to the Independent Technical Report, the dimensions of the blast holes are 150 mm wide and 17.5m deep and they are arranged in rectangular or quincunx patterns, with spacing of 4.5-6 m and a burden of 4m to 4.5m. The acceptable lump size is 1,000 mm and any oversize ore is further broken down by hydraulic hammers at site. We are responsible for loading and haulage. We carry out loading by three hydraulic excavators in the capacity of 2.7 m^3 and two front-end loaders. Loaded ores are hauled to the processing plant by our articulated haulage trucks.

The following table sets out a summary of the key mining equipment owned by us as at 30 September 2022:

Mining equipment	Purpose	Capacity	Quantity	Estimated useful lives *(Month)*	Average remaining useful lives(1) *(Month)*
Articulated haulage truck	Hauling	55 t	14	120	87
Excavator	Loading	3.2 m^3	3	120	87
Front-end loader	Loading	3.0 m^3	2	120	87
Road roller	Road construction	22 t	1	120	87
Watering truck	Cleaning	10 m^3	1	48	3

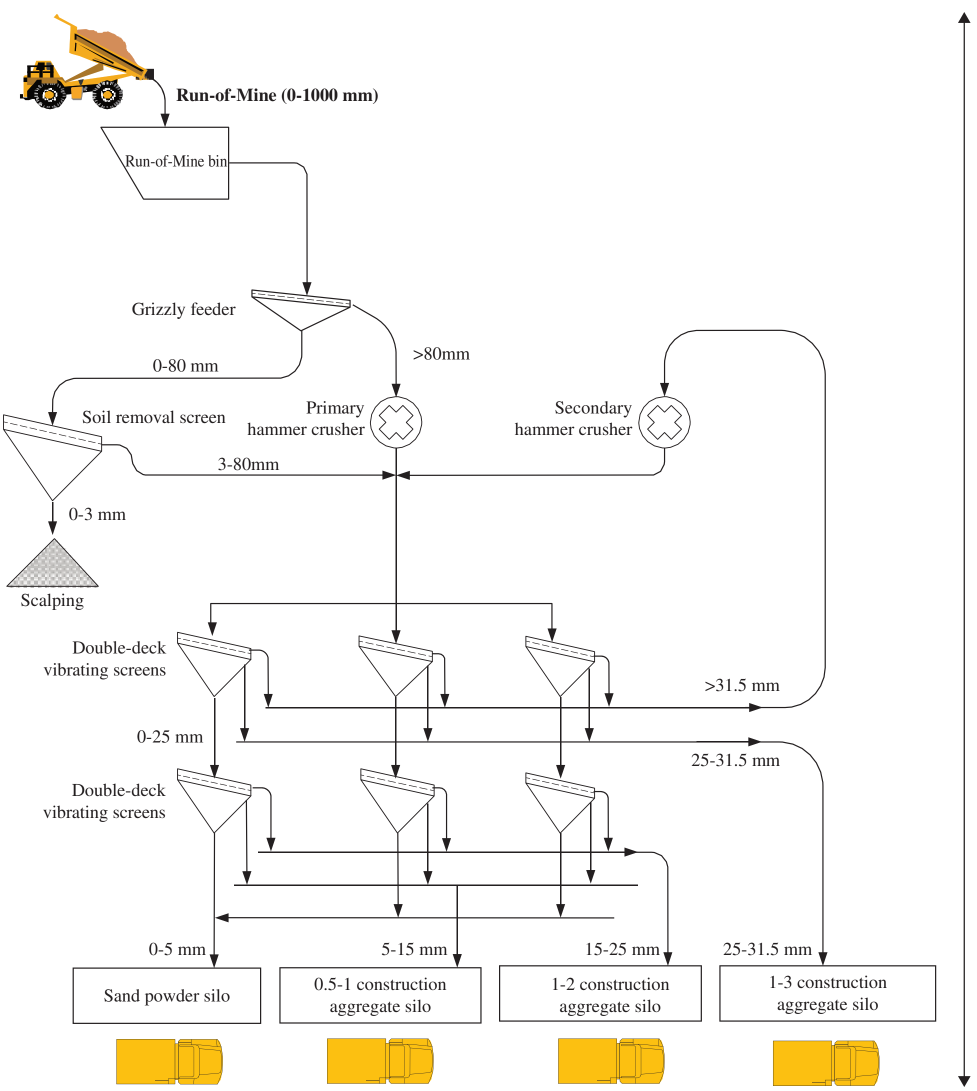
Note:

(1) According to the accounting policies adopted by us, depreciation of our (i) machinery and (ii) equipment are calculated using the straight-line method from (i) ten to 20 years and (ii) three to four years, respectively, and allocate their costs to their residual values over the estimated useful lives of the machinery and equipment. The actual useful lives of these machinery and equipment may be different from the estimates. Please refer to note 2(e) of the Accountants' Report in Appendix I to this prospectus for details of the depreciation method adopted for our machinery and equipment and their useful lives.

The Independent Technical Consultant is of the view that the selected conventional open-pit mining method is appropriate and is considered being a low-risk solution, and the existing mining equipment, together with those to be acquired pursuant to our development plan, is reasonable to support the maximum target production volume of 8 million tonnes per annum.

Processing

The production of our aggregate products involves a two-stage closed circuit process with pre-screening. The diagram below illustrates the key stages of our aggregate production operations:



(1) The unprocessed limestone is hauled and tipped into the run-of-mine bin. The material is fed and screened by a grizzly feeder. For material that exceeds 80 mm, it is fed into the primary hammer crusher for primary crushing, while the material in the size of or below 80mm is screened for scalping by a vibrating screen. Upon completion of the screening, the scalping is stockpiled for future sale.

(2) The material that underwent the primary crushing and scalping screening are transported by a belt conveyor to the primary screening workshop.

(3) The material is fed into six sets of circular vibrating screens, which divides the material into three fractions based on their sizes: (i) the 0–25 mm fraction, (ii) the 25–31.5 mm fraction and (iii) the over 31.5 mm fraction, which undergoes the following processes:

– the 0–25 mm fraction is transported to the double-deck vibrating screens, which comprises of six vibrating screens. The material is then screened and divided into the following fractions: (i) the 0–5 mm fraction (i.e. sand powder), (ii) the 5–15 mm fraction (i.e. 0.5-1 construction aggregate) and (iii) the 15–25 mm fraction (i.e. 1-2 construction aggregate). The screened materials are stored in their respective silos according product type;

– the 25–31.5 mm fraction (i.e. 1-3 construction aggregate) is conveyed to the respective silo for storage; and

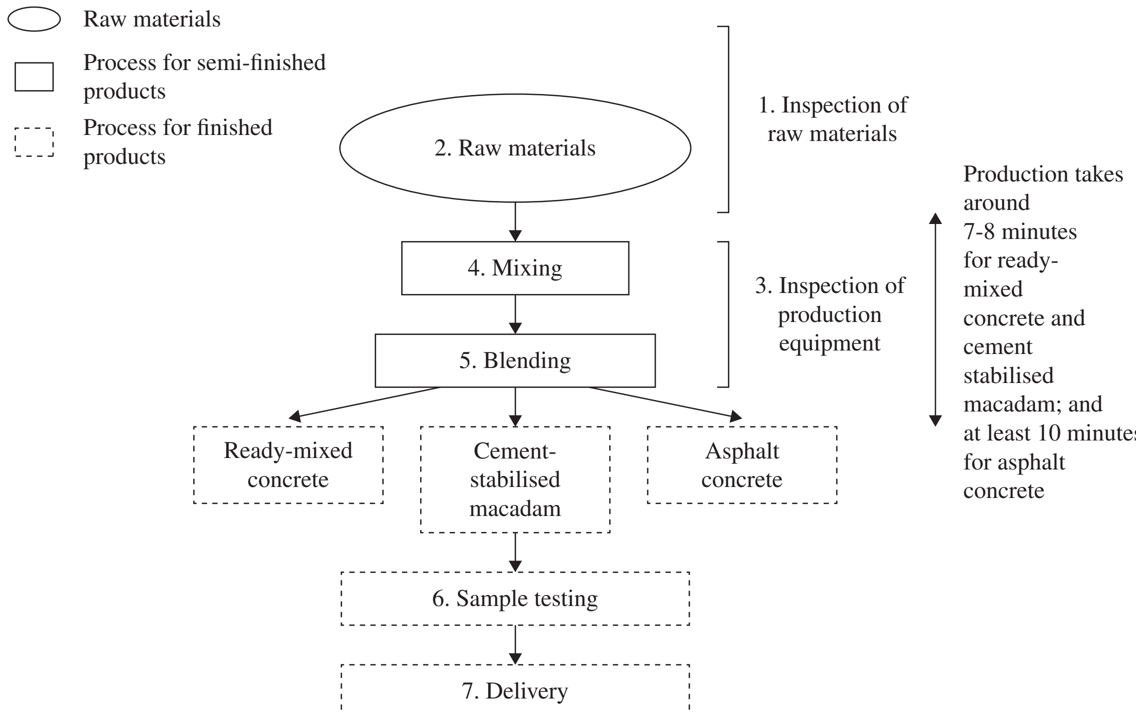
– the over 31.5 mm fraction undergoes secondary crushing and returns to the primary screening workshop and repeat the process.

According to the Independent Technical Report, the production process is reasonable and is appropriate for processing the ore from our Gaoloushan Mine.

Concrete products

During the three years ended 31 December 2021 and the nine months ended 30 September 2022, we produced approximately 204,000 m^3, 161,000 m^3, 202,000 m^3 and 162,000 m^3 of ready-mixed concrete; approximately 219,000 tonnes, 120,000 tonnes, 32,000 tonnes and 30,000 tonnes of cement stabilised macadam; and approximately 55,000 tonnes, 82,000 tonnes, 25,000 tonnes and 20,000 tonnes of asphalt concrete, respectively. We also processed approximately 14,900 tonnes and 7,500 tonnes of asphalt concrete through the provision of consignment processing service during the year ended 31 December 2021 and the nine months ended 30 September 2022 respectively. Our production processes mainly involve the mixing and blending of the respective raw materials to produce ready-mixed concrete, cement stabilised macadam and asphalt concrete.

The following diagram sets out a typical production or processing process for the ready-mixed concrete, cement stabilised macadam and asphalt concrete:



1. Inspection of raw materials

Raw materials including binding materials, aggregates and admixtures, are inspected to ensure that their quantities are sufficient for the production and their quality complies with contract specifications or requirements.

2. Raw materials

Raw materials are properly kept in the warehouse thereafter. For the consignment processing of asphalt concrete, raw materials are provided by our customers. For the production of asphalt concrete, asphalt and construction aggregate are separately heated to a designated temperature.

3. Inspection of production equipment

Mixer is inspected to ensure it is in normal operation.

4. Mixing

Raw materials are mixed in a proportion according to pre-set formula for each type of the products.

5. *Blending*

Raw materials are blended and stirred to produce the finished products.

6. *Sample testing*

Samples of the finished products will be taken for testing as a matter of quality control.

7. *Delivery*

Upon the completion of sampling testing, the products are ready for delivery to our end customers. Ready-mixed concrete is delivered to our customers by our trucks or third party trucks to our customers' designated sites. The cement stabilised macadam will be covered up with a dust-proof mat and the asphalt concrete will be covered up with a heat preserving mat and delivered by dump trucks of transportation services provider. Paving of roads by our cement stabilised macadam products and asphalt concrete products are handled by subcontractors after the products are delivered to our end customers. For the consignment processing service, our customers generally arrange transportation to pick up the asphalt concrete processed at our production facilities.

Production management system

We have adopted the ERP system which is applicable to (i) our production and transportation process and (ii) our contract management.

To prepare for the production of our concrete products, the laboratory personnel will provide the production formula for the products ordered and the formula including, the quantities and the type of raw materials required, will be saved in the ERP system. The statistics relating to the production will be collected, saved and managed in an organised manner in the ERP system and our staff will be able to retrieve the production formula easily for each purchase order when required.

The ERP system allows the Company to effectively monitor the products transportation and conveying process for our concrete products business segment. It will record the location, departure time of the trucks, the type of products unloaded and the name of the driver in the ERP system.

The ERP system also assists the Company in monitoring the progress of our sales agreement and purchase orders, which allows us to ensure the allocation of resources for the purchase order as well as to track the time for the settlement of payment by our customers. Our staff of the production department will input the information of the type of products ordered and expected quantity.

Production facilities

The following shows the photos of our production facilities of our aggregate products and concrete products.

Aggregate products

Concrete products

Our production premises of our aggregate products, which consists of (i) site buildings, which include a 4-storey administration office, a 2-storey dormitory, canteen, toilet and weighing station; and (ii) plant buildings and mine services infrastructure, which include electric vehicle charging station, air compressor room, cooling pond, settling pond, waste facility, pumping room, electricity control room, weighing area and vehicle wash-down facility, are located at Lieshan District, Huaibei City, with an aggregate site area of 207,281.3 sq.m.. Our production premises for our concrete products are located at Xiangshan District, Huaibei City with an aggregate site area of 52,594.9 sq.m.. For further details, please refer to the paragraph headed "Properties Interests" in this section.

Production machinery and equipment

The following table sets out a summary of the key equipment of our Phase I Processing Plant owned by us as at 30 September 2022:

Equipment	Purpose	Motor Power *(kW)*	Quantity	Estimated useful lives *(Month)*	Approximate remaining useful lives[(1)] *(Month)*
Grizzly feeder	Loading and screening	12	1	240	176
Primary hammer crusher	Crushing	800	1	240	176
Secondary hammer crusher	Crushing	220	1	240	176
Scalping removal vibrating screen	Screening	22	1	240	176
Primary vibrating screen	Screening	45	4	240	176
Secondary vibrating screen	Screening	37	1	240	176
Silo	Storage	N/A	4	240	176

Note:

(1) According to the accounting policies adopted by us, depreciation of our machinery is calculated using the straight-line method from ten to 20 years, and allocate its costs to its residual values over the estimated useful lives of the machinery. The actual useful lives of the machinery may be different from the estimates. Please refer to note 2(e) of the Accountants' Report in Appendix I to this prospectus for details of the depreciation method adopted for our machinery and its useful lives.

The following table sets out a summary of our major production lines and equipment in producing our concrete products as at 30 September 2022:

Equipment	Purpose	Quantity	Estimated useful lives *(Month)*	Approximate remaining useful lives[(1)] *(Month)*
Ready-mixed concrete production line	Producing ready-mixed concrete	1[(2)]	180	146
Cement stabilised macadam production line	Producing cement stabilised macadam	1	120	72
Asphalt concrete production line	Producing asphalt concrete	1	120	72
Loaders	Loading and moving large quantity of raw materials	5	72	29
Crusher	Reducing larger rocks into smaller rocks, gravel, sand or rock dust	1	120	72

Notes:

(1) According to the accounting policies adopted by us, depreciation of our machinery is calculated using the straight-line method from ten to 20 years, and allocate its costs to its residual values over the estimated useful lives of the machinery. The actual useful lives of the machinery may be different from the estimates. Please refer to note 2(e) of the Accountants' Report in Appendix I to this prospectus for details of the depreciation method adopted for our machinery and its useful lives.

(2) The construction of second ready-mixed concrete production line was completed in August 2021.

Repair and maintenance

Regular repair and maintenance for our equipment are carried out by our production department to maximise production efficiency and avoid unexpected interruptions to our operations. We inspect the conditions of our equipment on a periodic basis and carry out maintenance and repair work when needed. Designated personnel of Tongming Mining and Liantong Municipal are required to inspect the production facilities of our aggregate products and concrete products at least once every two weeks and three months, respectively.

Our Directors confirm that there have not been any major disruptions and/or breakdown caused by equipment failure which resulted in material impact on our normal operations and productions during the Track Record Period and up to the Latest Practicable Date.

UTILISATION RATE

During the Track Record Period, we operated one production line for the production of each of our aggregate products, ready-mixed concrete, cement stabilised macadam and asphalt concrete. The table below sets forth the utilisation rates of our production lines for the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022.

	For the year ended 31 December			For the nine months ended 30 September	
	2019	2020	2021	2021	2022
Aggregate and its by-products					
Nameplate production capacity[1] (tonnes)	3,575,000	3,575,000	3,575,000	2,681,000	2,681,000
Actual production volume (tonnes)	3,299,000	4,288,000	3,495,000	2,737,000	3,248,000
Utilisation rate (%)[2][11]	92.3	119.9	97.8	102.1[12]	121.1[12]
Ready-mixed concrete					
Nameplate production capacity (m^3)[3]	360,000	360,000	360,000	270,000	270,000
Actual production volume (m^3)	204,000	161,000	202,000	133,000	162,000
Utilisation rate (%)[2][6][9]	56.9	44.7	56.1	49.3	60.0

	For the year ended 31 December			For the nine months ended 30 September	
	2019	2020	2021	2021	2022
Cement stabilised macadam					
Nameplate production capacity (tonnes)(4)	1,200,000	1,200,000	1,200,000	900,000	900,000
Actual production volume (tonnes)	219,000	120,000	32,057	28,000	30,000
Utilisation rate (%)(2)(7)(9)	18.3	10.0	2.7	3.1	3.3
Asphalt concrete					
Nameplate annual production capacity (tonnes)(5)	640,000	640,000	640,000	480,000	480,000
Actual production volume (tonnes)	55,000	82,000	40,000(10)	22,000	20,000
Utilisation rate (%)(2)(8)(9)	8.6	12.8	6.2	4.6	4.2

Notes:

(1) The nameplate annual production capacity is calculated based on the designed nameplate production capacity of 1,300 tonnes/hour x 250 working days x 11 working hours per day. The nameplate production capacity for the nine months ended 30 September 2021 and 2022 is calculated according to the formula: nameplate annual production capacity x 9 months/12 months. According to the Independent Technical Report, the nameplate annual production capacity is the maximum processing capacity and the intended full-load sustained output of the Phase I Processing Plant.

(2) Utilisation rate = Actual production volume / Nameplate production capacity x 100%.

(3) The nameplate annual production capacity is calculated based on the designed nameplate production capacity of 180 m^3/hour x 250 working days x 8 working hours per day. The nameplate production capacity for the nine months ended 30 September 2021 and 2022 is calculated according to the formula: nameplate annual production capacity x 9 months/12 months.

(4) The nameplate annual production capacity is calculated based on the designed nameplate production capacity of 600 tonnes/hour x 250 working days x 8 working hours per day. The nameplate production capacity for the nine months ended 30 September 2021 and 2022 is calculated according to the formula: nameplate annual production capacity x 9 months/12 months.

(5) The nameplate annual production capacity is calculated based on the designed nameplate production capacity of 320 tonnes/hour x 250 working days x 8 working hours per day. The nameplate production capacity for the nine months ended 30 September 2021 and 2022 is calculated according to the formula: nameplate annual production capacity x 9 months/12 months.

(6) The operation of our ready-mixed concrete production line commenced in the second half of 2018. The utilisation rate decreased from 56.9% for the year ended 31 December 2019 to 44.7% for the year ended 31 December 2020 because of the decrease in our production and sales to certain customers with long outstanding trade receivables. The utilisation rate increased from 44.7% for the year ended 31 December 2020 to 56.1% for the year ended 31 December 2021 was primarily attributable to the increase in our sales to Huaibei Investment Trading, given that its customer, Huaihai Construction is a large-scale construction company in Huaibei City. The utilisation rate increased from approximately 49.3% for the nine months ended 30 September 2021 to approximately 60.0% for the nine months ended 30 September 2022, which was primarily attributable to our sales to Huaibei Investment Trading and Huahai Construction for their construction projects.

(7) The operation of our cement stabilised macadam production line commenced in the second half of 2018. The utilisation rate decreased from 18.3% for the year ended 31 December 2019 to 10.0% for the year ended 31 December 2020 and to 2.7% for the year ended 31 December 2021 because of the decrease in our production and sales to certain customers with long outstanding trade receivables. The utilisation rate slightly increased from approximately 3.1% for the nine months ended 30 September 2021 to 3.3 for the nine months ended 30 September 2022, which is relatively stable.

(8) The operation of our asphalt concrete production line commenced in the second half of 2018. The utilisation rate increased from 8.6% for the year ended 31 December 2019 to 12.8% for the year ended 31 December 2020 because of the growth of our asphalt concrete business. The utilisation rate decreased from 12.8% for the year ended 31 December 2020 to 6.2% for the year ended 31 December 2021 was because of the decrease in our production and sales to certain customers with long outstanding trade receivables. The utilisation rate decreased from approximately 4.6% for the nine months ended 30 September 2021 to approximately 4.2% for the nine months ended 30 September 2022, which was primarily attributable to the decrease in demand of our asphalt concrete resulted from the policies and regulations of Huaibei City Government in response to the new wave of outbreak of COVID-19 during the first three quarters of 2022 which delayed construction projects in Huaibei City, which required the said product according to CIC.

(9) The relatively low utilisation rate of the production lines of our concrete products was mainly due to, among others, (i) our concrete products are produced upon customers' request and we keep no inventory due to the nature of our concrete products, which will harden over time. Therefore, we could not produce concrete products massively at the same time and/or in advance; and (ii) in order to reduce the risk of non-payment of trade receivables, during the Track Record Period, we were more inclined to sell our concrete products to companies with good credit history and/or companies agreeing to make prepayment. Accordingly, we have reduced our sales to certain customers with long outstanding trade receivables, leading to the decrease in the sales volume of our concrete products as well as our relatively low utilisation rate of the production lines of our concrete products. Further, the production lines of concrete products cannot be adjusted to produce aggregate products as the specification and functions of the respective production lines are different.

(10) Among the tonnes of asphalt concrete produced, 14,900 tonnes was processed through the provision of the consignment processing service and 24,600 tonnes were manufactured and sold by us to our customers.

(11) The relatively low utilisation rate of the production lines of our aggregate products for the nine months ended 30 September 2021 was mainly due to, among others, the decrease in sales volume of our aggregate products and others which our Directors believe was due to (i) the lower sales volume for the nine months ended 30 September 2021 resulted from the repair and maintenance of the road connecting the Anhui Provincial Highway S101 during the first half of 2021. Upon completion of the repair and maintenance of the connecting road, the affected transportation condition has improved since late May 2021; and (ii) the delivery of the products during the beginning of 2022 for those prepayments made in 2021 as a result of the adjustment of production volume of our aggregate product near the end of 2021 due to our permitted annual production capacity.

(12) The nameplate production capacity for the nine months ended 30 September 2021 and 2022 is calculated according to the formula: nameplate annual production capacity x 9 months/12 months. The utilisation rate is calculated by: actual production during the nine months ended 2021 and 2022/the nameplate production capacity for the nine months ended 30 September 2021 and 2022. As advised by our PRC Legal Advisers, we are in compliance with the mining licence so long as the annual production volume of aggregate products for each year does not exceed the permitted annual production volume.

For illustration purpose, the utilisation rates calculated based on our aggregate products per the permitted annual production volume under the mining licence (i.e. 3.5 million tonnes) for the three years ended 31 December 2021 and nine months ended 30 September 2022 are approximately 94.3%, 122.5%, 99.9% and 92.8%, respectively.

Historical Production Volume of Gaoloushan Project (Phase I)

During the Track Record Period, our actual production volume of our Gaoloushan Project (Phase I) exceeded its permitted annual production volume under its mining licence. In August 2021, the Natural Resources and Planning Bureau of Huaibei City (the "**Bureau**") issued a confirmation letter stating that taking into account that the historical over-production in 2020 was mainly resulted from the fulfilment of a surge in demand of construction aggregate due to the resumption of the key construction projects after COVID-19 pandemic, the historical over-production in 2020 was not considered as a breach of the PRC laws and regulations. Furthermore, the Bureau also confirmed that Tongming Mining (i) has not been or may be investigated, prosecuted or punished by the Bureau for violation of any relevant laws and regulations in relation to natural resources management; (ii) has not been involved in any historical, current disputes or potential disputes in relation to natural resources management with the Bureau; and (iii) the Bureau has not received any complaints from third parties in relation to violation of natural resources management laws and regulations.

Based on the confirmation letter, our PRC Legal Advisers have advised us that (i) the historical over-production in 2020 do not constitute a breach of the relevant laws and regulations; (ii) no penalties will be imposed on our Group; and (iii) that such confirmation letter was issued by the competent government authority.

UTILITIES

We use electricity and water in the production of our aggregate products and concrete products. In addition to electricity and water, diesel is also considered as one of our major utilities supplies for the production of aggregate products.

During the Track Record Period and up to the Latest Practicable Date, we experienced no material shortages or disruption to our utilities supply. Our Directors do not foresee any difficulties on our part in securing the supply of electricity, diesel and water to support our development plans. During the Track Record Period, our Directors are of the view that the utilities fees charged to us are comparable to market rates.

Electricity supply

We obtain our supply of electricity from third party suppliers. Our Gaoloushan Project is currently connected to a nearby substation via a 10 KV line. The incoming station is equipped with a 3,150 KVA transformer, providing electricity for our current Gaoloushan Project. According to the Independent Technical Report, the electric power requirement of our Gaoloushan Mine is minimal, temporary connection with the electricity supply at the production plant will be set up when needed. Based on the development plan, two 10kV substations will be built to supply electricity to the Phase II Processing Plant. The estimated annual power usage is 3,063,000 kWh, according to the Independent Technical Report. The Independent Technical Consultant considers that the electricity supply at our Gaoloushan Project is reliable and the designated power supply infrastructure has sufficient capacity to support the current operation and the development of our Gaoloushan Project (Phase II).

Diesel supply

Diesel is supplied by a supplier through a supply contract for the production of our aggregate products. The fuel is delivered to us on an as-and-when-needed basis. The price of the diesel is at a discount to the prices published by the Chinese National Development and Reform Commission pursuant to the supply contract. The Independent Technical Consultant considers the existing diesel supply logistics is adequate to support the current operation and the development of our Gaoloushan Project (Phase II).

Water supply

The water usage for the production of our aggregate products includes drilling, dust control, landscaping, firefighting and vehicle washing, and the water is sourced from the recycled water system of Huaibei City. We also have a storage tank of the capacity of approximately 300m^3 on site and a 800 m^3 new storage tank and a pumping station will be constructed and connected to the current recycled water system. In addition, the domestic water supply for Gaoloushan Project (Phase I) is through a well equipped with a pump. According to the Independent Technical Report, for Gaoloushan Project (Phase II), the estimated daily domestic water usage is 5.0 m^3 and production usage is 316 m^3. It was proposed that the current domestic water supply infrastructure will continue to support the development of our Gaoloushan Project (Phase II), while the new pumping station will be used to support the production of Gaoloushan Project (Phase II). The Independent Technical Consultant considers the designed water supply system is reasonable and the water supply is adequate for the current operation and the development of our Gaoloushan Project (Phase II). For concrete products production, we obtain our water supply mainly from groundwater wells, as well as from recycled water from the sedimentation pond.

RAW MATERIALS, PROCUREMENT PROCESS AND INVENTORY MANAGEMENT

Raw materials

The raw materials that we use in our concrete products primarily include binding materials (such as cement, mineral powder and coal ash), aggregates (such as sand) and admixtures. In the production of asphalt concrete products, the major raw materials include asphalt, aggregates and mineral powder. We procure all our raw materials in the PRC.

Our costs of raw materials for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 amounted to RMB113.7 million, RMB87.1 million, RMB77.6 million and RMB59.2 million, respectively, representing 48.8%, 40.0%, 40.4% and 38.1% of our total cost of sales, respectively.

We use a portion of the construction aggregate mined and produced by us as raw materials for manufacturing of our concrete products and we purchase the rest of the construction aggregate and other raw materials from third parties. During the Track Record Period, Liantong

Municipal procured approximately 49,000 tonnes, 40,000 tonnes, 54,000 tonnes and 1,000 tonnes of construction aggregate from Tongming Mining, which accounted for approximately 9.4%, 9.8%, 11.0% and 0.4% of the total purchases of construction aggregate.

Procurement process

In general, our inventory department will submit a raw material order request to our operation and management department on a monthly basis based on production needs. Upon receipt of the raw materials order requests, our operation and management department will evaluate, and if appropriate, approve such requests. Our operation and management department will then obtain quotations from at least three suppliers. The quotations will be evaluated based on locations of the suppliers, price, quality and delivery time. Once the supplier is selected, the selected supplier will provide a trial sample of the products to be procured to our laboratory department. If the quality of the trial sample is satisfactory, we will enter into a procurement agreement with the selected supplier. Upon delivery of the raw materials, our laboratory department will monitor, inspect and perform tests on the quality of the raw materials to ensure that they comply with contract specifications or requirements. Unless defective raw materials are identified, the raw materials will be properly kept in the warehouse.

We generally do not enter into long-term procurement agreements with our suppliers. The major terms of these purchase orders generally include product specifications, unit price, quantity, and quality standard. We typically settle payment by bank transfer within one to two months after delivery or issuance of the relevant invoice by our suppliers or make prepayment before collecting our raw materials. During the Track Record Period, all our purchase of raw materials was settled in RMB. Our suppliers for raw materials are typically required to deliver the raw materials to our production plants and bear the transportation costs incurred or we collect our raw materials by engaging a transportation services provider. Normally, the duration between placing raw materials procurement orders with our suppliers and storing the raw materials into our warehouse would be within two to three days.

Our Group did not engage in any hedging activity nor have we entered into any future contract or price lock-up arrangement with our suppliers in order to manage the price fluctuation of machinery and equipment or raw materials during the Track Record Period. We do not plan to engage in any hedging activity in the foreseeable future.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have not experienced any material difficulty, shortage or quality issue in procurement of machinery and equipment or raw materials from our suppliers nor procurement of specialised works from our subcontractors.

Inventory management

We have implemented an inventory management policy in respect of the production of our aggregate products. We adopted the ERP system to monitor the inventory level of our aggregate products on a real-time basis by keeping track of the remaining loads in our silos.

For concrete products, our Group uses the ERP system to track raw materials inventory levels in our warehouse so that we can make procurement plans based on our production requirements. We generally maintain such level of raw materials in our inventory sufficient for six to ten days of production. Our Group conducts raw materials inventory counts on a monthly basis for inventory management to ensure the accuracy and completeness of stock-in and stock-out records. As for finished products, we only commence production when we receive order for our products, and as our concrete products will harden over time, we do not keep inventory of our finished products in general.

SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers and subcontractors were mainly (i) suppliers/subcontractors of utilities and raw materials including, among others, asphalt, cement, aggregates and sand and (ii) suppliers/subcontractors of services including, among others, blasting operations, equipment rental services, labour dispatch services, and transportation and paving of our concrete products.

For each of the financial year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, purchases from our five largest suppliers and subcontractors amounted to approximately RMB74.0 million, RMB64.0 million, RMB102.9 million and RMB51.5 million, representing approximately 49.2%, 48.4%, 60.6% and 46.5% of our total purchases, respectively, and purchases from our largest supplier/subcontractor amounted to approximately RMB30.8 million, RMB21.0 million, RMB73.9 million and RMB15.5 million, representing approximately 20.5%, 15.9%, 43.6% and 14.0% of our total purchases in the same periods, respectively. Set out below are the brief particulars of our five largest suppliers and subcontractors during the Track Record Period.

	For the year ended 31 December 2019					
Supplier/subcontractor	**Major products/ services procured**	**Commencement of business relationship with us**	**Main business/ background**	**Location of headquarters**	**Purchase amount**	**% of our total purchases**
					(RMB'000)	*(%)*
1. Huaibei Xiangshan Cement Co., Ltd.* (淮北相山水泥有限責任公司) ("**Xiangshan Cement Group**")(1)	Cement	2018	A group of state-owned companies engaged in manufacture and sale of concrete and concrete related products	Anhui Province	30,819	20.5

		For the year ended 31 December 2019				
Supplier/subcontractor	**Major products/ services procured**	**Commencement of business relationship with us**	**Main business/ background**	**Location of headquarters**	**Purchase amount** *(RMB'000)*	**% of our total purchases** *(%)*
2. Huaibei Mining Group(2)	Blasting services and aggregate products	2017	A group of state-owned companies principally engaged in, amongst others, sale of mine explosives and provision of other ancillary services	Anhui Province	16,304	10.8
3. Anhui Hanglong Transportation Co., Ltd.* (安徽航隆運輸有限公司) ("**Anhui Hanglong**")	Transportation services	2018	A private company engaged in provision of transportation services	Anhui Province	13,401	8.9
4. Zibo Gengze Petrochemical Co., Ltd.* (淄博庚澤石化有限公司) ("**Zibo Gengze**")	Asphalt	2018	A private company engaged in sale and storage of asphalt	Shandong Province	8,532	5.7
5. Supplier G	Cement and aggregates	2019	A private company engaged in resale of building materials	Anhui Province	4,957	3.3
			Five largest suppliers/subcontractors			49.2
			All other suppliers/subcontractors			50.8
				Total		100

Notes:

(1) Aggregating all procurement from a state-owned company and its subsidiaries.

(2) We engaged Leiming Blasting and Leiming Mining, each, a member of Huaibei Mining Group, to provide blasting services and construction aggregates, respectively. Huaibei Mining Group is also our customer. For details of the transactions between Huaibei Mining Group and us, please refer to the section headed "Business – Overlapping of major suppliers and customers".

(3) As our Group has yet to obtain consent from certain suppliers/subcontractors as at the Latest Practicable Date or been rejected by the suppliers/subcontractors to publicly disclose their identities, information relating to those suppliers/subcontractors are disclosed on an anonymous basis to preserve confidentiality.

			For the year ended 31 December 2020			
Supplier/subcontractor	**Major products/ services procured**	**Commencement of business relationship with us**	**Main business/ background**	**Location of headquarters**	**Purchase amount** *(RMB'000)*	**% of our total purchases** *(%)*
1. Xiangshan Cement Group(1)	Cement	2018	A group of state-owned companies engaged in manufacture and sale of concrete and concrete related products	Anhui Province	21,002	15.9
2. Huaibei Mining Group(2)	Blasting services and rescue services	2017	A group of state-owned companies principally engaged in, amongst others, sale of mine explosives and provision of other ancillary services	Anhui Province	19,318	14.6
3. Zibo Gengze	Asphalt	2018	A private company engaged in sale and storage of asphalt	Shandong Province	10,993	8.3
4. Anhui Hanglong	Transportation Services	2018	A private company engaged in provision of transportation services	Anhui Province	7,676	5.8
5. Supplier H	Aggregates	2020	A private company engaged in resale of building materials	Anhui Province	5,047	3.8
			Five largest suppliers/subcontractors			48.4
			All other suppliers/subcontractors			51.6
				Total		100

Notes:

(1) Aggregating all procurement from a state-owned company and its subsidiaries.

(2) We engaged Leiming Blasting and Huaibei Mining Share (淮北礦業股份有限公司), each a member of Huaibei Mining Group, to provide blasting services and rescue services, respectively. Huaibei Mining Group is also our customer. For details of the transactions between Huaibei Mining Group and us, please refer to the section headed "Business — Overlapping of major suppliers and customers".

(3) As our Group has yet to obtain consent from certain suppliers/subcontractors as at the Latest Practicable Date or been rejected by the suppliers/subcontractors to publicly disclose their identities, information relating to those suppliers/subcontractors are disclosed on an anonymous basis to preserve confidentiality.

Supplier/subcontractor	Major products/ services procured	Commencement of business relationship with us	Main business/ background	Location of headquarters	Purchase amount (RMB'000)	% of our total purchases (%)
		For the year ended 31 December 2021				
1. Huaibei Construction Investment Group[(1)]	Cement	2018	A state-owned group engaged in public infrastructure construction	Anhui Province	73,947	43.6
2. Huaibei Mining Group[(2)]	Blasting services and rescue services	2017	A group of state-owned companies principally engaged in, amongst others, sale of mine explosives and provision of other ancillary services	Anhui Province	15,770	9.3
3. Huaibei Xuri New Materials Co., Ltd.* (淮北旭日新材料股份有限公司)	Admixture	2019	A private company engaged in, among others, sale of construction materials	Anhui Province	4,649	2.7
4. Huaibei Zhewang Trading Co., Ltd.* (淮北市喆旺商貿有限公司)	Construction aggregates	2021	A private company engaged in, among others, sale of construction materials	Anhui Province	4,484	2.6
5. Huaibei Xiangshan Yifei Building Material Store* (淮北市相山區義飛建材店)	Construction aggregates	2021	An individually-owned business (個體工商戶) engaged in, among others, sale of construction materials	Anhui Province	4,057	2.4
			Five largest suppliers/subcontractors			60.6
			All other suppliers/subcontractors			39.4
				Total		100

Notes:

(1) Huaibei Construction Investment Group is also our customer. For details of the transactions between Huaibei Construction Investment Group and us, please refer to the section headed "Business – Overlapping of major suppliers and customers".

(2) We engaged Leiming Blasting and Huaibei Mining Share (淮北礦業股份有限公司), each a member of Huaibei Mining Group, to provide blasting services and rescue services, respectively. Huaibei Mining Group is also our customer. For details of the transactions between Huaibei Mining Group and us, please refer to the section headed "Business – Overlapping of major suppliers and customers".

Supplier/ subcontractor		Major products/ services procured	Commencement of business relationship with us	Main business/ background	Location of headquarters	Purchase amount *(RMB'000)*	% of our total purchases *(%)*
			For the nine months ended 30 September 2022				
1.	Xiangshan Cement Group(1)	Cement	2018	A group of state-owned companies engaged in manufacture and sale of concrete and concrete related products	Anhui Province	15,519	14.0
2.	Huaibei Mining Group(2)	Blasting services	2017	A group of state-owned companies principally engaged in, amongst others, sale of mine explosives and provision of other ancillary services	Anhui Province	14,355	13.0
3.	Huaibei Construction Investment Group(3)	Cement	2018	A state-owned group engaged in public infrastructure construction	Anhui Province	12,749	11.5
4.	Huaibei Tongsheng Highway Asphalt Engineering Co., Ltd.* (淮北同晟公路瀝青工程有限公司)	Asphalt	2022	A private company engaged in, among others, infrastructure construction including road and landscaping, sale of asphalt, asphalt concrete and concrete etc,	Anhui Province	4,774	4.3
5.	Supplier Group Q(4)	Excavator and maintenance service	2019	Private companies engaged in, among others, machinery and equipment distribution.	Hong Kong	4,141	3.7
				Five largest suppliers/subcontractors			46.5
				All other suppliers/subcontractors			53.5
					Total		100

Notes:

(1) Aggregating all procurement from a state-owned company and its subsidiaries

(2) We engaged Leiming Blasting, being a member of Huaibei Mining Group, to provide blasting services. Huaibei Mining Group is also our customer. For details of the transactions between Huaibei Mining Group and us, please refer to the section headed "Business – Overlapping of major suppliers and customers".

(3) Huaibei Construction Investment Group is also our customer. For details of the transactions between Huaibei Construction Investment Group and us, please refer to the section headed "Business – Overlapping of major suppliers and customers".

(4) Aggregating all procurement from two private companies belonging to the same group.

To the best knowledge of our Directors after due inquiries, as at the Latest Practicable Date, our five largest suppliers and subcontractors other than Huaibei Mining Group and Huaibei Construction Investment Group, were Independent Third Parties.

The purchases from Huaibei Mining Group during the Track Record Period amounted to RMB16.3 million, RMB19.3 million, RMB15.8 million and RMB14.4 million, respectively, accounted for 10.8%, 14.6%, 9.3% and 13.0% of our total purchases during the same period, respectively.

The purchases from Huaibei Construction Investment Group during the Track Record Period amounted to approximately RMB1.5 million, RMB1.3 million, RMB73.9 million and RMB12.7 million, respectively, accounted for approximately 1.0%, 1.0%, 43.6% and 11.5% of our total purchase during the same period.

For details of the continuing connected transactions in relation to the procurement of blasting services from Leiming Group and the procurement of labour subcontract services from Huaibei Construction Investment Group, please refer to the section headed "Continuing Connected Transactions" in this prospectus.

As at the Latest Practicable Date, save as disclosed above, none of our Directors, their respective associates or any of the Shareholders who owns more than 5% of our Company's issued share capital had any interest in any of our five largest suppliers and subcontractors during the Track Record Period.

The tables below sets forth the breakdown of our purchases from our five largest subcontractors during the Track Record Period:

	For the year ended 31 December 2019						
	Subcontractor	Major services provided	Commencement of business relationship with us	Main business/ background	Location of headquarters	Purchase amounts	% of our total purchases
						(RMB'000)	*(%)*
1.	Leiming Blasting	Blasting services	2017	A state-owned company principally engaged in, amongst others, provision of blasting services	Anhui Province	14,850	9.9
2.	Anhui Hanglong	Transportation services	2018	A private company principally engaged in, among others, transportation services	Anhui Province	13,401	8.9

	For the year ended 31 December 2019					
Subcontractor	**Major services provided**	**Commencement of business relationship with us**	**Main business/ background**	**Location of headquarters**	**Purchase amounts** *(RMB'000)*	**% of our total purchases** *(%)*
3. Subcontractor A	Paving services	2019	A private company principally engaged in, among others, equipment rental services	Jiangsu Province	1,965	1.3
4. Subcontractor B	Equipment rental services	2019	A private company principally engaged in, among others, sales of construction materials	Jiangsu Province	1,962	1.3
5. Subcontractor C	Labour dispatch services	2019	A private company principally engaged in, among others, labour subcontracting services	Anhui Province	1,953	1.3

	For the year ended 31 December 2020					
Subcontractor	**Major services provided**	**Commencement of business relationship with us**	**Main business/ background**	**Location of headquarters**	**Purchase amounts** *(RMB'000)*	**% of our total purchases** *(%)*
1. Leiming Blasting	Blasting services	2017	A state-owned company principally engaged in, amongst others, provision of blasting services	Anhui Province	19,298	14.6
2. Anhui Hanglong	Transportation services	2018	A private company principally engaged in, among others, transportation services	Anhui Province	7,676	5.8
3. Jiangsu Kuangfu Construction Co., Ltd.* (江蘇匡富建設有限公司) ("**Jiangsu Kuangfu**")	Paving services	2020	A private company principally engaged in, among others, construction services	Jiangsu Province	2,911	2.2

		For the year ended 31 December 2020				
Subcontractor	Major services provided	Commencement of business relationship with us	Main business/ background	Location of headquarters	Purchase amounts *(RMB'000)*	% of our total purchases *(%)*
4. Xuzhou Xugong Shiweiying Machinery Co., Ltd.* (徐州徐工施維英機械有限公司)	Equipment rental services	2020	A private company principally engaged in, among others, equipment rental services	Jiangsu Province	2,250	1.7
5. Subcontractor C	Labour dispatch services	2019	A private company principally engaged in, among others, labour subcontracting services	Anhui Province	2,089	1.6

		For the year ended 31 December 2021				
Subcontractor	Major services provided	Commencement of business relationship with us	Main business/ background	Location of headquarters	Purchase amounts *(RMB'000)*	% of our total purchases *(%)*
1. Leiming Blasting	Blasting services	2017	A state-owned company principally engaged in, amongst others, provision of blasting services	Anhui Province	15,750	9.3
2. Huaibei Shizhijiguan Transportation Services	Transportation services	2019	A state-owned company principally engaged in, among others, transportation services	Anhui Province	2,757	1.6
3. Subcontractor C	Labour dispatch services	2019	A private company principally engaged in among others, labour subcontracting services	Anhui Province	1,576	0.9

	For the year ended 31 December 2021					
Subcontractor	**Major services provided**	**Commencement of business relationship with us**	**Main business/ background**	**Location of headquarters**	**Purchase amounts** *(RMB'000)*	**% of our total purchases** *(%)*
4. Jiangsu Kuangfu	Paving services	2020	A private company principally engaged in, among others, construction services	Jiangsu Province	1,551	0.9
5. Anhui Huaibei Zhang Zhongqin Building Materials Distribution Center* (安徽省淮北市烈山區張忠琴建材配送中心)	Equipment rental services	2019	A sole proprietor principally engaged in, among others, sales of construction materials	Anhui Province	1,255	0.7

	For the nine months ended 30 September 2022					
Subcontractor	**Major services provided**	**Commencement of business relationship with us**	**Main business/ background**	**Location of headquarters**	**Purchase amounts** *(RMB'000)*	**% of our total purchases** *(%)*
1. Leiming Blasting	Blasting services	2017	A state-owned company principally engaged in, amongst others, provision of blasting services	Anhui Province	14,355	13.0
2. Huaibei Changheng Transportation Co., Ltd.* (淮北市昶恒運輸有限責任公司)	Transportation services	2021	A private company principally engaged in, among others, transportation services	Anhui Province	1,048	1.0
3. Huaibei Shizhijiguan Transportation Services	Transportation services	2019	A state-owned company principally engaged in, among others, transportation services	Anhui Province	956	0.9

		For the nine months ended 30 September 2022				
Subcontractor	**Major services provided**	**Commencement of business relationship with us**	**Main business/ background**	**Location of headquarters**	**Purchase amounts**	**% of our total purchases**
					(RMB'000)	*(%)*
4. Huaibei Jiamu Outsourcing Service Co., Ltd.* (淮北佳沐外包服務有限公司)	Labour subcontracting services	2022	A private company principally engaged in, among others, labour subcontracting services	Anhui Province	873	0.8
5. Huaibei Kuanyuan Construction Engineering Co., Ltd.* (淮北寬元建築工程有限公司)	Transportation services	2021	A private company principally engaged in, among others, general road transportation services	Anhui Province	807	0.7

Note:

As our Group has yet to obtain consent from certain subcontractors as at the Latest Practicable Date or been rejected by the subcontractors to publicly disclose their identities, information relating to those subcontractors are disclosed on an anonymous basis to preserve confidentiality.

Arrangements with subcontractors

Blasting operations

During the Track Record Period, we engaged one contractor, namely Leiming Blasting (which is a member of the Huaibei Mining Group), to conduct the blasting operations at our Gaoloushan Mine. The total subcontracting fees we paid to Leiming Blasting for the provision of the blasting-related services, including drilling and blasting, were approximately RMB14.9 million, RMB19.3 million, RMB15.8 million and RMB14.4 million, representing approximately 9.9%, 14.6%, 9.3% and 13.0% of our total purchases, for the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively. Our subsidiary, Tongming Mining, was owned as to 33% by Leiming Blasting as at the Latest Practicable Date, and hence it is a connected person at the subsidiary level of our Company. Please refer to the section headed "Continuing Connected Transactions" in this prospectus for further details.

Salient terms of our subcontracting agreement with Leiming Blasting

The salient terms of our subcontracting agreement with Leiming Blasting are as follows:

Technical and quality requirements	:	Leiming Blasting has to comply with the following requirements: (i) the permitted elevation for mining is +247m to +150m; (ii) the permitted mining height is 97m; (iii) the mining shall be done from top-down; and (iv) the size of the ore extracted after the blasting operation shall not exceed 1,100mm, falling which, Leiming Blasting is responsible to conduct further crushing by way of machine.
Scope of work and responsibilities	:	Leiming Blasting is responsible for, among others, (i) design the blasting plan; (ii) ensure its staff possess the relevant qualification and receive safety training; (iii) arrange and manage equipment and materials needed for blasting and conduct regular maintenance of such equipment; (iv) formulate blasting plan based on Tongming Mining's production need; (v) comply with the relevant laws and regulations relating to blasting; (vi) rock drilling and testing; (vii) purchase, delivery and storage of blasting equipment and materials; (viii) provide adequate warning on-site and cooperate with Tongming Mining to ensure blasting is conducted smoothly; and (ix) follow the safety requirements of Tongming Mining.
Subcontracting fee	:	RMB4.5 per tonne of aggregate products, such fee is calculated based on the sales volume of our aggregate products
Payment schedule	:	Tongming Mining shall pay on a monthly basis

As at the Latest Practicable Date, Tongming Mining was owned as to 67% by our Company and 33% by Leiming Blasting. Leiming Blasting is principally engaged in the provision of blasting-related services. It is a company established in the PRC with limited liability on 1 April 2004, which is controlled as to 93.99% by Leiming Kehua, which is a connected person of the Company, and 2.38% by Mr. Wu Zhongchen (武仲振), 2.38% by Mr. Li Jie (李杰) and 1.25% by Mr. Hu Kunlun (胡坤倫) as at the Latest Practicable Date.

We engaged Leiming Blasting to conduct the blasting operation in our mining site as we do not possess the requisite qualifications to handle explosives at the mining site. As advised by the PRC Legal Adviser, it is required under the PRC laws and regulations that a licence to conduct blasting services and, during the Track Record Period and up to the Latest Practicable Date, Leiming Blasting obtained all the necessary licence in relation to its service provided under the subcontracting agreement. According to the CIC Report, it is an industry norm to engage subcontractors to provide blasting-related services; and Leiming Blasting is one of the major blasting service providers in Huaibei City and possesses technical capability. Further, assigning the blasting services to a subcontractor enables us to focus on our operations and reduce capital expenditures. It also helps us control our production costs as the blasting fee is calculated based on the sales volume of our aggregate products. The fee charged by Leiming Blasting was at a level no less favourable to our Group than available to or from Independent Third Parties.

Our work safety staff is responsible for overseeing Leiming Blasting's blasting operation performed at our Gaoloushan Mine to ensure that it complies with the applicable laws and regulations as well as the terms of the subcontracting agreement. It is also one of the contract terms under the service contract that Leiming Blasting has to comply with the safety requirements imposed by Tongming Mining.

Our Directors do not consider our Group heavily relies on Leiming Blasting because there are companies that provide blasting-related services in Huaibei City. Our Directors are of the view, and CIC concurs, that there is no difficulty in finding a substitute subcontractor of blasting operation in case Leiming Blasting ceases to provide services to us. Hence, our Directors do not foresee any significant impact on our Group's operation in the unlikely event that Leiming Blasting ceases to provide blasting services.

Transportation services

During the Track Record Period, we engaged 12 logistics subcontractors to deliver our concrete products to our customers by means of roadway. Our Directors are of the view that through assigning the transportation services to a logistics subcontractor, we could focus on our core business as manufacturer of construction materials. During the Track Record Period, one of our logistics subcontractors, Huaibei Shizhijiguan Transportation Services, is our connected person and the total subcontracting fees we paid for to Huaibei Shizhijiguan Transportation Services for transportation services were approximately RMB0.4 million, RMB0.8 million, RMB2.8 million and RMB1.0 million, representing approximately 0.2%, 0.3%, 1.4% and 0.9% of our total cost of sales, respectively, for the three years ended 31 December 2021 and nine months ended 30 September 2022. The total subcontracting fees (excluding those paid to Huaibei Shizhijiguan Transportation Services) we paid for the transportation services were approximately RMB13.4 million, RMB7.7 million, RMB3.8 million and RMB4.3 million, representing approximately 5.7%, 3.5%, 2.0% and 2.8% of our total cost of sales, respectively, for the three years ended 31 December 2021 and nine months ended 30 September 2022. The pricing for such services was determined with reference to the price comparable to the types of services and terms provided by other independent subcontractors. To the best knowledge of our Directors, save as Huaibei Shizhijiguan Transportation Services, all the logistics subcontractors we engaged during the Track Record Period were Independent Third Parties.

Salient terms of our transportation agreements

We generally enter into an agreement with our logistics subcontractors and the terms of our transportation agreements may vary. The typical salient terms included in our transportation agreements are summarised as follows:

Scope of work and responsibilities	:	Our transportation agreements contain the scope of work required for the subcontracted works. We normally require our logistics subcontractors to comply with the national laws and local regulations and possess the requisite licence to carry out the transportation services.
Risks and liabilities	:	We generally require our logistics subcontractors to bear the risks and liabilities in respect of our concrete products during the transportation process.
Subcontracting fee:	:	Our transportation agreements generally fix the fee of the transportation services based on the volume of our concrete products to be delivered.
Payment schedule	:	Our logistics subcontracts will normally issue delivery note to us after the delivery. We are required to confirm the details of the delivery note with our logistics subcontractors. Upon receiving our confirmation, our logistics subcontractors will issue an invoice to us, and we are required to pay after receiving the invoice.

Paving services

During the Track Record Period, we engaged four paving subcontractors to provide paving services of our concrete products, namely cement stabilised macadam and asphalt concrete products. After our cement stabilised macadam and/or asphalt concrete products are delivered to the site designated by our customers, the paving subcontractor is generally responsible to spread our products onto the road with a mechanical paving machine, and then compacted to the required degree by road rollers. Our Directors are of the view that through assigning the paving services to a paving subcontractor, we could focus on our core business as manufacturer of construction materials. To the best knowledge of our Directors, all of our subcontractors of paving services engaged during the Track Record Period were Independent Third Parties. The total subcontracting fees we paid for the paving services were approximately RMB2.0 million, RMB3.0 million, RMB1.6 million and RMB0.2 million, representing approximately 0.9%, 1.4%, 0.8% and 0.1% of our total cost of sales, respectively, for the three years ended 31 December 2021 and nine months ended 30 September 2022.

Set out below are the details of the subcontractors engaged by our Group to provide paving services of our concrete products during the three years ended 31 December 2021 and nine months ended 30 September 2022:

	Commencement of business relationship with us	Main business	For the year ended 31 December			For the nine months ended 30 September
			2019	2020	2021	2022
			(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Jiangsu Kuangfu	2020	A private company engaged in, among others, engineering and construction	–	2,911	1,551	162
Subcontractor A	2019	A private company engaged in, among others, engineering and construction	1,965	77	–	–
Subcontractor D	2021	A private company engaged in, among others, engineering and construction	–	–	62	40
Subcontractor E	2019	A private company engaged in, among others, engineering and construction	50	–	–	–
Total			2,015	2,988	1,613	202

Salient terms of our paving agreements

We generally enter into an agreement with the paving subcontractors and the terms of our paving agreements may vary. The typical salient terms included in our paving agreements are summarised as follows:

Scope of work and responsibilities	:	Our paving agreements contain the scope of work and the equipment required for the subcontracted works. We may also require our paving subcontractors to provide the paving services pursuant to the national, industry and local standards.
Location	:	Our paving agreements normally set out the location where the paving services are to be provided.

Subcontracting fee:	:	Our paving agreements generally fix the price per tonne of the concrete products to be paved (i.e. price/tonne).
Payment schedule	:	We are generally required to pay on a monthly basis or when the paving subcontractors provided paving services of our concrete products up to a certain volume.

We select our subcontractors generally based on their quotation, their qualifications, past experiences, quality of work, reliability and reputation in the industry. We believe that subcontractors of similar scope and scale of operation and with similar terms are readily available in the market. During the Track Record Period and up to the Latest Practicable Date, our business operations did not experience any disruptions or shortage of these services.

QUALITY CONTROL

We impose stringent quality control standards for our production process from procurement of raw materials to delivery of finished products.

Our mining engineering department and laboratory department are responsible for monitoring the quality of our equipment, raw materials, mining process, standardisation of our production processes and product quality. In addition to routine inspections and technical guidance services, our Group has formulated internal quality control measures and standards, which cover various aspects of our mining process and production process so as to ensure a consistent quality of our products. Set out below are our major quality control measures:

- *Equipment and raw materials quality*: When we receive the equipment purchased by us at the time of their delivery, we perform trial operations to ensure they are properly working. When purchasing raw materials, generally, our laboratory department will conduct tests on each of their indicators, and the procurement can be carried out only if all indicators meet the requirements. Upon delivery of the raw materials, we will monitor, inspect and perform tests on the quality of the raw materials to ensure that they comply with contract specifications or requirements. The raw materials are properly kept in the warehouse thereafter unless the raw materials are found defective, which will be referred to our suppliers.

- *Mix proportion management*: Our laboratory department designs the theoretical proportions and prepares a proportion design specification in accordance with contract requirements and technical requirements of our concrete products, taking into account relevant national standards and industrial standards.

- *Mining process*: We conduct regular inspections at our Gaoloushan Mine to ensure that our mining activities are carried out in compliance with our mining quality control procedures. We monitor our contractor's blasting operations performed at our Gaoloushan Mine to ensure our contractor complies with our requirements during the blasting operations. Please refer to the subsection headed "Suppliers and Subcontractors – Arrangements with subcontractors – Blasting operations" in this section for further details about the contractor's obligations.

- *Production process*: We strengthen our process control of different stages of the production process, including implementation of mix proportions, production and mixing and pre-delivery work performance tests, so as to ensure the production process meets the prescribed quality standards.

- *Quality check*: We conduct regular inspection on the quality and specification of our products.

During the Track Record Period and as at the Latest Practicable Date, we had not received any material claims or complaints from our customers in respect of the quality of our products and there was no incident of failure of our quality control systems or penalties from relevant regulatory bodies which had a material and adverse on our business operations.

Product return policy

Our customers are responsible to arrange transportation and collect aggregate products from our production facilities. Prior to taking delivery, our customers are required to examine and confirm receipt of our aggregate products at our production facilities and the risks and titles of our aggregate products are passed to our customers since then. In case our clients would like to return aggregate products to us after receipt, they shall pay us a penalty, which shall be calculated at a certain percentage to the purchase sum of the returned goods. We do not offer any product warranty to our customers for our aggregate products.

As our concrete products are ultimately used for construction, such as municipal road and residential construction, we put great emphasis on the importance of product quality, and conduct testing and inspection of our products throughout our production and processing process and prior to delivery of our products to our customers in order to minimise after-sales quality issues. Upon delivery of our products, our customers may conduct sample test on our delivered products. Some of our customers will appoint a third party testing laboratory company, which is recognised by our Group, to perform testing to ensure our products comply with their prescribed standards and/or national standards. If it is found that the products supplied by us do not meet the prescribed standard and/or specifications as required by our customers, we will replace with a new batch of products. Our contracts with our customers do not typically provide any product warranty to our customers apart from defects identified in our products.

We did not experience any material litigation or claims from our customers, or any return on sales or recalls of our delivered products which had a material adverse effect on our financial and business operation during the Track Record Period and up to the Latest Practicable Date.

SALES AND MARKETING

We maintain good relationships with customers proactively and timely communicate with customers about different kinds of problem arising during the production and supply process, so as to improve customer satisfaction.

All our aggregate products are sold through direct negotiation with our customers. For overburden, it is sold to our customers by way of auction. For concrete products, in addition to our direct selling efforts, we also obtain our sales orders through tendering and bidding.

The table below sets out the breakdown of our revenue attributable to orders obtained through direct negotiation or tendering and bidding during the Track Record Period:

	Year ended 31 December						Nine months ended 30 September			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Direct negotiation	442,473	89.9	485,343	95.8	368,723	100.0	280,036	100.0	312,128	100.0
Tendering and bidding	49,390	10.0	19,786	4.0	–	–	–	–	–	–
Auction held by us	679	0.1	1,253	0.2	1,604	0.0	705	0.0	1,161	0.0
Total	492,542	100.0	506,382	100.0	370,327	100.0	280,741	100.0	313,289	100.0

During the process of bidding and tendering, we usually obtain bidding documents directly from customers. We then prepare the tender documents according to the requirements of the bidding documents, and submit the tender after the approval by relevant departments and the management of our Group. If the bidding succeeds, our project leader will negotiate the contract terms with the tenderer and enter into the contract. The table below sets forth the number of bids submitted for tendering, the number of projects secured through tender process and the tender success rate during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September
	2019	**2020**	**2021**	**2022**
Number of bids submitted for tendering	9	2	–	–
Number of projects secured through tender process	4	1	–	–
Tender Success Rate*(Note)*	44.4%	50%	N/A	N/A

Note: Calculated as the total number of projects that we secured through the tender process to the total number of projects that we participated in the tender process and bid for.

CUSTOMERS

Type of customers

Our customers are mainly based in Huaibei City. We also have customers from the surrounding cities of Huaibei City, including Suzhou City and Bozhou City. Our major customers include construction companies, building materials companies and wholesalers. To the best knowledge of our Directors, our end customers are mainly engaged in the construction industry, which involves the construction of housing, infrastructures, public roads, public facilities, etc. The table below sets forth our revenue by customer type during the Track Record Period:

	Year ended 31 December						For the nine months ended 30 September			
Types of customers	**2019**	**Percentage of total revenue**	**2020**	**Percentage of total revenue**	**2021**	**Percentage of total revenue**	**2021**	**Percentage of total revenue**	**2022**	**Percentage of total revenue**
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* *(unaudited)*	%	*(RMB'000)*	%
Construction companies	255,942	52.0	293,097	57.9	154,675	41.8	114,454	40.8	141,657	45.2
Building materials companies	68,443	13.9	104,206	20.6	61,563	16.6	53,469	19.0	47,356	15.1
Wholesalers										
– Trading company	117,691	23.9	106,083	20.9	152,737	41.2	111,820	39.8	123,601	39.5
– Individual	50,466	10.3	2,996	0.6	1,352	0.4	998	0.4	675	0.2
Sub-total of wholesalers	168,157	34.1	109,079	21.5	154,089	41.6	112,818	40.2	124,276	39.7
Total	492,542	100	506,382	100	370,327	100	280,741	100	313,289	100

We select our customers through a comprehensive evaluation process by taking into account a variety of factors, including historical purchase volume and amounts, credit records, reputation within the industry and market, as well as operation scale and status.

The revenue derived from our recurring customers accounted for approximately 59.6%, 77.3%, 82.0% and 77.4% of our revenue for the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively.

Our Group's sales to our five largest customers in each year during the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 amounted to approximately RMB190.5 million, RMB231.1 million, RMB211.0 million and RMB170.2 million, respectively, representing approximately 38.7%, 45.7%, 57.0% and 54.3% of our total revenue. Sales to the largest customer of our Group in each year during the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 amounted to approximately RMB51.3 million, RMB92.1 million, RMB114.0 million and RMB91.4 million, respectively, representing approximately 10.4%, 18.2%, 30.8% and 29.2% of our total revenue. Set out below are the brief particulars of our five largest customers during the Track Record Period.

For the year ended 31 December 2019

	Customer	Major products provided	Commencement of business relationship with us	Main business	Location of headquarters	Revenue	% of our total revenue
						(RMB'000)	*(%)*
1.	Huaibei Weijun Materials Co., Ltd.* (淮北市偉駿物資有限責任公司) ("**Huaibei Weijun Group**")(1)	Aggregate products	2018	Private companies engaged in provision of transportation and delivery services, repair and maintenance of municipal roads, wholesale and resale of building materials	Anhui Province	51,345	10.4
2.	Huaibei Hanhan Trading Co., Ltd.* (淮北市韓韓貿易有限公司) ("**Hanhan Trading Group**")(2)	Aggregate products	2018	Private companies engaged in trading and logistics of construction aggregates	Anhui Province	39,935	8.1
3.	Huaibei Mining Group(3)	Ready-mixed concrete	2017	A group of state-owned companies principally engaged in, amongst others, coal operation services, chemical engineering services, sale of mine explosives and general construction	Anhui Province	35,429	7.2
4.	Customer B	Aggregate products	2018	An individual engaged in wholesale of construction aggregates	–	33,996	6.9

	Customer	Major products provided	Commencement of business relationship with us	Main business	Location of headquarters	Revenue	% of our total revenue
			For the year ended 31 December 2019				
						(RMB'000)	*(%)*
5.	Customer Group G[4]	Ready-mixed concrete	2018	State-owned companies engaged in general construction including but not limited to general construction contracting, construction, consulting, development and transfer of construction technology	Hubei Province	29,840	6.1
				Five largest customers			38.7
				All other customers			61.3
				Total			100

Notes:

1. Aggregating all revenue derived from our sales of aggregate products to three PRC private companies which were under the control of same group of shareholders.

2. Aggregating all revenue derived from our sales of aggregate products to two PRC private companies which were under the control of same group of shareholders.

3. Huaibei Mining Group is also our supplier. For details of the transactions between Huaibei Mining Group and us, please refer to the section headed "Business – Overlapping of major suppliers and customers".

4. Aggregating all revenue derived from our sales of concrete products to a PRC state-owned company and its subsidiary.

5. As our Group has yet to obtain consent from certain customers as at the Latest Practicable Date or been rejected by the customers to publicly disclose their identities, information relating to those customers are disclosed on an anonymous basis to preserve confidentiality.

	For the year ended 31 December 2020						
	Customer	**Major products provided**	**Commencement of business relationship with us**	**Main business**	**Location of headquarters**	**Revenue** *(RMB'000)*	**% of our total revenue** *(%)*
1.	Suixi Hongxiang Construction and Installation Co., Ltd.* (濉溪縣宏祥建築安裝有限責任公司) ("**Suixi Hongxiang**")	Aggregate products	2019	A private company engaged in city infrastructure construction, urban landscaping, construction of steel structure	Anhui Province	92,147	18.2
2.	Huaibei Construction Investment Group[1]	Aggregate, ready-mixed concrete, cement stabilised macadam and asphalt concrete	2018	A state-owned group engaged in public infrastructure construction, land consolidation and real estate development	Anhui Province	62,387	12.3
3.	Huaibei Zhengyuan Construction Engineering Co., Ltd.* (淮北正元建築工程有限公司) ("**Huaibei Zhengyuan**")	Aggregate products	2018	A private company engaged in real estate and city infrastructure construction and hydraulic power and hydropower units construction	Anhui Province	27,105	5.4
4.	Customer J	Aggregate products	2019	A private company engaged in wholesale of building materials, including ready-mixed concrete, ready-mixed mortar and precast components	Anhui Province	25,742	5.1
5.	Customer K	Ready-mixed concrete, cement stabilised macadam and asphalt concrete	2018	A state-owned company engaged in construction of industrial and civil architecture and municipal infrastructure, earthwork and renovation work	Shaanxi Province	23,754	4.7
				Five largest customers			45.7
				All other customers			54.3
				Total			100

Notes:

(1) Huaibei Construction Investment Group is also our supplier. For details of the transactions between Huaibei Construction Investment Group and us, please refer to the paragraph headed "Business – Overlapping of major suppliers and customers".

(2) As our Group has yet to obtain consent from certain customers as at the Latest Practicable Date or been rejected by the customers to publicly disclose their identities, information relating to those customers are disclosed on an anonymous basis to preserve confidentiality.

	For the year ended 31 December 2021						
	Customer	**Major products provided**	**Commencement of business relationship with us**	**Main business**	**Location**	**Revenue** *(RMB'000)*	**% of our total revenue** *(%)*
1.	Huaibei Construction Investment Group[(1)]	Aggregate, ready-mixed concrete, cement stabilised macadam and asphalt concrete	2018	A state-owned group engaged in public infrastructure construction, land consolidation and real estate development	Anhui Province	114,037	30.8
2.	Huaibei Zhengyuan	Aggregate products	2018	A private company engaged in real estate and city infrastructure construction and hydrolic power and hydropower units construction	Anhui Province	49,917	13.5
3.	Suixi Hongxiang	Aggregate products	2019	A private company engaged in city infrastructure construction, urban landscaping, construction of steel structure	Anhui Province	18,310	4.9
4.	Anhui Zhongdong Construction Project Management Co., Ltd.* (安徽中棟建築項目管理有限公司) ("**Anhui Zhongdong**")	Aggregate products	2020	A private company engaged in city infrastructure construction, project management, bidding and tendering	Anhui Province	14,656	4.0
5.	Huaibei Weijun Group[(2)]	Aggregate products	2018	Private companies engaged in provision of transportation and delivery services, repair and maintenance of municipal roads, wholesale and resale of building materials	Anhui Province	14,035	3.8
				Five largest customers			57.0
				All other customers			43.0
				Total			100

Notes:

(1) Huaibei Construction Investment Group is also our supplier. For details of the transactions between Huaibei Construction Investment Group and us, please refer to the paragraph headed "Business – Overlapping of major suppliers and customers".

(2) Aggregating all revenue derived from our sales of aggregate products to three PRC private companies which were under the control of same group of shareholders.

	Customer	Major products provided	Commencement of business relationship with us	Main business	Location	Revenue	% of our total revenue
			For the nine months ended 30 September 2022				
						(RMB'000)	*(%)*
1.	Huaibei Construction Investment Group[1]	Aggregate, ready-mixed concrete, cement stabilised macadam and asphalt concrete	2018	A state-owned group engaged in public infrastructure construction, land consolidation and real estate development	Anhui Province	91,380	29.2
2.	Huaibei Youheng Construction Engineering Co., Ltd.* (淮北友恒建築工程有限公司)	Aggregate products	2022	A private company engaged in construction of residential properties, city infrastructure construction and renovation work	Anhui Province	27,388	8.7
3.	Huaibei Zhengyuan	Aggregate products	2018	A private company engaged in real estate and city infrastructure construction and hydrolic power and hydropower units construction	Anhui Province	26,321	8.4
4.	Hanhan Trading Group[2]	Aggregate products	2018	Private companies engaged in trading and logistics of construction aggregates	Anhui Province	13,197	4.2
5.	Customer N	Aggregate products	2019	A private company engaged in, among others, the processing and sale of concrete, kaolin and construction aggregates.	Anhui Province	11,909	3.8
				Five largest customers			54.3
				All other customers			45.7
					Total		100

Notes:

(1) Huaibei Construction Investment Group is also our supplier. For details of the transactions between Huaibei Construction Investment Group and us, please refer to the paragraph headed "Business – Overlapping of major suppliers and customers".

(2) Aggregating all revenue derived from our sales of aggregate products to two PRC private companies which were under the control of same group of shareholders.

To the best knowledge of our Directors, as at the Latest Practicable Date, save for Huaibei Construction Investment Group and Huaibei Mining Group, all of our five largest customers were Independent Third Parties.

The revenue attributable to Huaibei Construction Investment Group and Huaibei Mining Group during the Track Record Period amounted to approximately RMB38.5 million, RMB69.4 million, RMB114.0 million and RMB91.4 million, respectively, accounted for approximately 7.8%, 13.7%, 30.8% and 29.2% of our total revenue during the same period, respectively. For details, please refer to the section headed "Continuing Connected Transactions" in this prospectus.

Customer B is one of our five largest customers for the financial year ended 31 December 2018 and 2019, and the revenue attributable to him during the corresponding periods amounted to approximately RMB20.0 million and RMB34.0 million, which accounted for approximately 6.0% and 6.9% of our total revenue of the corresponding periods, respectively. No sales to Customer B were recorded during the year ended 31 December 2020 and 2021. Since Tongming Mining first commenced commercial production of our Gaoloudhan Project (Phase I) in June 2018, as part of the promotion policy, we offered priority to customers who were able to commit to a minimum purchase amount of our aggregate products and maintain a deposit of a specific sum with us. Upon learning such policy, Customer B approached us and entered into a sale and purchase agreement ("**Customer B's Agreement**") with us in August 2018, thereby commencing our business relationship. Customer B's Agreement was valid for a year until August 2019. Pursuant to Customer B's Agreement, Customer B agreed to purchase at least 2,000 tonnes of our aggregate products daily and maintain a deposit of RMB1 million at any time throughout the whole period. To the best knowledge of our Directors, as Customer B was no longer engaging in the business of construction aggregates after the expiry of Customer B's Agreement, he did not enter into any subsequent agreement, with us nor made any purchase of aggregate products from us since then. According to Customer B, he only purchased construction aggregate from us when he was engaging in the business of construction aggregate at the material time because, among others, (i) there were only a limited number of construction aggregate manufacturers, and we were considered as one of the largest construction aggregate manufacturers in the region; (ii) we maintained a good and proper operation in accordance with relevant laws and regulations; (iii) our state-owned background; (iv) we were able to adequately fulfil his business needs and provided priority to his orders and (v) the customer of Customer B requested him to purchase aggregate products from Tongming Mining.

As at the Latest Practicable Date, save as disclosed above, none of our Directors, their respective associates or any of the Shareholders who owns more than 5% of our Company's issued share capital had any interest in any of our five largest customers during the Track Record Period.

Salient terms of sales agreements

For both of our aggregate and concrete products, we normally enter into framework sales agreements with our customers.

We would inform our customers of aggregate products the price of each type of our aggregate products from time to time. Our customers of aggregate products will place order based on the framework sales agreement. After our customer takes delivery at our production facilities, we will generally issue a confirmation of sales recording the product types and quantity.

The following table summarises the salient terms of our framework sales agreement in respect of our aggregate products:

Scope	:	We supply our products with the type and specifications as requested by our customers. We would inform our customers the price of each type of our aggregate products from time to time.
Price adjustment	:	We have the right to adjust the price of our products based on the prevailing market price.
Delivery	:	Our clients arrange to pick up the aggregate products at our production facilities.
Payment terms	:	Please refer to the paragraph headed "Customers – Payment terms" in this section.
Quality	:	We should ensure that aggregate products comply with the size specifications.

Our customers of concrete products will place order with us on an order-by-order basis based on the terms of the framework sales agreements. The typical terms in a sales agreement include product type, quantity, unit price, payment method, credit term and delivery term. After delivery of our products to customers, we would typically issue a statement to our customers to confirm order and delivery information such as quantity of the products delivered and the date of delivery. After agreeing on the order and delivery information with our customers, we would issue an invoice to our customers.

The following table summarises the salient terms of our framework sales agreement in respect of our concrete products:

Scope	:	We supply our products with the type and specifications as requested by our customers. The expected unit price and quantity of the products would be stated in the sales agreement.
Price adjustment	:	We generally do not include any price adjustment clause.
Delivery	:	We generally arrange for delivery to the sites specified by our customers.
Payment terms	:	Please refer to the paragraph headed "Customers – Payment terms" in this section.
Quality	:	Our concrete products have to be complied with the national standards as specified in the sales agreement.

During the Track Record Period, we had not experienced nor were we aware of any circumstances leading to contractual claims by our major customers.

Pricing policy

The prices for our aggregate products are determined with reference to the general market trend, the prices of products of similar specifications and quality offered by our competitors, and the quality of our aggregate products. The prices of our aggregate products are not subject to any restrictions imposed by the relevant government bodies. For the aggregate products, we have measures in place to generally combat market price volatility because we have the right to adjust the price of our aggregate products based on the prevailing market price pursuant to our framework sales agreement and that we generally do not grant credit period to our customers and require them to make prepayment before collecting the aggregate products. Therefore, any price volatility can be mitigated by directly adjusting the price of our aggregates products.

The prices for our concrete products are determined with reference to the market indicative price (市場信息價) on construction materials published monthly by Huaibei Construction Standard Rating Station* (淮北市建設標準定額站) ("**HCSRS**"). We generally stipulate a fixed discount rate against the monthly market indicative price in our framework sales agreement of our concrete products. The discount rate is determined, after arm's length negotiation between our Group and our customers, with reference to factors including customers' background, our production costs, payment terms and transportation costs. During the Track Record Period, we sold our concrete products at prices with discount in the range of

3% to 18% of the monthly market indicative price so as to stay competitive with the market competition and the actual selling price of our concrete products were generally in line with the market price in Huaibei City, according to CIC. As advised by our PRC Legal Advisers, there is no adverse consequence if our concrete products are sold at a price exceeding or below the monthly market indicative price because (i) concrete products do not fall within the scope of products that are subject to the price stipulated by the government or guidance price and we have the right to set the price of our products; (ii) monthly market indicative price is only a reference information for construction project budgeting according to "Guiding Opinions on Strengthening the Price Risk Control of Construction Engineering Materials"* (《關於加強建築工程材料價格風險控制的指導意見》) issued by Anhui Provincial Department of Housing and Urban-Rural Development* (安徽省住房和城鄉建設廳); and (iii) HCSRS is not a governmental body nor statutory body that possess the authority to set pricing. For the concrete products, our measures to combat market price volatility may be limited. While the prices of our concrete products are made with reference to the monthly market indicative price on construction materials published by the HCSRS, with a stipulated fixed discount being applied, which should take into account of the prevailing and relevant market costs, we may provide credit period to our concrete customers and that we set out the final price of our concrete products when issuing invoice to our customers, which is generally at the end of the month immediately after product delivery. Therefore, we may have a one-month exposure to potential market price volatility or fluctuation. However, given that this is only generally one month in duration, our Directors consider that the market price volatility and fluctuations, if any, are normally not material and will not materially adversely affect our business and financial performance.

Payment terms

We normally require our customers to make prepayment by way of bank transfer after entering into the sales contract and before delivery of our aggregate products. Once our client collected the aggregate products from our Gaoloushan Mine, we will deduct the fees from the prepayment based on the transaction amount of the aggregate products collected.

When determining the payment terms for the sales of our concrete products, we may consider the duration of our business relationship with our customers, their credit histories, and the types of project they engage in. We adopt various payment methods in our sales agreements, including, among others: (i) payment when the products cumulatively delivered exceed an agreed volume; (ii) monthly instalment payment of an agreed percentage of the total settlement amount for the previous month's supply and the remaining balance is generally settled within three to six months after the completion of concrete casting of the main structure of the project and/or after the completion of the construction project and/or (iii) prepayment.

Regarding the aggregate products segment, we generally do not grant any credit period to our customers as we normally require our customers to make prepayment before collecting our aggregate products. Regarding the concrete products segment, we may require our customers to make prepayment before collecting our concrete products or grant credit period on a case-by-case basis. The credit period granted to our customers normally ranges from 10 to 90 days. We determine the credit limit offered to different customers based on, among others, the customer's past history of making payments when due and information specific to the customer. In order to avoid the risk of non-payment, our Directors have been more inclined to collect prepayment over granting credit period to our customers. In November 2020, Huaibei Trading Investment, which accounted for approximately 84.5% of the revenue of our concrete products segment for the year ended 31 December 2021, agreed to settle the sale of our concrete products by prepayment. Our customers generally pay by bank transfer. Prior to issuing an invoice to our customers, we would usually confirm the volume of products provided by us with our customers. The final price as set out on the invoice to our customers will be based on the agreed volume of products provided by us with our customers.

Consignment processing

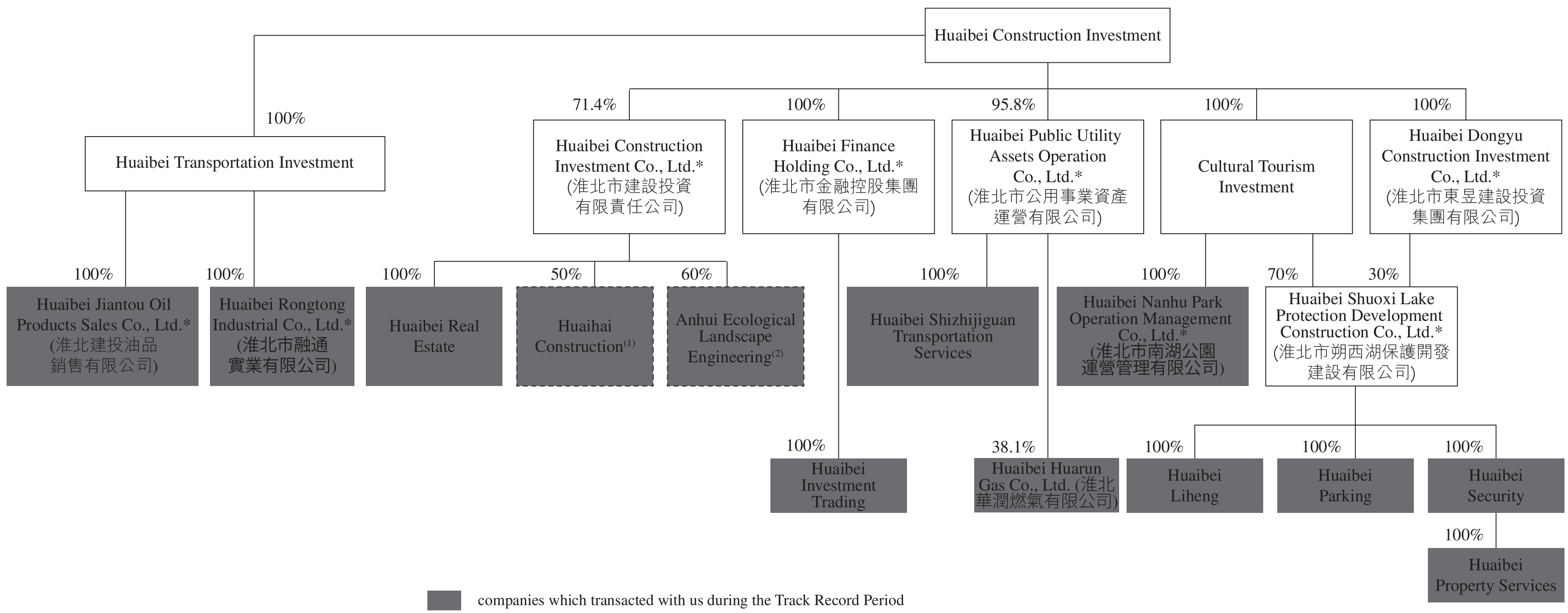
During each of the three years ended 31 December 2021 and the nine months ended 30 September 2022, the revenue derived from the provision of consignment processing service of asphalt concrete products amounted to nil, nil, approximately RMB1.0 million and RMB0.3 million, respectively. The major feature of the consignment processing service is that the customer will provide us with all the necessary raw materials and bear the transportation cost. We are only required to provide the processing services at our production facilities. We generally enter into a consignment processing agreement with our consignment customers. The salient terms of our consignment processing agreement are summarised as follows:

Scope	:	We process the raw materials provided by the customers into asphalt concrete products with the specification as requested by our customers. We provide the machinery and equipment, technicians, and utilities for the processing of asphalt concrete products.
Delivery	:	Our customers are responsible for arranging pick up of the asphalt concrete products at our production facilities and the paving of such products and bear the transportation cost.
Processing fees	:	The processing fees is calculated based on the actual volume of asphalt concrete processed with the price per tonne agreed beforehand between the parties.
Payment terms	:	We generally require our consignment processing customers to make prepayment before the processing of the asphalt concrete products.

Relationship with Huaibei Construction Investment Group

Background of Huaibei Construction Investment Group

Huaibei Construction Investment Group is a group of companies in Huaibei City whose principal businesses include investment and management of infrastructure construction projects. As at the Latest Practicable Date, Huaibei Construction Investment held 99% of our total issued share capital directly and 1% of our total issued share capital indirectly through Cultural Tourism Investment. Accordingly, Huaibei Construction Investment and Cultural Tourism Investment are a group of Controlling Shareholders. Huaibei Construction Investment is a wholly state-owned entity approved by Huaibei Municipal Government and established on 24 April 2008 with the entire capital contributed by Huaibei SASAC, a PRC governmental body which is principally engaged in management of state-owned assets as authorised by the relevant finance and regulatory bodies of the PRC. For details of our relationships with Huaibei Construction Investment and Cultural Tourism Investment, please refer to the section headed "Relationship with Controlling Shareholders". Among the Huaibei Construction Investment Group, its subsidiaries and its 30%-controlled company, including Huaibei Rongtong Industrial Co., Ltd.* (淮北市融通實業有限公司), Huaibei Real Estate, Huaihai Construction, Anhui Ecological Landscape Engineering, Huaibei Investment Trading, Huaibei Shizhijiguan Transportation Services, Huaibei Nanhu Park Operation Management Co.,. Ltd.* (淮北市南湖公園運營管理有限公司), Huaibei Liheng, Huaibei Parking, Huaibei Security, Huaibei Property Services, Huaibei Huarun Gas Co., Ltd.* (淮北華潤燃氣有限公司) and Huaibei Jiantou Oil Products Sales Co., Ltd.* (淮北建投油品銷售有限公司) transacted with our Group during the Track Record Period. As at the Latest Practicable Date, the shareholding structure of the Huaibei Construction Investment Group (which confined to the companies transacted with us during the Track Record Period) is as follow:



Notes:

(1) Huaihai Construction was owned as to 50% by Huaibei Construction Investment Co., Ltd* (淮北市建設投資有限責任公司) and approximately 43.5% and 6.5% by Independent Third Parties.

(2) Anhui Ecological Landscape Engineering was owned as to approximately 60% by Huaibei Construction Investment Co., Ltd* (淮北市建設投資有限責任公司) and approximately 40% by an Independent Third Party.

The following table sets forth our transactions with Huaibei Construction Investment Group for the years indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Trade nature					
Sales to Huaibei Construction Investment Group	3,112	62,387	114,037	79,427	91,380
Receiving services from Huaibei Construction Investment Group	1,519	1,290	48,319	6,651	4,402
Purchasing goods from Huaibei Construction Investment Group	–	–	25,628	14,164	8,347
Non-trade nature					
Borrowings from Huaibei Construction Investment Group	53,800	20,000	17,000	17,000	–
Borrowing costs to Huaibei Construction Investment	1,217	1,275	471	471	–
Loans to Huaibei Construction Investment	–	105,000	390,971	390,971	–
Interest income from Huaibei Construction Investment Group	–	29	15,373	15,373	–
Guarantees provided by Huaibei Construction Investment Group	52,360	58,000	934,869	982,869	933,869

For details of non-trade nature transactions, please refer to the paragraph headed "Financial Information – Significant related party transactions and balances with related parties" in this prospectus.

Sales to Huaibei Construction Investment Group by our Group

During the Track Record Period, our sales to Huaibei Construction Investment Group amounted to approximately RMB3.1 million, RMB62.4 million, RMB114.0 million and RMB91.4 million, respectively, accounting for approximately 0.6%, 12.3%, 30.8% and 29.2% respectively of our total revenue for the same period.

The table below sets out the breakdown of our revenue attributable to Huaibei Construction Investment Group by nature of products during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2019		2020		2021		2021		2022	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	(RMB'000)	*% of total revenue*	*(RMB'000)*	*% of total revenue*	*(RMB'000)*	*% of total revenue*	*(RMB'000) (unaudited)*	*% of total revenue*	*(RMB'000)*	*% of total revenue*
Aggregate products	1,144	0.2	1,233	0.2	2,353	0.6	2,079	0.7	6,390	2.0
Concrete products	1,968	0.4	61,154	12.1	111,685	30.2	77,348	27.6	84,990	27.2
Total	3,112	0.6	62,387	12.3	114,037	30.8	79,427	28.3	91,380	29.2

The increase in our sales to Huaibei Construction Investment Group for the two years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 was mainly attributable to the increase in sale of our ready-mixed concrete to Huaibei Investment Trading. During the Track Record Period, the sale of our ready-mixed concrete to Huaibei Investment Trading amounted to nil, approximately RMB37.3 million, RMB96.7 million and RMB63.6 million, respectively, representing nil, approximately 59.8%, 84.8% and 69.6% of our sales to Huaibei Construction Investment Group and nil, approximately 7.4%, 26.1% and 20.3% of our total revenue, for the same periods. For the reasons of the increase in our sale of our ready-mixed concrete to Huaibei Investment Trading, please refer to the paragraph headed "Sale of aggregate products and ready-mixed concrete to Huaibei Investment Trading and Huaihai Construction by our Group" below.

Purchasing goods and receiving services from Huaibei Construction Investment Group by our Group

During the Track Record Period, our purchase from Huaibei Construction Investment Group amounted to approximately RMB1.5 million, RMB1.3 million, RMB73.9 million and RMB12.7 million, respectively, accounting for approximately 1.0%, 1.0%, 43.6% and 11.5%, respectively of our total purchase for the same period.

The table below sets out our purchase from Huaibei Construction Investment Group by nature of products and services during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total purchase*	*RMB'000*	*% of total purchase*	*RMB'000*	*% of total purchase*	*RMB'000 (unaudited)*	*% of total purchase*	*RMB'000*	*% of total purchase*
Cement	–	–	–	–	25,618	15.1	14,164	15.0	5,234	4.7
Diesel	–	–	–	–	–	–	–	–	3,113	2.8
Construction services	775	0.5	189	0.1	44,780	26.4	3,252	3.4	2,442	2.2
Transportation services	394	0.3	772	0.6	2,757	1.6	2,757	2.9	1,720	1.6
Labour subcontract services	–	–	5.2	0.004	650	0.4	520	0.6	240	0.2
Security services	350	0.2	324	0.3	122	0.1	122	0.1	–	–
Advertising services	–	–	–	–	9.4	0.006	–	–	–	–
Natural gas	–	–	–	–	9.0	0.005	–	–	–	–
Women's welfare products and services[(note)]	–	–	–	–	0.6	0.0004	–	–	–	–
Total	1,519	1.0	1,290	1.0	73,947	43.6	20,815	22.0	12,749	11.5

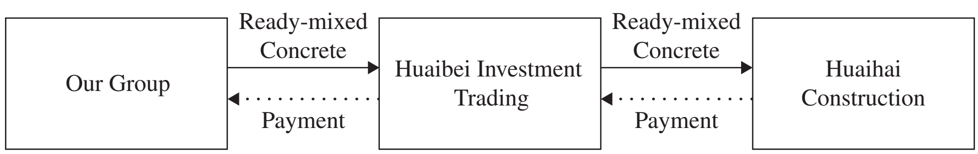
Note: Women's welfare products and services refers to the provision of sanitary products and gynaecologic examination services to the women employees in the Group.

The increase in our purchase from Huaibei Construction Investment Group for the year ended 31 December 2021 was mainly attributable to (i) the purchase of cement from Huaibei Investment Trading and (ii) the one-off construction services provided by Huaihai Construction including, improvement of road connecting to our Gaoloushan Mine, construction of our second ready-mixed concrete production line and greening construction. During the Track Record Period, the purchase of cement from Huaibei Investment Trading amounted to nil, nil, approximately RMB25.6 million and RMB5.2 million, respectively, accounting for nil, nil and approximately 15.1% and 4.7%, respectively, of our total purchase for the same periods and the purchase of construction services from Huaihai Construction amounted to nil, nil, approximately RMB44.8 million and RMB2.4 million, respectively, accounting for nil, nil, approximately 26.4% and 2.2%, respectively, of our total purchase for the same periods. For the reasons of the increase in our purchase of cement from Huaibei Investment Trading, please refer to the paragraph headed "Purchase of cement from Huaibei Investment Trading by our Group" below.

The transactions between Huaibei Investment Trading, Huaihai Construction and our Group during the Track Record Period

The following diagram sets forth the transaction flow with Huaihai Construction and Huaibei Investment Trading in relation to the sale of ready-mixed concrete and the procurement of cement during the Track Record Period:

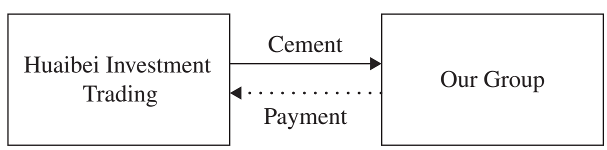
Sale of ready-mixed concrete to Huaibei Investment Trading



Note:

During the year ended 31 December 2020 and the nine months ended 30 September 2022, we also sold our ready-mixed concrete directly to Huaihai Construction. For further details, please refer to the paragraph headed "Sale of aggregate products and ready-mixed concrete to Huaibei Investment Trading and Huaihai Construction by our Group" in this section.

Procurement of cement from Huaibei Investment Trading



Sale of aggregate products and ready-mixed concrete to Huaibei Investment Trading and Huaihai Construction by our Group

Huaibei Investment Trading is principally engaged in trading business of bulk commodities, including construction materials, coal and steel and was established in the PRC on 4 November 2015 with a registered capital of RMB100 million. To the best knowledge of our Directors having made reasonable enquiries, for the financial year ended 31 December 2021, its revenue amounted to approximately RMB10.5 billion and its number of customers was 35. As at 31 December 2021, its total number of employees was 14. According to CIC, Huaibei Investment Trading is a leading wholesaler in Huaibei City. During the Track Record Period, Huaibei Investment Trading procured aggregate and concrete products from us. Set forth below a summary of our sales to Huaibei Investment Trading by types of products during the Track Record Period.

	For the year ended 31 December						For the nine months ended 30 September			
	2019		2020		2021		2021		2022	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	(RMB'000)	*% of total revenue*	*(RMB'000)*	*% of total revenue*	*(RMB'000)*	*% of total revenue*	*(RMB'000) (unaudited)*	*% of total revenue*	*(RMB'000)*	*% of total revenue*
Aggregate products	–	–	–	–	57	0.02	50	0.02	–	–
Ready-mixed concrete	–	–	37,336	7.4	96,669	26.1	63,897	22.8	63,576	20.3
Total	–	–	37,336	7.4	96,726	26.1	63,947	22.8	63,576	20.3

Huaibei Investment Trading was engaged by a construction company to provide aggregate products on a project basis during the financial year ended 31 December 2021 and Huaibei Investment Trading procured aggregate products from our Group for onward sales to the construction company.

To the best knowledge of the Directors having made reasonable enquiries, for the financial years ended 31 December 2019 and 2020 and the nine months ended 30 September 2022, Huaibei Investment Trading was not engaged by any construction company to provide aggregate products, thus, it did not have any business need to procure aggregate products from our Group in 2019, 2020 and the nine months ended 30 September 2022.

During the Track Record Period, our sale of ready-mixed concrete to Huaibei Investment Trading amounted to nil, approximately RMB37.3 million, RMB96.7 million and RMB63.6 million, respectively, accounting for nil, approximately 7.4%, 26.1% and 20.3% of our total revenue generated, respectively.

Before 1 January 2020, our Group mainly sold ready-mixed concrete to construction companies. During the Track Record Period, we took debt recovery actions against approximately 53% of our total number of construction companies customers who did not pay within the prescribed credit period for our ready-mixed concrete, in order to recover approximately RMB103.5 million and approximately RMB62.6 million has been recovered as at the Latest Practicable Date. Due to the resources and time spent in recovering the trade receivables, our Directors started to explore possible alternative options in conducting business including requiring payment term to be in prepayment to minimise the risk of late or non-payment from the customers. However, our construction companies customers, including Huaihai Construction would normally require credit period to be granted to them since they would only make payments to us upon receipt of payment from their downstream customers after achieving key milestones in their construction projects, which is in line with the industry practice, according to CIC.

Our Group has commenced to supply ready-mixed concrete to Huaibei Investment Trading since 2020 after taking into consideration the following factors: (i) the sale of ready-mixed concrete to a wholesaler, Huaibei Investment Trading, generally enables us to obtain a better payment term (i.e. prepayment) than our construction companies customers including Huaihai Construction, where most of which require credit period; (ii) the established market presence of Huaibei Investment Trading as a wholesaler of bulk commodities in Huaibei City, according to CIC; (iii) its state-owned background; (iv) our solid business relationship with Huaibei Investment Trading since 2018; and (v) Huaibei Investment Trading has engaged in the trading business of bulk commodities since 2016 and it intended to expand its product portfolio as well as tap into the concrete industry in 2020. According to CIC, when construction materials manufacturers require prepayment before delivery of products, it is common for a wholesaler to step in and procure the construction materials from the manufacturers and sell construction materials to the construction companies by providing the construction companies with credit period.

To the best knowledge of our Directors having made reasonable enquiries, Huaibei Investment Trading would then resell our ready-mixed concrete to Huaihai Construction at a mark-up for the use of its construction projects and Huaibei Investment Trading sold the ready-mixed concrete procured from our Group to Huaihai Construction only during the Track Record Period. Despite the fact that our Group directly sold cement stabilised macadam and asphalt concrete to Huaihai Construction with payment term of credit period during the Track Record Period (as mentioned hereinafter), our Group has sold ready-mixed concrete to Huaihai Construction through Huaibei Investment Trading since 2020 in most cases after taking into consideration the following factors: (i) Huaihai Construction is a large-scale construction company in Huaibei City, according to CIC and hence our Directors believe that its demand on our ready-mixed concrete will be large and continuous; (ii) Huaihai Construction preferred payment term of credit period during the procurement of our ready-mixed concrete and our Group generally requested our customers to make prepayment; (iii) given the large volume of our ready-mixed concrete procured or to be procured by Huaihai Construction, Huaibei Investment Trading, as a wholesaler, was willing to procure ready-mixed concrete from us by providing us with prepayment and sell them to Huaihai Construction by granting a credit period, which was in line with the industry practice, according to CIC; and (iv) the payment term of prepayment will improve our Group's liquidity.

With regard to the pricing under such an arrangement, we generally offer a lower selling price to Huaibei Investment Trading due to (i) its relatively large purchase volume, which represented approximately 43.6%, 98.2% and 86.8%, respectively of the sale of our ready-mixed concrete during the two financial years ended 31 December 2021 and the nine months ended 30 September 2022 and (ii) its willingness to make prepayment to us whilst our other customers such as construction companies may not be able to or willing to make prepayment to us. According to CIC, it is in line with the industry practice that wholesalers will generally be offered a lower selling price by the construction materials manufacturers as compared to other non-wholesalers who do not make prepayment. As confirmed by Huaibei Investment Trading, our price offered to Huaibei Investment Trading is comparable to that offered by its other suppliers.

The following sets forth the average selling price and pricing basis of our ready-mixed concrete offered to Huaibei Investment Trading and Independent Third Parties for the periods indicated.

	Huaibei Investment Trading				Independent Third Parties			
	For the year ended 31 December			For the nine months ended 30 September	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022	2019	2020	2021	2022
Average selling price *(RMB)*	–	521.5	486.1	450	556.3	558.5	525.0	459
Pricing basis	–	A discount of 16.5% of the monthly market indicative price on grade level of C30 ready-mixed concrete published by Huaibei Construction Standard Rating Station (淮北市建設標準定額站) (the "**Monthly Market Indicative Price**") *(Note 1)*	A discount of 16.5% of the Monthly Market Indicative Price *(Note 1)*	A discount of 16.5% – 18% of the Monthly Market Indicative Price *(Note 1)*	A discount of 3% – 11.3% of the Monthly Market Indicative Price (payment term is credit period) *(Note 1)*	A discount of 3% – 11.3% of the Monthly Market Indicative Price (payment term is credit period) *(Note 1)*	A discount of 9% of the Monthly Market Indicative Price (when payment term is credit period) *(Note 1)* *A discount of 16% of the Monthly Market Indicative Price (when payment term is prepayment)*	A discount of 16% of the Monthly Market Indicative Price (payment term is prepayment)

Note:

1. Increase in RMB20 per m^3 for each strength level above C30, decrease in RMB10 per m^3 for each strength level below C30.

For illustrative purpose, had our Group sold the ready-mixed concrete to Huaibei Investment Trading by applying the average selling price of ready-mixed concrete offered to Independent Third Parties for the financial years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, the revenue for the sale of ready-mixed concrete to Huaibei Investment Trading would have increased by approximately RMB2.6 million, RMB7.7 million and RMB1.2 million, respectively, for the same period.

Due to the nature of ready-mixed concrete, which will harden over time, the ready-mixed concrete procured from us by Huaibei Investment Trading will be directly delivered to the construction site of Huaihai Construction as specified in the framework sales agreement and will not be stored in the warehouse of Huaibei Investment Trading, which is line with industry norm, according to CIC.

Huaihai Construction is principally engaged in general construction in Huaibei City. It is a company established in the PRC on 3 July 1993 with a registered capital of RMB600 million. According to CIC, Huaihai Construction is a large-scale construction company in Huaibei City. During the Track Record Period, Huaihai Construction also procured aggregate and concrete products from us. Set forth below a summary of our sales to Huaihai Construction by types of products during the Track Record Period.

	For the year ended 31 December						For the nine months ended 30 September			
	2019		2020		2021		2021		2022	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	(RMB'000)	*% of total revenue*	*(RMB'000)*	*% of total revenue*	*(RMB'000)*	*% of total revenue*	*(RMB'000) (unaudited)*	*% of total revenue*	*(RMB'000)*	*% of total revenue*
Aggregate products	–	–	976	0.2	2,295	0.6	2,029	0.7	6,390	2.0
Ready-mixed concrete	–	–	15,666	3.1	–	–	–	–	9,181	3.0
Cement stabilised macadam	550	0.1	4,234	0.8	4,453	1.2	3,902	1.4	4,210	1.3
Asphalt concrete	–	–	3,918	0.8	10,417	2.8	9,403	3.3	8,006	2.6
Total	550	0.1	24,794	4.9	17,165	4.6	15,334	5.4	27,787	8.9

The major reasons for the fluctuation of the sales of our products to Huaihai Construction are: (i) our Group was engaged on project basis; (ii) Huaihai Construction has generally procured ready-mixed concrete from us through Huaibei Investment Trading (which is a wholesaler) since 2020 as our Group preferred payment term of prepayment where Huaihai Construction did not make prepayment to us and hence it purchased from Huaibei Investment Trading instead; and (iii) since 2022, our Group has accepted the direct procurement of ready-mixed concrete from Huaihai Construction on some occasions given (a) the liquidity and financial conditions of Liantong Municipal have improved from 2021 onwards as compared to previous years due to our preference for prepayment over credit period in the course of the sale of our ready-mixed concrete; (b) the credit worthiness of Huaihai Construction; and (c) the well-established position of Huaihai Construction as a state-owned construction company in Huaibei City.

Purchase of cement from Huaibei Investment Trading by our Group

During the Track Record Period, our Group purchased nil, nil, approximately 59,000 and 10,840 tonnes of cement from Huaibei Investment Trading, respectively, accounting for nil, nil, approximately 89.4% and 21.9% of the cement we procured during the same periods and such purchase amounted to nil, nil, RMB25.6 million and RMB5.2 million, respectively, accounting for nil, nil, approximately 89.1% and 25.2% of the total purchase amount of cement and nil, nil, approximately 15.1% and 4.7% of our total purchase during the same periods. Given (i) our Directors believe that the procurement of cement from a wholesaler, Huaibei Investment Trading, enables us to obtain a better payment term (i.e. the grant of credit period) than cement manufacturers, which normally require prepayment; (ii) the established market presence of Huaibei Investment Trading as a wholesaler of bulk commodities in Huaibei City; (iii) our solid business relationship with Huaibei Investment Trading since 2018; and (iv) Huaibei Investment Trading has been engaged in the trading business of bulk commodities since 2016 and it intended to expand its product portfolio as well as tap into the cement industry in 2020, our Group commenced to source cement from Huaibei Investment Trading in 2021. According to CIC, when construction materials manufacturers require prepayment before delivery of products, it is common for a wholesaler to step in and procure the construction materials from the manufacturers and sell construction materials to the end customers by providing them with a credit period.

To reduce the number of our continuing connected transactions with Huaibei Investment Trading after Listing and given that we could procure from other cement manufacturers and wholesalers without difficulties, we will terminate our purchase of cement from Huaibei Investment Trading upon Listing. Our Directors believe that there is no material impact on our Group's financial performance and liquidity arising from the termination after taking into consideration the following factors: (i) before 2021, our Group procured cement from independent suppliers and a majority of which required prepayment from us and we had no material financial difficulties in fulfilling such a payment term; (ii) the fact that Huaibei Investment Trading granted a 35-day credit period to us and our Directors are of the view that a 35-day credit period is not considered to be a long credit period, which does not yield a material difference as compared to prepayment in terms of impact on our Group's liquidity; and (iii) we have sufficient working capital to meet 125% of our present working capital requirements for at least the next 12 months from the date of this prospectus.

Our Group has terminated the purchase of cement from Huaibei Investment Trading since late March 2022 and resumed its purchase of cement from Xiangshan Cement Group since then. Such a termination of purchase of cement from Huaibei Investment Trading does not affect the operation of our Group nor has a material impact on Group's financial performance and liquidity.

No undue reliance on Huaibei Construction Investment Group

As illustrated above, the increase in our sales to and purchase from Huaibei Construction Investment Group during the financial years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 was mainly attributable to the increase in our sale of ready-mixed concrete to Huaibei Investment Trading and the increase in our purchase of cement from Huaibei Investment Trading, respectively. Notwithstanding this, our Directors do not consider that our business is unduly reliant on Huaibei Investment Trading for the following reasons:

- Our cooperative relationship with Huaibei Investment Trading is mutual and complementary.

  Despite our sales to Huaibei Investment Trading contribute approximately 26.1% of our sales for the year ended 31 December 2021, the purchase of ready-mixed concrete from us by Huaibei Investment Trading also accounted for a high percentage of the total purchase amount of ready-mixed concrete by Huaibei Investment Trading as well. To the best knowledge of our Directors, for the year ended 31 December 2021, the purchase amount of ready-mixed concrete by Huaibei Investment Trading from us accounted for not less than approximately 54.3% of its total purchased amount of ready-mixed concrete.

  Moreover, the sales of our aggregate and concrete products to Huaibei Construction Investment Group accounted for a certain or a substantial portion of the total purchase of construction materials (including but not limited to aggregate and concrete products) of Huaibei Construction Investment Group, in particular, concrete products. During the Track Record Period,

  (i) our sales of aggregate and concrete products to Huaibei Construction Investment Group amounted to approximately RMB3.1 million, RMB62.4 million, RMB114.0 million and RMB91.4 million, respectively, representing approximately 2.0%, 10.5%, 12.1% and 9.9%, respectively, of the total purchase of construction materials of Huaibei Construction Investment Group;

  (ii) our sales of aggregate products to Huaibei Construction Investment Group amounted to approximately RMB1.1 million, RMB1.2 million, RMB2.4 million and RMB6.4 million, respectively, representing approximately 48.8%, 23.0%, 25.6% and 57.7%, respectively, of the total purchase of aggregate products of Huaibei Construction Investment Group; and

  (iii) our sales of concrete products to Huaibei Construction Investment Group amounted to approximately RMB2.0 million, RMB61.2 million, RMB111.7 million and RMB85.0 million, respectively, representing approximately 5.0%, 39.7%, 49.3% and 76.4%, of the total purchase of concrete products of Huaibei Construction Investment Group.

To the best knowledge of our Directors, our Group was not the sole supplier of construction materials to Huaibei Construction Investment Group during the Track Record Period and up to the Latest Practicable Date.

In addition, as confirmed by Huaibei Investment Trading, it would maintain business relationship with us going forward as they were satisfied with our products quality during the Track Record Period. Our Directors believe that going forward we are capable of providing stable supply of ready-mixed concrete to meet Huaibei Investment Trading's needs of ready-mixed concrete in its trading business.

- We have identified and will continue to identify and establish business relationship with independent customers

  During the Track Record Period and up to the Latest Practicable Date, we have established business relationship with 43, 15, 6, 3 and 3 independent customers for our ready-mixed concrete, respectively.

  There are a large number of market participants other than Huaibei Investment Trading with huge demand for ready-mixed concrete, so we believe there are opportunities for us to identify independent customers and expand our customer base. According to CIC, there are approximately 200 entities of ready-mixed concrete commercial purchasers in Huaibei City as of 31 December 2021. Given our established presence in the ready-mixed concrete industry and leveraging our strong capability in production, our Directors believe that we could establish business relationships with these independent customers by enhancing our sales and marketing efforts and promoting our brand, including hiring sales and marketing personnel, running an advertising campaign and participating in exhibitions. Our Directors confirmed that during the Track Record Period, we have been approached by several entities of ready-mixed concrete commercial purchasers which requested the supply of ready-mixed concrete.

- We maintain flexibility in our customers selection

  Taking into account that (i) we are under no binding obligation to provide ready-mixed concrete to Huaibei Investment Trading on an exclusive basis and we are free to sell our ready-mixed concrete to other customers; and (ii) there are approximately 400 construction companies in Huaibei City as of 2021, according to CIC, we maintain flexibility in our customers selection.

- A majority of our revenue is attributable to the sale of aggregate products

  Our principal businesses include the production and sale of aggregate products and concrete products. During the Track Record Period, our revenue generated from the sale of our aggregate products and its by-products (namely, overburden) were approximately RMB323.8 million, RMB369.6 million, RMB255.9 million and RMB227.0 million, and accounted for approximately 65.8%, 73.0%, 69.1% and 72.5% of the total revenue of such period, respectively. On the other hand, revenue generated from the sale of our concrete products were approximately RMB168.7 million, RMB136.8 million, RMB114.4 million and RMB86.3 million, and accounted for approximately 34.2%, 27.0%, 30.9% and 27.5% of the total revenue of such period, respectively. Having considered that (i) the sale of aggregate products contributed to a large proportion of our total revenue (i.e. over 65% of our total revenue) during the Track Record Period; (ii) there are a large number of market participants other than Huaibei Investment Trading with demand for ready-mixed concrete; and (iii) we have identified and will continue to identify independent customers, in the event of the termination of our business relationship with Huaibei Investment Trading, our Directors believe that our financial conditions and results of operations are unlikely to be materially affected.

- We expect to continue benefitting from the growth and development of the infrastructure industry in Huaibei City

  There is considerable potential for further growth and development of the infrastructure industry in Huaibei City. For further details of the development in Huaibei City, please refer to the paragraph headed "Our Business Strategy" in this section.

  With these development plans in place, we believe they present huge potential for Huaibei City to develop its infrastructure, in turn creating huge demand for ready-mixed concrete. As one of the market players in the ready-mixed concrete industry in Huaibei City, we have benefitted from and are expected to continue benefitting from this huge demand and will leverage on this expanding demand to expand our customer base.

In addition, our Directors are of the view that our relationship with Huaibei Investment Trading is not likely to be terminated or otherwise materially adversely change in the foreseeable future due to the following factors: (i) our solid business relationship with Huaibei Investment Trading; and (ii) the mutual and complementary relationship between our Group and Huaibei Investment Trading.

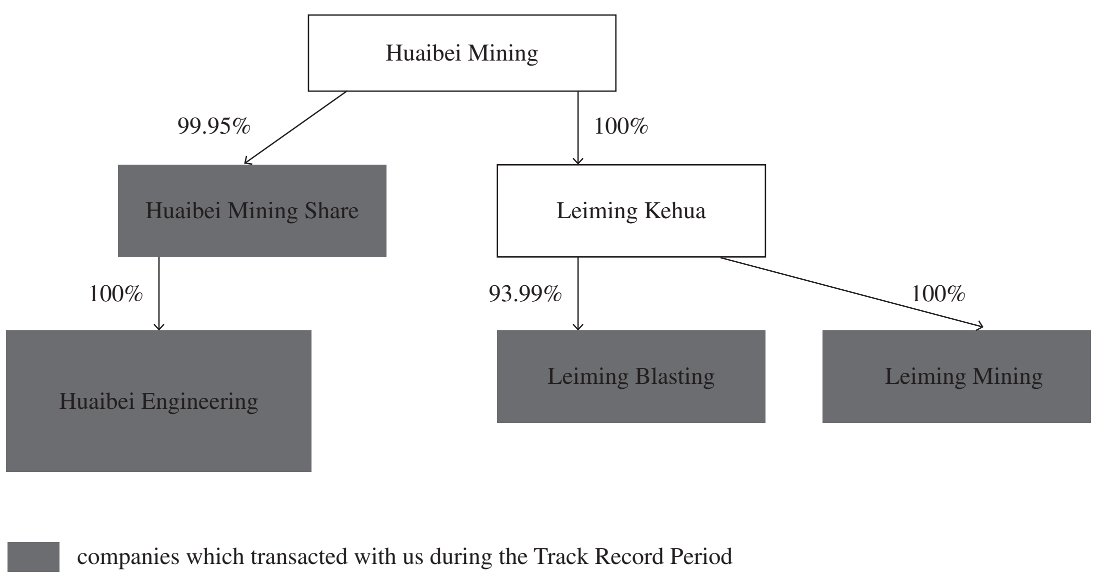
Based on the above, our Directors are of the view that, although we recorded an increasing trend of sales to and purchase from Huaibei Construction Investment Group during the Track Record Period, we do not rely unduly on Huaibei Construction Investment Group in order for us to maintain the sustainability and growth of our business.

Relationship with Huaibei Mining Group

Background of Huaibei Mining Group

Huaibei Mining Group is a group of state-owned companies principally engaged in, amongst others, sale of mine explosives and provision of other ancillary services. As at the Latest Practicable Date, Leiming Blasting, an indirect non-wholly owned subsidiary of Huaibei Mining, held 33% of equity interest in Tongming Mining, our subsidiary. Accordingly, Leiming Blasting is a substantial shareholder of our Company at the subsidiary level and Huaibei Mining is an associate of Leiming Blasting.

Among the Huaibei Mining Group, its subsidiaries, including Huaibei Mining Share Militarised Ambulance Brigade (軍事化救護大隊), Huaibei Mining (Group) Engineering Construction Co., Ltd.* (淮北礦業(集團)工程建設有限責任公司) ("**Huaibei Engineering**"), Leiming Blasting, being a unit of Huaibei Mining Share and Leiming Mining transacted with our Group during the Track Record Period. As at the Latest Practicable Date, the shareholding structure of the Huaibei Mining Group (which confined to the companies transacted with us during the Track Record Period) is as follow:



The following table sets forth the transactions with Huaibei Mining Group for the years indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Trade nature					
Sales to Huaibei Mining Group	35,429	7,059	–	–	–
Receiving services from Huaibei Mining Group	14,860	19,318	15,770	12,338	14,355
Purchasing goods from Huaibei Mining Group	1,443	–	–	–	–
Non-trade nature					
Cash received in advance from Huaibei Mining Group	–	–	212,100	212,100	–

For the reasons of receiving cash advances from Huaibei Mining Group, please refer to the paragraph headed "History, Reorganisation and Corporate Structure – Our Corporate Development – Our subsidiaries – Tongming Mining" in this prospectus.

Sales to Huaibei Mining Group by our Group

During the Track Record Period, sales to Huaibei Mining Group amounted to approximately RMB35.4 million, RMB7.1 million, nil and nil, respectively, accounting for approximately 7.2%, 1.4%, nil and nil, respectively of our total revenue for the same periods. The sales were attributable to the sale of ready-mixed concrete to Huaibei Engineering for its construction projects. Huaibei Mining Group did not purchase ready-mixed concrete from our Group for the year ended 31 December 2021 and the nine months ended 30 September 2022 was mainly due to our preference of customers which are able to or willing to provide prepayment where Huaibei Engineering did not agree to such payment term.

Purchasing goods and receiving services from Huaibei Mining Group by our Group

During the Track Record Period, our purchase from Huaibei Mining Group amounted to approximately RMB16.3 million, RMB19.3 million, RMB15.8 million and RMB14.4 million, respectively, accounting for approximately 10.8%, 14.6%, 9.3% and 13.0%, respectively, of our total purchase for the same periods.

The table below sets out our purchase from Huaibei Mining Group by nature of products and services during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total purchase*	*RMB'000*	*% of total purchase*	*RMB'000*	*% of total purchase*	*RMB'000 (unaudited)*	*% of total purchase*	*RMB'000*	*% of total purchase*
Blasting-related services	14,850	9.9	19,298	14.6	15,750	9.3	12,318	13.1	14,355	13.0
Rescue services	10	0.007	20	0.02	20	0.01	20	0.02	–	–
Aggregate products	1,443	0.9	–	–	–	–	–	–	–	–
Total	16,303	10.8	19,318	14.6	15,770	9.3	12,338	13.1	14,355	13.0

Our purchase from Huaibei Mining Group during the Track Record Period was mainly attributable to the blasting-related services procured from Leiming Blasting. For further details of the blasting-related services, please refer to the paragraph headed "Suppliers and Subcontractors – Arrangements with subcontractors – Blasting operations" in this section. We will continue such purchase after Listing. For details, please refer to the section headed "Continuing Connected Transactions" in this prospectus.

Relationship with Huaibei Xinfeng Construction Materials Technology Co., Ltd. (准北鑫豐建材科技有限公司) ("Huaibei Xinfeng")

Background of Huaibei Xinfeng

Huaibei Xinfeng is a private company principally engaged in, amongst others, sale of cement. As at the Latest Practicable Date, Huaibei Xinfeng was owned as to 90% by Mr. Chen Wei (陳偉), who is (i) brother of Mr. Chen Xue (陳學), a former director of Liantong Municipal and (ii) a former director and a former general manager of Liantong Municipal, and 10% by Ms. Cui Anhong (崔安紅), an Independent Third Party.

The following table sets forth the transactions with Huaibei Xinfeng for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Trade nature					
Sales to Huaibei Xinfeng	–	1,215	–	–	–

Sales to Huaibei Xinfeng by our Group

During the Track Record Period, sales to Huaibei Xinfeng amounted to approximately nil, approximately RMB1.2 million, nil and nil, accounting for nil, approximately 0.2%, nil and nil, respectively of our total revenue for the same periods. The sales were attributable to the sale of our aggregate products. The procurement of aggregate products from our Group was at the discretion of our customers and depended on their business needs.

Wholesalers

During the Track Record Period, we sold our aggregate products and concrete products to wholesalers, which, to the best knowledge of our Directors, then resell our products to end customers that are, among others, building materials companies, including concrete manufacturers, and construction companies, which involves the construction of housing, infrastructures, public roads, public facilities, etc. To the best knowledge of our Directors, the individual wholesalers are, among others, natural persons or individual industrial and commercial households (個體工商戶) engage in the wholesale business of aggregate products. During the three years ended 31 December 2021 and the nine months ended 30 September 2022, the revenue generated from wholesalers were approximately RMB168.2 million, RMB109.1 million, RMB154.1 million and RMB124.3 million, respectively, representing approximately 34.1%, 21.5%, 41.6% and 39.7% of the total revenue of the corresponding periods.

Our relationship with the wholesalers is essentially of seller-buyer. We do not have any distributorship arrangement nor exclusive relationship with these wholesalers. We do not rely on the wholesalers to distribute our products and do not expect the wholesaler to resell the products purchased from us on our behalf. We generally enter into framework sale agreements with our customers (including wholesalers) and do not enter into any distributorship agreement with the wholesalers. The general terms and conditions under the framework sales agreements with the wholesalers are same as our other customers. There is no restriction in our framework sale agreements restricting our customers (including wholesalers) from reselling the products purchased from us nor purchasing products produced by other aggregate or concrete producers. We do not impose any marketing or brand building obligation on the wholesalers. There is also no restriction on the resell price charged by the wholesaler on the aggregate products and/or concrete products. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not experience any return on sales or recalls of our delivered products which had a material adverse effect on our financial and business operation. Revenue from our sales to our customers (including wholesalers) is recognised when the products are delivered, that is when the risks and titles of the products are passed to our customers (including wholesalers). In light of the above, taking into account (i) our business intention, (ii) the substance of the business relationship with the wholesalers, and (iii) level of control and passing of risks and titles of our products, our Directors do not consider the wholesalers are our distributors, despite they resell our products to downstream customers.

Our wholesalers consist of trading company and individual. The table below sets forth the number of the wholesalers and non-wholesalers during the Track Record Period.

	For the year ended 31 December			For the nine months ended 30 September
	2019	**2020**	**2021**	**2022**
Aggregate products				
Wholesalers				
– Trading company	26	47	39	47
– Individual	34	12	6	5
Sub-total number of wholesalers of aggregate products	60	59	45	52
Non-wholesalers	62	76	66	75
Total number of customers of aggregate products	122	135	111	127
Concrete products				
Wholesalers				
– Trading company	–	1	1	1
– Individual	–	–	–	–
Sub-total number of wholesalers of concrete products	–	1	1	1
Non-wholesalers	56	31	12	9
Total number of customers of concrete products	56	32	13	10
Customers				
– Wholesaler	60	60	46	53
– Non-wholesalers	118	107	78	84
Total number of customers	178	167	124	137

During the three years ended 31 December 2021 and the nine months ended 30 September 2022, the number of our wholesalers for aggregate products who is a trading company was 26, 47, 39 and 47, respectively, and the number of our wholesalers for aggregate products who is an individual was 34, 12, 6 and 5, respectively. The number of individual wholesalers decreased because Tongming Mining was more inclined to sell our products to corporate generally customers as our Directors are of the view that (i) corporate customers are generally more established compared to individual wholesalers; and (ii) it would be more cost effective to transact with corporate customers as the average revenue derived per corporate customer was generally higher than that of individual wholesaler during the Track Record Period when we compare the revenue derived by corporate customer/number of corporate customer against revenue derived by individual/number of individual during each financial year or period. As advised by our PRC Legal Advisers, pursuant to the Regulation of the People's Republic of China on the Administration of the Registration of Market Entities (中華人民共和國市場主體登記管理條例) (the "**Registration Regulation**"), natural persons, legal persons and unincorporated organisations that engage in business activities for profit within the territory of the PRC are required to undergo registration. Therefore, individual wholesalers that engage in any business activities for profit within the PRC is required to complete the registration of market entities (市場主體登記) (the "**Registration**"). Save as the above, no further specific licence/registration is required for conducting the wholesale business of aggregate products. As advised by the PRC Legal Advisers, it is the individual wholesaler's obligation to complete the Registration and the failure to complete the Registration will only impose legal consequence (if any) upon the individual wholesaler pursuant to the Registration Regulation and will not affect the validity of our respective framework sales agreements or transactions with them and our Group are not subject to any administrative penalties arising from such failure (if any).

Our Group's sales to our five largest individual wholesalers in each year during the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 amounted to approximately RMB45.5 million, RMB2.5 million, RMB1.4 million and RMB0.7 million, respectively, representing approximately 9.2%, 0.5%, 0.4% and 0.2% of our total revenue for the respective years. Sales to the largest individual wholesalers of our Group during the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 amounted to approximately RMB34.0 million, RMB1.2 million, RMB0.7 million and RMB0.5 million, respectively, representing approximately 6.9%, 0.2%, 0.2% and 0.1% of our total revenue for the respective years.

Set out below are the brief particulars of our five largest individual wholesalers during the Track Record Period.

For the year ended 31 December 2019

	Individual wholesaler	Revenue	% of our total revenue
		(RMB'000)	*(%)*
1.	Customer B	33,996	6.9
2.	Individual B	5,304	1.1
3.	Individual C	3,604	0.7
4.	Individual D	1,696	0.3
5.	Individual E	853	0.2

For the year ended 31 December 2020

	Individual wholesaler	Revenue	% of our total revenue
		(RMB'000)	*(%)*
1.	Individual F	1,218	0.2
2.	Individual G	409	0.1
3.	Individual H	384	0.1
4.	Individual I	318	0.1
5.	Individual J	163	0.0

For the year ended 31 December 2021

	Individual wholesaler	Revenue	% of our total revenue
		(RMB'000)	*(%)*
1.	Individual K	665	0.2
2.	Individual L	392	0.1
3.	Individual I	260	0.1
4.	Individual G	29	0.0
5.	Individual M	6	0.0

For the nine months ended 30 September 2022

	Individual wholesaler[(1)]	Revenue	% of our total revenue
		(RMB'000)	*(%)*
1.	Individual N	456	0.1
2.	Individual O	107	0.0
3.	Individual P	80	0.0
4.	Individual L	32	0.0
5.	Individual Q	nil[(1)]	0.0

Note:

(1) The revenue derived from Individual Q during the nine months ended 30 September 2022 was less than RMB1,000.

To the best knowledge of our Directors, the above-mentioned five largest individual wholesalers during the Track Record Period are individuals engaged in the wholesale of construction aggregate. According to CIC, it is not uncommon for end customers to transact with individual wholesalers in the construction materials industry in Huaibei City and its surrounding cities (including Suzhou City and Bozhou City) because, among others, (i) some end customers may prefer to purchase from individual wholesalers because they are able to provide ancillary services, for example, they are able to provide advance funding solutions, transportation services, including the collection from the production facilities and delivery to the designated destinations for the end customers; and (ii) individual wholesalers are common in the construction materials market in the region because individual wholesalers are generally subject to a lower value-added tax as compared to corporate wholesalers.

Aggregate products

During the Track Record Period, we mainly sold our aggregate products to customers, including wholesalers and non-wholesalers such as construction companies and building materials companies. We do not adopt any favourable treatment in respect of the types of our customers (i.e. wholesalers and non-wholesalers). To the best knowledge of our Directors, which is concurred by CIC, given our relatively stronger bargaining power, we generally require our customers (including wholesalers and non-wholesalers) to settle the purchase fees by way of prepayment. Therefore, some customers may prefer to purchase from wholesalers instead of directly from us in light of the prepayment requirement. Further, some customers may opt to purchase from the wholesalers as they could provide ancillary service, including the delivery of aggregate products, as we generally require our customers (including wholesalers and non-wholesalers) to arrange transportation to pick up the aggregate products at our production facilities. According to the CIC Report, (i) it is not uncommon for customers such as construction companies and building materials companies to purchase construction materials from wholesalers due to the aforementioned reasons; and (ii) these wholesalers will normally charge for the services provided and/or mark up the price of the construction materials at a range of approximately 2% to 3% when re-selling them to its customers.

Concrete products

During the Track Record Period, we only sold our concrete products to one wholesaler, namely the Huaibei Investment Trading, which also purchased our aggregate products. For details of our Group's transactions with Huaibei Investment Trading, please refer to the subsection headed "Business – Relationship with Huaibei Construction Investment Group". According to CIC, it is not uncommon that end customers would purchase concrete products from wholesalers. It is mainly because ready-mixed concrete suppliers would normally offer discounts to customers that agree to settle by prepayments. Therefore, the wholesalers could by way of prepayment obtain a discount from the suppliers and then make profit through reselling the ready-mixed concrete to end customers.

Save for Huaibei Investment Trading Group, our Directors confirm that none of the wholesalers is a connected person of the Company. To the best knowledge of our Directors, as at the Latest Practicable Date, (i) there is no past and present relationships (including, without limitation, employment, family, trust, financing, shareholding or otherwise) between the wholesalers or their respective associates and our Group, except for the business relationships and (ii) none of the wholesalers is controlled by our current or former employees, operate under the brand/name of our Group, or had received any material advance or financial assistance from our Group. Save as disclosed above, as at the Latest Practicable Date, none of our Directors, their respective associates or any of the Shareholders who owns more than 5% of our Company's issued share capital had any interest in any of our wholesalers during the Track Record Period.

OVERLAPPING OF MAJOR SUPPLIERS AND CUSTOMERS

During the Track Record Period, we provided products to 13 customers who were also our suppliers, to whom we supplied our aggregate products and concrete products, and from whom we procured, among others, (i) services, such as construction services, paving and transportation of our concrete products, property management and rescue services at our Gaoloushan Project; and (ii) supplies including diesels and raw materials, such as cement and construction aggregates. Our Directors confirmed that the sales and purchases with the overlapping customers/suppliers during the Track Record Period were not connected nor conditional upon each other.

The gross profit margins of the sale of aggregate products to overlapping customers/suppliers were approximately 73.1%, 71.0%, 65.3% and 67.6%, respectively for the three years ended 31 December 2021 and the nine months ended 30 September 2022, which are comparable to the gross profit margins of the sale of aggregate products to independent customers, being approximately 74.1%, 72.4%, 64.3% and 65.0%. The gross profit margins of the sale of concrete products to overlapping customers/suppliers were approximately 11.3%, 14.3%, 11.8% and 12.0%, respectively for the three years ended 31 December 2021 and the nine months ended 30 September 2022, and the gross profit margins of the sale of concrete products to independent customers were approximately 11.6%, 16.6%, 23.9% and 15.7%. During the year ended 31 December 2021 and nine months ended 30 September 2022, the gross profit margin of the sale of our concrete products to overlapping customers/suppliers was lower than that to the independent customers, which was mainly because we provided consignment processing services of asphalt concrete in the year. The gross profit margin for consignment processing of asphalt concrete is generally higher than the manufacturing of concrete products as the raw materials and transportation costs are provided and borne by the customers.

The 13 overlapping customers/suppliers include Huaibei Construction Investment Group and Huaibei Mining Group, who are our major customers/suppliers. Huaibei Construction Investment Group was one of our five largest suppliers for the year ended 31 December 2021 and the nine months ended 30 September 2022 and one of our five largest customers for the year ended 31 December 2020, the year ended 31 December 2021 and the nine months ended 30 September 2022. Huaibei Mining Group was one of our five largest suppliers for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 and one of the five largest customers for the year ended 31 December 2019.

For the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, the total revenue derived from Huaibei Construction Investment Group and Huaibei Mining Group was approximately RMB38.5 million, RMB69.4 million, RMB114.0 million and RMB91.4 million, which accounted for approximately 77.8%, 81.6%, 97.2% and 99.1% of the total revenue derived from all of the overlapping customers/suppliers during the corresponding periods; and the total purchase from Huaibei Construction Investment Group and Huaibei Mining Group was approximately RMB17.8 million, RMB20.6 million, RMB89.7 million and RMB27.1 million, which accounted for approximately 87.3%, 79.7%, 95.7% and 87.3% of the total purchases from all of the overlapping customers/suppliers during the corresponding periods.

The table below sets forth the revenue, gross profit, gross profit margin and purchase attributable to Huaibei Construction Investment Group and Huaibei Mining Group during the Track Record Period.

	For the year ended 31 December			For the nine months ended 30 September
	2019	**2020**	**2021**	**2022**
Revenue *(RMB'000)*				
Huaibei Construction Investment Group	3,112	62,387	114,037	91,380
Huaibei Mining Group	35,429	7,059	–	–
Percentage of our total revenue (%)				
Huaibei Construction Investment Group	0.6	12.3	30.8	29.2
Huaibei Mining Group	7.2	1.4	–	–
Gross Profit *(RMB'000)*				
Huaibei Construction Investment Group	1,104	9,174	14,776	14,575
Huaibei Mining Group	3,860	1,304	–	–
Gross Profit Margin (%)				
Huaibei Construction Investment Group	35.5	14.7	13.0	15.9
Huaibei Mining Group	10.9	18.5	–	–
Purchase *(RMB'000)*				
Huaibei Construction Investment Group	1,519	1,290	73,947	12,749
Huaibei Mining Group	16,304	19,318	15,770	14,355
Purchase of our total purchase (%)				
Huaibei Construction Investment Group	1.0	1.0	43.6	11.5
Huaibei Mining Group	10.8	14.6	9.3	13.0

Huaibei Construction Investment Group

We supplied to the Huaibei Construction Investment Group our aggregate products and concrete products during the Track Record Period.

Set forth below a summary of the revenue, gross profit, gross profit margins and purchase attributable to Huaibei Construction Investment Group by types of products and the gross profit margins of our aggregate products segment and concrete products segment during the Track Record Period.

	For the year ended 31 December			For the nine months ended 30 September
	2019	**2020**	**2021**	**2022**
Aggregate products				
Revenue *(RMB'000)*	1,144	1,233	2,353	6,390
Percentage of our total revenue *(%)*	0.2	0.2	0.6	2.0
Gross Profit *(RMB'000)*	872	905	1,599	4,336
Gross profit margin *(%)*				
– Sales to Huaibei Construction Investment Group	76.2	73.4	68.0	67.9
– Sales to independent customers[1]	74.1	72.4	64.3	65.0
– Our aggregate products segments	74.1	72.3	64.3	65.0
Concrete products				
Revenue *(RMB'000)*	1,968	61,154	111,685	84,990
Percentage of our total revenue *(%)*	0.4	12.1	30.2	27.2
Gross Profit *(RMB'000)*	232	8,269	13,178	10,239
Gross profit margin *(%)*				
– Sales to Huaibei Construction Investment Group	11.8	13.5	11.8	12.0
– Sales to independent customers[1]	11.6	16.6	23.9	15.7
– Our concrete products segment	11.5	15.5	12.1	12.1

Note:

(1) Independent customers refer to our customers excluding the overlapping customers/suppliers.

For the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, the revenue derived from the Huaibei Construction Investment Group amounted to approximately RMB3.1 million, RMB62.4 million, RMB114.0 million and RMB91.4 million, respectively, accounting for approximately 0.6%, 12.3%, 30.8% and 29.2% of our total revenue of the corresponding periods. The gross profit margins of the sales of our aggregate products to the Huaibei Construction Investment Group were generally in line with the independent customers as well as the average gross profit margins of our aggregate products during the Track Record Period. The gross profit margins of the sale of our concrete products to Huaibei Construction Investment Group was generally in line with the average gross profit margins of our concrete products during the Track Record Period. For the year ended 31 December 2020, the gross profit margins of the sales to Huaibei Construction Investment Group was lower than that of the sales to independent customers. It was mainly because, among others, the average selling price of our ready-mixed concrete to the independent customers are generally higher than that of the Huaibei Construction Investment Group. We offered a lower selling price to Huaibei Investment Trading Group because it settled its purchase sums by prepayment, while we granted credit period to the independent customers and the relative large purchase volume of Huaibei Investment Trading Group. For the year ended 31 December 2021 and the nine months ended 30 September 2022, the gross profit margins of the sales to Huaibei Construction Investment Group was lower than that of the sales to independent customers, which was mainly because, among others, we provided consignment processing services of asphalt concrete to independent customers during year ended 31 December 2021 and the nine months ended 30 September 2022. The gross profit margin for consignment processing of asphalt concrete is generally higher than the manufacturing of concrete products as the raw materials, part of the labour cost and transportation costs are provided and borne by the customers. For details of the gross profit margins of our products during the Track Record Period, please refer to the section headed "Financial Information – Description of Certain Items from the Consolidated Statements of Profit or Loss and other Comprehensive Income – Gross Profit and Gross Profit Margin". During the Track Record Period, we also purchased services including transportation and labouring, and supplies including diesels and raw materials such as cement from the Huaibei Construction Investment Group. For the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, our Group's purchase from the Huaibei Construction Investment Group amounted to approximately RMB1.5 million, RMB1.3 million, RMB73.9 million and RMB12.7 million, respectively, accounting for approximately 1.0%, 1.0%, 43.6% and 11.5% of our total purchase of the corresponding periods. For details, please refer to the subsection headed "Relationship with Huaibei Construction Investment Group" in this section.

Huaibei Mining Group

We supplied ready-mixed concrete to Huaibei Mining Group during the two years ended 31 December 2020. For the years ended 31 December 2019 and 2020, the revenue derived from Huaibei Mining Group was approximately RMB35.4 million and RMB7.1 million, respectively. The gross profit margin of the sales of our ready-mixed concrete to Huaibei Mining Group was approximately 10.9% and 18.5%, respectively, for the two years ended 31 December 2020, which is comparable with the gross profit margins of (i) the sale of our ready-mixed concrete during the corresponding periods, being approximately 11.9% and

16.3%, respectively; and (ii) the sale of our ready-mixed concrete to independent customers during the corresponding periods, being approximately 12.4% and 20.2%, respectively. During the Track Record Period, we engaged Leiming Blasting, to conduct the blasting operations at our Gaoloushan Mine. The total subcontracting fees we paid to Leiming Blasting for the provision of the blasting-related services, including drilling and blasting, were approximately RMB14.9 million, RMB19.3 million, RMB15.8 million and RMB14.4 million, representing 9.9%, 14.6%, 9.3% and 13.0% of our total purchases, respectively, for the three years ended 31 December 2021 and the nine months ended 30 September 2022. During the Track Record Period, we also procured construction aggregates, which was used as raw materials for the production our concrete products, from Leiming Mining. For the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, our Group's purchase from Leiming Mining amounted to approximately RMB1.4 million, nil, nil and nil, respectively. In addition, we procured rescue services at our Gaoloushan Project from the Militarised Ambulance Brigade (軍事化救護大隊), being a unit of Huaibei Mining Share (淮北礦業股份有限公司), with the total purchase sum of RMB10,000, RMB20,000, RMB20,000 and nil for each year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, respectively.

Our Directors confirmed that during the Track Record Period, the sales and purchases to/from the overlapping suppliers/customers were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis. To the best knowledge of our Directors, save as disclosed above, our Group did not have any other overlap between our other major customers and major suppliers during the Track Record Period.

CERTAIN SETTLEMENT ARRANGEMENTS THROUGH THIRD-PARTY PAYORS

For the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, 19, 5, nil and nil customers of our aggregate products ("**Relevant Customers**"), respectively, arranged third parties (the "**Third-Party Payor(s)**") to make their prepayments (the "**Third-Party Payment(s)**") to us (the "**Third-Party Payment Arrangement(s)**"). We generally require all our customers of our aggregate products to make prepayments for their purchases. The aggregate amounts of the prepayment that were settled through Third-Party Payments by the Relevant Customers were approximately RMB40.9 million, RMB2.2 million, nil and nil for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, respectively. The total amount of Third-Party Payments decreased by approximately 94.6% from approximately RMB40.9 million for the year ended 31 December 2019 to approximately RMB2.2 million for the year ended 31 December 2020. There was no Third-Party Payment Arrangement for the year ended 31 December 2021 and the nine months ended 30 September 2022. The revenue attributable to the transactions settled by Third-Party Payments amounted to approximately RMB37.1 million, RMB2.2 million, RMB91,000 and nil for the year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, respectively, representing approximately 7.5%, 0.4%, 0.02% and nil of our total revenue for the corresponding periods. Despite we ceased the

Third-Party Payment Arrangement in December 2020, revenue was recognised in the year ended 31 December 2021. It was because prepayments were made by a Third-Party Payor prior to the cessation of the Third-Party Payment Arrangement, while the Relevant Customer took delivery of our products in the year ended 31 December 2021. The significant decrease in the amount of Third-Party Payments and the revenue attributable to the transactions settled by the Third-Party Payments during the Track Record Period was because our Group had gradually reduced allowing the use of Third-Party Payments. A total of seven Third-Party Payors were also our customers during the Track Record Period and the revenue attributable to them were approximately RMB61.0 million, RMB3.7 million, RMB1.4 million and RMB0.4 million for the three years ended 31 December 2021 and nine months ended 30 September 2022, respectively. Huaibei Weijun Group, which was one of the five largest customers of our Group during the year ended 31 December 2019 and 2021, was one of the said seven Third-Party Payors. For details of Huaibei Weijun Group, please refer to the sub-section headed "Business – Customers – Types of customers" in this prospectus.

In December 2020, we ceased to allow our customers to settle payments through Third-Party Payors and all new orders thereafter can only be settled by our customers' own accounts. The Group has undertaken that it would not enter into any Third-Party Payment Arrangement in the future. As at the Latest Practicable Date, to the best knowledge of our Directors, all Third-Party Payors are Independent Third Parties and except for the business relationship (including settlement of Third-Party Payments and some Third-Party Payors are our customers), there is no past and present relationships (including, without limitation, family, employment, financial or otherwise) between the Third-Party Payors or their respective associates and our Group.

Transaction Flow

During the Track Record Period, our customers of Tongming Mining generally made prepayments to us for the purchase of aggregate products. In general, the Relevant Customer would notify us about the Third-Party Payment Arrangement with the Third-Party Payor, and we would generally require the Relevant Customer and the Third-Party Payor to provide us with a copy of their identity cards for our records. Once the Third-Party Payment was made, the Relevant Customer would then inform our staff in order for us to reconcile the amount we received in our bank accounts. We had not experienced any difficulties in reconciling the payments that we had received. Save for passively receiving the payment, we did not involve in any arrangements between the Relevant Customers and their respective Third-Party Payors pursuant to which the Third-Party Payments were made, nor had we been involved in any payment process or settlement procedures between them.

Reasons for utilising Third-Party Payors

Based on the representation of the Relevant Customers and to the best knowledge of our Directors, the main reasons for the Relevant Customers to utilise Third-Party Payment Arrangement include, among others:

(i) the Third-Party Payors were suppliers of the Relevant Customers and that the sum paid to us by the Third-Party Payors will be separately settled between the Third-Party Payors and the Relevant Customers. For instance, the Third-Party Payors supplied concrete products, transportation service or construction services to the Relevant Customers. In order to maintain good business relationships with the Relevant Customers, which are generally corporate customers that are more established, and to remain competitive in the market, the Third-Party Payors, which are also suppliers of the Relevant Customers will make Third-Party Payments for their customers and the balance will be settled together with the service fee. According to CIC, such practice is not uncommon in the construction aggregates industry in Huaibei City and its surrounding cities (including Suzhou City and Bozhou City). It is mainly due to the combined effects of (a) construction aggregates manufacturers generally require prepayment while many end customers may not have sufficient cash flow to support their procurements at the material time; (b) some suppliers would charge a premium for their third-party payment services; and (c) competition among the suppliers are fierce in the region and they are willing to adopt third-party payment arrangement to maintain good relationship and regular cooperation with their customers so as to increase their competitiveness.

(ii) the Relevant Customers were unable to remit the payments during non-office hours, weekends or holidays as (a) the transfer between corporate bank accounts was not available during those periods; and/or (b) their accounting personnel was not reporting duty during those periods. As such, Third-Party Payors, who were mainly individuals, made the Third-Party Payments on behalf of the Relevant Customers; and

(iii) the Third-Party Payors were related parties to the Relevant Customers whereby the Third-Party Payors made payment on behalf of the Relevant Customers by reason of their relationship. For instance, the Third-Party Payors were controlling shareholders, supervisors, employee or relatives of the Relevant Customers, or that the Third-Party Payors and Relevant Customers were owned by the same controlling shareholder(s).

To the best knowledge of our Directors, the following table sets forth the breakdown of (i) the amount of revenue attributable to the transactions settled by Third-Party Payments; and (ii) the number of Relevant Customers by each of the abovementioned reasons for the years indicated:

	Year ended December 31					
	2019		2020		2021	
Reason for utilising Third-Party Payment Arrangement	Amount of revenue attributable to the transactions settled by Third-Party Payments *(RMB'000)*	Number of Relevant Customer by reasons[1]	Amount of revenue attributable to the transactions settled by Third-Party Payments *(RMB'000)*	Number of Relevant Customer by reasons[1]	Amount of revenue attributable to the transactions settled by Third-Party Payments *(RMB'000)*	Number of Relevant Customer by reasons[2]
Reason (i)	16,583	10	1,294	3	–	–
Reason (ii)	13,191	5	–	–	–	–
Reason (iii)	7,181	4	866	3	91	1
Others	107	1	–	–	–	–
Total	37,062	20	2,160	6	91	1

Notes:

1. For the years ended 31 December 2019 and 2020, some Third-Party Payors made prepayments in the prior financial year(s) while the Relevant Customers took delivery of our products in the subsequent year(s). Therefore, the total number of Relevant Customers by reasons does not equal to the total number of Relevant Customers who utilised the Third-Party Payment Arrangements in that particular year.

2. Despite we ceased the Third-Party Payment Arrangement in December 2020, revenue was recognised in the year ended 31 December 2021. It was because prepayments were made by a Third-Party Payor prior to the cessation of the Third-Party Payment Arrangement, while the Relevant Customer took delivery of our products in the year ended 31 December 2021.

Cessation of settlement through Third-Party Payors

In December 2020, we ceased to allow our customers to settle payments through Third-Party Payors ("**Cessation**") and all new orders thereafter can only be settled by our customers' own accounts. To minimise the potential impact on our business and results of operations, we have pursued a proactive role in communicating with the Relevant Customers to ensure a smooth transition to direct payments. Our Directors believe that cessation of the Third-Party Payment Arrangement would not pose a material adverse impact on our financial performance, having considered that, among others, (i) our revenue increased by approximately 2.8% from approximately RMB492.5 million for the year ended 31 December 2019 to approximately RMB506.4 million for the year ended 31 December 2020, while our Group gradually reduced allowing the use of Third-Party Payments during the Track Record Period and up to the Cessation in December 2020; (ii) our Group was able to attract 41 new customers who purchased aggregate products from our Group for the year ended 31 December 2021 after the Cessation; and (iii) our Group generated net cash from the operating activities during the Track Record Period. After the Cessation, the net cash generated from operating activities amounted to approximately RMB244.8 million and RMB112.3 million for the year ended 31 December 2021 and the nine months ended 30 September 2022, respectively.

Potential legal risks relating to Third-Party Payments

(i) Compliance of Third-Party Payment Arrangements with relevant laws and regulations

As advised by our PRC Legal Advisers,

(i) pursuant to the laws and regulations of the PRC, there is no explicit restriction on the adoption of third-party payment arrangement. A third-party payment arrangement is valid and legally binding so long as it does not fall within those grounds of invalidations specified under the Civil Code of the PRC (中華人民共和國民法典), including, among others, the arrangement is in violation of public order or harms one's legal rights through malicious collusion. Upon reviewing the documents provided by us, including, among others, (i) details of Third-Party Payments, (ii) framework sales agreements between the Relevant Customers and our Group, and (iii) confirmations among the Relevant Customers, the Third-Party Payors and us, our PRC Legal Advisers are of the view that the Third-Party Payment Arrangements between the Relevant Customers and Third-Party Payors are valid, legally binding and comply with the laws and regulations of the PRC; and

(ii) having considered the reasons stated in the paragraph headed "Certain settlement arrangements through Third-Party Payors – Reasons for utilising Third-Party Payors" in this sub-section, our PRC Legal Advisers are of the view that (i) the Third-Party Payment Arrangements do not violate the regulation of money laundering under the Criminal Law of the PRC (中華人民共和國刑法), nor serve the purpose of covering up or concealing the source and nature of any proceeds of crime.

Our Directors confirmed that we have no reasons to believe that the Third-Party Payments represented proceeds or gains from the crimes and confirmed that we have not committed any acts for the purpose of covering up or concealing any source and nature of any proceeds or gains from any crimes. Our Directors formed such view after taking into account the following:

(i) pursuant to the framework sales agreements entered between the Relevant Customers and our Group, we sold our aggregate products as required by the Relevant Customers pursuant to the agreements entered with the Relevant Customers. As such, we could reasonably expect an incoming payment from the Relevant Customer or its designated Third-Party Payor(s) and have sufficient ground to believe that the payments received by us represented the legitimate consideration for the products sold under the genuine contractual agreements. The payments are further supported by transaction documentation proof including remittance receipt of banks, invoices and sales slip;

(ii) the Third-Party Payments were generally credited directly into our accounts maintained at licenced banks in the PRC which, as advised by our PRC Legal Advisers, are required by the relevant authority to put in place anti-money laundering measures and procedures to identify and investigate the customer's identity and legality of the source of fund. The banks could issue notices, warnings or put relevant entities under anti-money laundering investigations for any suspicious transactions identified but we have never received any notices, warnings or investigations from any of our correspondent banks in relation to payments settled by the Third-Party Payors;

(iii) we have not received any notices, warnings or investigations from relevant governmental authorities in relation to any payments settled by the Third-Party Payors and do not have any records of administrative penalties imposed by the relevant governmental authorities during the Track Record Period in relation to any suspicious transactions or violation of foreign exchange laws and regulations; and

(iv) we have not had any major disputes with neither any of the Relevant Customers nor Third-Party Payors in relation to the Third-Party Payment Arrangements in the past.

(ii) Potential claim for return of payment by the Third-Party Payor or potential liquidators

As advised by our PRC Legal Advisers, once the Third-Party Payments were made by the Third-Party Payor, the Relevant Customers had satisfied their obligations to us under the framework sales agreements. The repayment obligations owed by the Relevant Customers to the Third-Party Payors were confined between themselves only. There exists no contractual agreement between the Third-Party Payors and us. In case there is any dispute between the Relevant Customers and Third-Party Payors after the Third-Party Payments were paid to us, the Third-Party Payors had no legal basis to claim against us in respect of the Third-Party Payments. In the unlikely event that the Third-Party Payors failed to make the Third-Party Payments as we generally require our customers to make prepayments, we could still require the Relevant Customers to settle the transaction amounts and perform the payment obligations under the framework sales agreement and/or hold them liable for any breach of it. During the Track Record Period, we did not receive any claim against us filed by the Third-Party Payors or Relevant Customers in relation to the Third-Party Payments received by us.

In addition, our Controlling Shareholders will enter into a Deed of Indemnity with and in favour of the Group to provide indemnities in respect of loss and any associated costs and expenses which would be incurred or suffered by the Group in connection with the Third-Party Payment Arrangement occurred on or before the Listing Date.

Directors' view

Based on the advices of our PRC Legal Advisers, we consider the aforementioned legal risks to be remote for the reasons elaborated above. Our Directors are of the view that the Third-Party Payments settled during the Track Record Period did not create a significant risk to our business, results of operations or financial position. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group (i) has not been subject to any investigations or penalties in relation to the Third-Party Payment Arrangements; and (ii) has not received any claims from any Third-Party Payors or its liquidators.

Internal Control Measures

We have implemented enhanced internal control measures to ensure that there will be no Third-Party Payments in the future. The enhanced internal control measures are summarised below:

(i) notice was given to our customers informing them that Third-Party Payment would no longer be accepted;

(ii) notice was circulated internally to explicitly state the prohibition of the payments through Third-Party Payors;

(iii) our standard framework sales agreements have been updated to state clearly all customers should settle payments directly to us and we do not accept any Third-Party Payments; and

(iv) our finance department is responsible to maintain a receipt settlement management ledger, which shall record, among others, the customer's name, content of transaction, payment date, payment sum, payment method, and payer's bank account, so as to confirm the payment is made by that client.

Our Directors believe that the enhanced internal control measures are adequate and effective in preventing Third-Party Payments in the future.

TRANSPORTATION

For aggregate products, our customers are responsible to arrange the transportation to collect the aggregate products at our Gaoloushan Project. Our customers are responsible for the mode and cost of transportation and bear the risks after collecting the aggregate products at our Gaoloushan Project.

For concrete products we produced, we will either deliver products to our end customers using our own vehicles or engage external logistics subcontractors to deliver products to our customers by means of roadway. We normally enter into a one-year agreement with an external logistics subcontractor, pursuant to which it shall collect and transport our concrete products to our customers by trucks at our cost. During the Track Record Period, one of our external logistics subcontractors, Huaibei Shizhijiguan Transportation Services (which was a subsidiary of Huaibei Construction Investment, our Controlling Shareholder) is our connected person. Our Directors confirmed that we will discontinue such a transaction with Huaibei Shizhijiguan Transportation Services after Listing. Save as Huaibei Shizhijiguan Transportation Services, the external logistics service providers we engaged during the Track Record Period were Independent Third Parties. For the consignment processing service, our customers generally arrange transportation to pick up the asphalt concrete processed at our production facilities.

There have not been any major disruptions and/or disputes with our customers arising from transportation arrangement related issues which resulted in material impact on our normal operations and productions during the Track Record Period and up to the Latest Practicable Date.

SEASONALITY

We usually record a lower production volume and utilisation rate from January to March due to the Chinese New Year, when the construction activities are less active compared to other months of the year. Certain climatic conditions, such as rainy seasons (which include June to August), also negatively affect market demand of our aggregate products and concrete products because the level of activity in the construction industry is relatively low under those conditions. According to the CIC Report, such seasonality is in line with the common practice of the industry.

COMPETITION

The construction aggregates market in Huaibei City and its surrounding cities including Suzhou City and Bozhou City and the ready mixed concrete and asphalt concrete markets in Huaibei City are highly concentrated. According to the CIC Report, for the construction aggregate industry, we are the third largest construction aggregate supplier in Huaibei City, Suzhou City and Bozhou City in terms of sales volume with the market share of approximately 12.9% in 2021; for the concrete industry, our Company accounted for approximately 3.1% of the ready-mixed concrete market in Huaibei City in terms of sales volume and approximately 2.5% of the asphalt concrete market in Huaibei City in terms of sales volume in 2021. The cement stabilised macadam products manufacturing market in Huaibei City is fragmented, with many small manufacturers actively participating in the market due to relatively low entry barriers. We accounted for approximately 0.85% of the cement stabilised macadam market in Huaibei City in terms of sales volume.

The major entry barriers to the construction materials industry in China include: (i) fulfilment of production requirements as government authorities have imposed strict requirements on the qualifications, eco-friendly standards, safety management, production organisation, and management capabilities of construction aggregate and concrete products manufacturers. New entrants are required to obtain mining right licences in order to carry out the mining extraction and production; (ii) possession of technical know-how as the mining of construction aggregate is technologically intensive and it is difficult for new market entrants to meet the high technical requirements imposed on mining the construction aggregates and hire experienced experts within a short period; (iii) substantial capital commitments as the mining industry is a capital-intensive industry; and (iv) geographical restrictions as the construction aggregate and concrete industry in China is primarily a regional industry. According to the CIC Report, the transportation time of ready-mixed concrete, cement stabilised macadam and asphalt concrete should be within no more than two hours. For construction aggregate, the radius of construction aggregate transportation by road is limited to 200km, otherwise the transportation costs can be high.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we entered into a cooperation agreement with the School of Architecture and Engineering of Anhui Engineering University (安徽工程大學建築工程學院), pursuant to which, among other things, both parties agreed to set up a cooperation base to foster talent development, conduct scientific research, enhance product development and novel technologies. During the Track Record Period and up to the Latest Practicable Date, we did not incur any expenses in research and development.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had obtained five patents for utility models and two invention patents in China, all of which are related to our production process. Please refer to the paragraph headed "Appendix VIII – Statutory and General Information – C. Further Information About the Business of Our Group – 2. Intellectual property rights – (ii) Patents" for more details.

As of the Latest Practicable Date, we owned the registered copyright of 16 pieces of software, most of which are related to our production process. Please refer to the paragraph headed "Appendix VIII – Statutory and General Information – C. Further Information About the Business of Our Group – 2. Intellectual property rights – (iv) Software copyrights" for more details.

We have confidentiality protection arrangements in place to protect our intellectual properties and trade secrets, including the requirement for our senior management members to enter into confidentiality agreements with us to ensure that our intellectual property rights and trade secrets are not passed onto any third party.

As at the Latest Practicable Date, we were not aware of any pending claims by any third party against us for the use of our intellectual property rights in any material aspects or involved in any material litigation or administrative punishment regarding intellectual property rights. During the Track Record Period and as at the Latest Practicable Date, we were not aware of any infringement by us of intellectual property rights owned by third parties or infringement by third parties of our intellectual property rights in any material aspects.

AWARDS AND CERTIFICATIONS

Set our below are details of the material awards, recognitions and certifications of or attributable to us:

Awards/Accreditation	Time	Recipient	Awarding organisation
Non-Coal Mine Safety Quality Standardisation Secondary Enterprise* (非煤礦山安全質量標準化二級企業)	January 2019	Tongming Mining	Anhui Province Association of Work Safety (安徽省安全生產協會)
Outstanding Contributor to Green Mine* (綠色礦山突出貢獻單位)	January 2021	Tongming Mining	Green Mine Science and Technology Award Office* (綠色礦山科學技術獎勵辦公室)
Outstanding Contribution Award for Green Mine* (綠色礦山突出貢獻獎)	January 2021	Tongming Mining	Zhongguancun Green Mine Industry Alliance* (中關村綠色礦山產業聯盟)
Quality Management System Certification (質量管理體系認證證書)	July 2021	Liantong Municipal	China Federation of Logistics Certification Centre (北京中物聯聯合認證中心)

ENVIRONMENTAL PROTECTION, LAND REHABILITATION AND OTHER SOCIAL MATTERS

Environmental protection

Our operations are subject to certain environmental protection laws and regulations promulgated by the PRC government, such as the Environmental Protection Law of the PRC (中華人民共和國環境保護法). For further details regarding PRC environmental laws, please refer to the paragraph headed "Regulatory Overview – Laws and Regulations Related to Environmental Protection" in this prospectus. If we fail to comply with the applicable environmental protection laws and regulations, we may be subject to fine or penalty. The laws and regulations on environmental protection may change from time to time and any change may increase our cost of compliance and place burden on our operations when we have to comply with them. For details, please refer to the paragraph headed "Risk Factors – Changes in legal requirements and governmental policies concerning environmental protection and other relevant areas of laws could impact our business" in this prospectus.

Our PRC Legal Advisers advised that, save as disclosed, (i) our operations complied with the national and local laws and regulations on environmental protection in the PRC during the Track Record Period; (ii) we obtained the necessary permits and approvals in relation to environmental protection and discharge of pollutants and settled the relevant fees in full within the prescribed limit; and (iii) it had not occurred any situation where development was conducted without undergoing environmental impact assessment nor obtaining approval from the Environmental Protection Bureau of Huaibei City.

EIA report and environmental approvals

We engaged Anhui Tongji Environmental Technology Company Limited (安徽通濟環保科技有限公司), which is a private company engaged in the business of environmental planning and environmental impact assessment, to compile the environmental impact assessment report ("**EIA Report**") for our Gaoloushan Project (Phase I). We obtained the environmental impact assessment approval for our Gaoloushan Project (Phase I) from Huaibei City Environmental Protection Bureau (淮北市環境保護局) on 13 March 2017. The opinion of Environmental Final Checking and Acceptance (竣工環保驗收) for our Gaoloushan Project (Phase I) was issued in July 2018. The Independent Technical Consultant has reviewed the EIA Report and considered that such report has been prepared in accordance with the relevant laws and regulations of the PRC. We engaged Xuancheng Jianghe Water Engineering Design and Consulting Company (宣城江河水利工程設計諮詢有限公司), which is a private company engaged in the business of compilation of soil and water conservation plan, to prepare the Water and Soil Conservation Plan ("**WSC Plan**") for our Gaoloushan Project (Phase I). On 16 February 2017, we received the approval by the Water Bureau of Huaibei City (淮北市水務局) on our WSC Plan.

Site ecological assessment

The landform and topography in our Gaoloushan Project area are commonly changed by mining activities, waste rock dumps, haulage roads, office buildings and dormitories, and other infrastructure. The development of our Gaoloushan Project may also result in an impact on or loss of flora and fauna habitats. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land may be polluted and the land utilisation function will be changed, causing an increase in land desertification, water loss and soil erosion.

The EIA reports for our Gaoloushan Project included an ecological baseline study, which revealed that there was basically no vegetation cover within the evaluation area, but only a few herbaceous plants and shrubs. Due to the significant previous human activities in and around this area, the habitat has changed considerably and many animals have migrated to other places. No rare and endangered animal species were seen in the area. The EIA Reports have also proposed that ecological protection measures should be taken in order to reduce and manage the potential impacts. We will take into account the proposed measures and strike a balance between mining development and ecology within the area of our Gaoloushan Project.

Environmental risks identification and management

Dust, water, noise, solid waste and different sorts of pollutants are generated during our production processes of aggregate product and concrete products. We have established a pollution control system and installed various equipment to process and dispose of our industrial wastes to minimise the impact on the environment.

Dust management

Aggregate products

We generate dust from various processes during the production of our aggregate products, including mining, loading and unloading, crushing and movement of vehicles, and mobile equipment. The EIA reports for Gaoloushan Project proposes measures to reduce the impact of fugitive dust, including water spraying, dust collector installation, workshop sealing, road maintenance, greening, vehicle speed limits, etc. During a site visit conducted by the Independent Technical Consultant, the Independent Technical Consultant observed that dust collectors were installed for the crushers and the industrial site was sprinkled by water truck.

We commission third-party testing company to conduct air quality test on a quarterly basis. The table below sets out a comparison of the air pollutant emissions by us and the statutory permitted level as at 20 May 2022.

Category	Pollutant emissions	Statutory permitted level
Dust Pollutant	3.3-4.6 mg/m^3	120 mg/m^3

Concrete products

We generate a considerable volume of dust and carbon dioxide in our concrete production. The EIA report proposes measures to reduce the impact of fugitive dust, including water spraying, dust collector installation, workshop sealing, etc. In addition to these proposed measures, we have adopted the following measures to reduce dust generated:

(i) Vehicles: outgoing transport vehicles are cleaned and/or covered by dust cloth;

(ii) Road: water is sprayed on the road on a regular basis; and

(iii) Importing raw materials: fully enclosed conveyor belt is developed from the point of discharge to the raw materials warehouse.

We have closely monitored the air level to ensure the pollutants is controlled in accordance with the sewage discharge permits issued by the local environmental protection bureaus or the environmental acceptance report accepted by the local environmental protection bureaus or the Emission Standard of Air Pollutants for Cement Industry (水泥工業大氣污染物排放標準) (GB4915-2013).

We commission third-party testing company to conduct air quality test on a quarterly basis. The table below sets out a comparison of the air pollutant emissions by us and the statutory permitted level as at 30 June 2022.

Category	Pollutant emissions	Statutory permitted level
Dust Pollutant	3.2-4.2 mg/m^3	120 mg/m^3

Water management

Aggregate products

Our Gaoloushan Project is located on the northern slope of Gaolou Mountain in Songtong Town, Lieshan District, Huaibei City, which is part of the Huaihe River basin with a relatively developed surface water body. The Jigou River and Zhahe River are located to the west of our Gaoloushan Project, both flowing southward and feeding into the Sui River. The Jigou River is located about 2.8 km west of the Project area and flows from northwest to southeast. It was artificially excavated and eventually flows into the Sui River. The Jigou River is a seasonal river and has a width of approximately 30m. The Zhahe River is located at about 5km west of the mine site and flows from northwest to southeast.

The water usage for our Gaoloushan Project includes drilling, dust control, landscaping, firefighting and vehicle washing, and the water is sourced from the recycled water system of Huaibei City. We also have a storage tank of the capacity of approximately 300m^3 on site and a 800 m^3 new storage tank and a pumping station will be constructed and connected to the current recycled water system. In addition, the domestic water supply for Gaoloushan Project (Phase I) is through a well equipped with a pump. It was proposed that the current domestic water supply infrastructure will continue to support the development of our Gaoloushan Project (Phase II), while the new pumping station will be used to support the production of Gaoloushan Project (Phase II).

The potential negative impact of our Gaoloushan Project on surface water and groundwater is mainly due to the arbitrary discharge of untreated production and domestic wastewater. In addition, mining activities may also cause changes to groundwater levels. The main wastewater pollution sources of our Gaoloushan Project include run-off from the quarry and processing plant, sewage from the maintenance workshop, and domestic sewage.

According to the preliminary design of our Gaoloushan Project (Phase II), the open pit drains will be installed and run-off will be drained to settling ponds to manage potential water pollution risk before being discharged into the nearby rivers. The wastewater from the processing plant will be treated by the settling pond, before being re-used for production. Domestic sewage is treated and discharged or re-used for greening.

We adopted the following management measures pursuant to the suggestions set out in the EIA Report, which the Independent Technical Consultant considers are reasonable:

(i) Construct drains and a settling sedimentation pond for the open pit, for reuse or discharge;

(ii) Collect leachate and rainwater from the mine site, for sedimentation and reuse or discharge;

(iii) Collect the wastewater from the washing of transportation vehicles, for sedimentation and re-use; and

(iv) Collect domestic sewage and re-use it for agricultural irrigation and as fertiliser.

During a site visit conducted by the Independent Technical Consultant, inspection on the settling ponds that were constructed in the industrial site and on the haul road was conducted. The Independent Technical Consultant is of the view that that the measures recommended in the EIA reports are reasonable.

Concrete products

The production of concrete products consumes a large amount of water and leads to material water wastage. We continuously improve our production processes to control water consumption. In addition, we have a water treatment and recycle system which allow us to recycle and reuse waste water.

Noise management

Aggregate products

We generate noise from various processes during the production of our aggregate products, including, drilling, explosions, excavators, air compressors, loaders, crushers, vibrating screens and vehicles. In order to mitigate the noise emission, we have adopted measures such as enclosure of highly noisy equipment, selection of low noise equipment, layout optimisation.

We commission Anhui Xianghe Environment Testing Co., Ltd* (安徽相和環境檢測有限公司), a third-party testing company to conduct noise level test on a quarterly basis. The table below sets out a comparison of the noise pollutant emissions by us and the statutory permitted level as at 20 May 2022.

Category	Pollutant emissions	Statutory permitted level
Daytime noise level	54.7-57.4 dB(A)	60 dB(A)
Nighttime noise level	45.9-48.4 dB(A)	50 dB(A)

Concrete products

We have installed soundproof wall in our production plant to control noise generated during operations. We minimise our noise emission in accordance with the Environmental Noise Emission Standard for Industrial Enterprises (工業廠界環境噪聲排放標準) (GB12348-2008).

We commission Anhui Shengtai Testing Technology Co., Ltd.* (安徽聖泰檢測科技有限公司), a third-party testing company to conduct noise level test on a quarterly basis. The table below sets out a comparison of the noise pollutant emissions by us and the statutory permitted level as at 30 June 2022.

Category	**Pollutant emissions**	**Statutory permitted level**
Daytime noise level	50-54 dB(A)	60 dB(A)
Nighttime noise level	44-47 dB(A)	50 dB(A)

Solid waste management

Aggregate products

According to the preliminary design of our Gaoloushan Project (Phase II), overburden will be sold as products and there is no waste rock dump on site. Stripped covered soils are to be stored temporarily for rehabilitation. During a site visit conducted by the Independent Technical Consultant, no waste rock dump was sighted except some stripped soil (i.e. overburden) was piled up on site, which is to be sold regularly.

According to Independent Technical Consultant, one potential risk to the environment from waste rock is acid rock drainage ("**ARD**"), which is created when reducing sulphide minerals are exposed to air, precipitation and bacteria and, through an oxidation reaction, produce sulphuric acid during mining, transportation, processing, waste rock discharge, and tailings storage. ARD has the potential to introduce acidity and dissolved metals into water, which can be harmful to surface and groundwater. The EIA report for our Gaoloushan Project (Phase I) states that the waste rock belongs to Class 1 general industrial solid waste. During a site visit conducted by the Independent Technical Consultant, no evidence was observed of any leaching or acid rock drainage impacts.

Concrete products

We have a recycle system which allows us to recycle and reuse solid waste.

We store and dispose the solid waste in accordance with the General Industrial Solid Waste Storage and Disposal Site Storage and Disposal Site Pollution Control Standard (一般工業固體廢物貯存、處置場污染控制標準) (GB18599-2001).

Hazardous materials management

Aggregate products

Hazardous materials have the characteristics of being corrosive, reactive, explosive, toxic, flammable and potentially biologically infectious, and pose a potential risk to human and/or environmental health. Hazardous materials will be generated mainly during a mining project's construction and mining, and include hydrocarbons (i.e. fuels, waste oils, and lubricants), chemical and oil containers, batteries, medical waste, and paint. The hazardous materials for our Gaoloushan Project mainly comprise fuels and waste oils. During a site visit conducted by the Independent Technical Consultant, the Independent Technical Consultant noted a temporary hazardous waste storage room next to the maintenance workshop.

The Independent Technical Consultant recommended that (i) waste oil generated during the operation shall be collected and handed over to a qualified contractor for disposal; and (ii) adopt measures to reduce the risk of pollution caused by leakage of waste oil collected or fuel storage. We also engaged a waste recycling company to handle the disposal of waste oil generated during the operations. We would ensure the waste oil generated during our operation and fuel oil are stored properly in our containment facilities and handled by our contractor to reduce the risk of pollution caused by leakage of waste oil collected or fuel storage.

We identify and manage hazardous waste in accordance with the National Hazardous Waste List (2020 version) 《國家危險廢物名錄》(2020版). We adopted the Hazardous Waste Warehouse Management System Policy (《危險廢物倉庫管理制度》) in accordance with the Hazardous Waste Storage Pollution Control Standard (GB18597-2001) 《危險廢物貯存污染控制標準》(GB18597-2001) and the Management Measures for Hazardous Waste Transfer (《危險廢物轉移聯單管理辦法》), and formulated the Hazardous Waste Accident Emergency Response Plan (《危險廢物事故應急預案》) and the Hazardous Waste Leakage Environmental Emergency Drill Implementation Plan (《危險廢物洩露環境應急演練實施方案》) to ensure compliance with the relevant laws and regulations regarding the temporary storage, transfer and safe disposal of hazardous waste.

Our PRC Legal Advisers confirmed that (i) we have complied with all applicable PRC environmental laws and regulations in all material respects; and (ii) our Directors confirm that we had no non-compliance or violation on any relevant laws and regulations of the PRC on environmental protection which resulted in material impact on our normal operation during the Track Record Period and up to the Latest Practicable Date. Our Directors consider that the current measures adopted by our Group to deal with various pollutions comply with national standards and requirements.

Our cost of compliance with applicable environmental protection laws and regulations was approximately RMB463,000, RMB610,000 and RMB685,000 during the three years ended 31 December 2021, respectively. Set forth below is a breakdown of the costs.

	For the year ended		
	2019	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Services fees	151	1	7
Landscape greening fees	43	345	380
Depreciation of environmental equipment	111	206	223
Maintenance and testing fees of environmental facilities	158	58	75

As the PRC environmental protection regulations continue to evolve, we may be required to incur significant expenditures to upgrade our production facilities to comply with environmental regulations that may be adopted or imposed in the future. Please refer to the subsection headed "Risk Factors – Changes in legal requirements and governmental policies concerning environmental protection and other relevant areas of laws could impact our business" in this prospectus for details of the risks related to the changes in laws and regulations relating to environmental protection.

Key recommendations of the Independent Technical Consultant

The Independent Technical Consultant has also made certain recommendations in relation to our operation in respect of the production of our aggregate products. The following table sets forth the key recommendations made by the Independent Technical Consultant and our commitments to address these recommendations:

Issue	**Recommendations**	**Our responses/ commitments**
Waste oil and fuel storage	(i) Waste oil generated during the operation shall be collected and handed over to a qualified contractor for disposal; and (ii) adopt measures to reduce the risk of pollution caused by leakage from waste oil collected or fuel storage	We would ensure the waste oil generated during our operation and fuel oil are stored properly in our containment facilities and handled by our contractor for disposal to reduce the risk of pollution caused by leakage of waste oil collected or fuel storage

Issue	Recommendations	Our responses/ commitments
Occupational health and safety management	Develop and implement an occupational health and safety plan which includes a monitoring programme in line with the recognised international practices	We established a production safety accident management system, pursuant to which, our staff are required to maintain a safety report to (i) record material accident occurred during the production, (ii) analyse the cause of accident, and (iii) identify measures to prevent re-occurrence.
Community engagement	Design and implement a public consultation and disclosure plan to ensure ongoing community engagement	We will consult the residents in regions surrounding our Gaoloushan Mine and production facilities about the impact of the operations on them.

Indicators and targets for environmental, social and climate-related risks

Our Board assumes the overall responsibility in monitoring the environmental performance of our Group. We evaluate quantitative information of our operation in aspects including the greenhouse gas emissions and resources consumption. The analysis on greenhouse gas emissions involves scope 1 (i.e. direct discharge) and scope 2 (i.e. indirect discharge) emissions. Scope 1 direct emissions include GHG emissions from our production facilities, stationary combustion sources and vehicles. Scope 2 indirect emissions from energy include GHG emissions from the use of purchased electricity. The following table sets out information on our emissions and resources consumption during the three years ended 31 December 2021.

		For the year ended 31 December		
Environmental Key Performance	**Units**	**2019**	**2020**	**2021**
Emissions				
Greenhouse gas emissions	tCO_2e	8,128.89	8,530.94	8,219.48
Scope 1 (direct emissions)	tCO_2e	2,555.03	3,283.52	3,849.70
Scope 2 (indirect emissions)	tCO_2e	5,573.86	5,247.42	4,369.78

Environmental Key Performance	Units	For the year ended 31 December 2019	2020	2021
Non-hazardous waste (topsoil, waste rock sludge)	tonnes	79,308	33,021	78,522
Non-hazardous waste recycled rate (e.g. topsoil, waste rock sludge)	%	100	100	100
Hazardous waste (waste oil)	tonne	2.10	3.90	4.89
Resource consumption				
Diesel (direct energy)	tonne	977.44	1,256.13	1,472.72
Purchased electricity (indirect energy)	MWh	9,545.91	8,986.84	7,483.78
Water consumption volume	cubic metres	42,300	185,300	141,500
Unit emissions/resource consumption				
Greenhouse gas emissions per unit	tCO_2e per million tonnes	2,463.30	1,988.56	2,348.42
Hazardous waste emissions per unit (waste oil)	Tonnes per million tonnes	0.64	0.91	1.40
Water consumption per unit	cubic metres per million tonnes	12,818	43,193	40,429

Note: The above data are prepared based on internal information.

Based on our self-review and to the best of our Directors' knowledge, during the Track Record Period, we have followed most of the best practice recommended by the Global Cement and Concrete Association, an industry-led initiative headquartered in London, United Kingdom, including but not limited to, setting organizational and operational boundaries, identifying and monitoring emissions, and reporting emission data. In addition, we have strictly followed the pollutant emission standards imposed by national and local environmental protection laws and regulations of the PRC. To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, we had not been informed of any violation in respect of our pollutant emissions and therefore no relevant investigation has been conducted.

During the three years ended 31 December 2021, our scope 2 indirect emissions decreased mainly due to our effective electricity management and our scope 1 direct emissions increased mainly due to the gradual increase in energy consumption caused by the ageing of our machine and equipment. Similarly, our hazardous waste emissions increased in view of mechanical ageing which required more frequent daily machine maintenance. In relation to water consumption, in 2019, Huaibei City carried out a special work plan for the treatment of dust and toxic hazards in the mining, metallurgical and chemical industry sectors, requiring mines to strengthen dust control. In response, Tongming Mining has increased sprinklers and spraying during drilling to reduce dust from 2020 onwards, resulting in higher water consumption. In view of the rising water consumption in 2020, Tongming Mining has also taken water saving measures such as water reuse, resulting in a decrease in water consumption in 2021.

To better manage our environmental, social and climate-related risks, we strive to enhance our environmental protection performances in various aspects, such as greenhouse gas emissions, hazardous waste emissions and water consumption. In 2022, we adopted enhanced management measures in the use of more energy-efficient excavators to decrease the consumption of diesel oil and then in turn reduce greenhouse gas emission. In respect of the hazardous waste emissions, we opted for machine oil that is more environmental-friendly to minimise the amount of waste oil generated. In relation to water management, we implemented policy on water usage, set water consumption KPIs, installed sprinkler system, installed water meters at water processors, and measured water consumption at a monthly basis.

In line with our vision for low-carbon development and our commitment to sustainable development, we aim to control our greenhouse gas emissions and resources with the following targets to be achieved in 2030. The targets are formulated based on the emission data of the year ended 31 December 2021 and nine months ended 30 September 2022 and taking into account the development plan of Gaoloushan Project (Phase II).

Environmental Key Performance	**Unit**	**Target value**
Greenhouse gas emissions per unit	Tonnes of CO_2 equivalent per million tonnes	1,170
Non-hazardous waste recycled rate (e.g. topsoil, waste rock sludge)	%	100
Hazardous waste emissions per unit volume (waste oil)	Tonnes per million tonnes	0.14
Water consumption per unit volume	cubic metres per million tonnes	12,130

Management measures to achieve the emission/consumption targets

Greenhouse gas emissions

From 2022 until the end of 2030, we strive to reduce greenhouse gas emissions per unit of product by approximately 5.6% per annum.

In order to achieve the targets on our greenhouse gas emissions, we plan to adopt the following measures:

Energy saving and consumption reduction	We optimise the layout of our Gaoloushan Project (Phase II) to shorten transportation route, which in turn reduces vehicles energy consumption. We also deploy latest processes and auxiliary production systems that are energy efficient.
Optimise energy structure	We plan to explore alternative energy solutions through analysis of the energy structure.
Build carbon sink	We will rehabilitate disturbed land and expand greenery coverage through greening projects to develop carbon sink.
Energy data monitoring	We plan to monitor our energy consumption through daily data analysis to detect and resolve abnormal energy losses.
Raise awareness	We will conduct regular onsite inspection to ensure the effectiveness of energy-saving measures. We also encourage cross-department communication to share good practices.

Based on our internal emission data, as of 30 September 2022, we are on track in achieving the target value of the greenhouse gas emissions as set out in the paragraph headed "Indicators and targets for environmental, social and climate-related risks" in this subsection.

Solid waste

Overburden (i.e. mixture of weathered rocks and soils) produced during our mining activities are piled up and stored at the overburden storage area at our Gaoloushan Project. During the Track Record Period, we sold overburden to our customers by way of auction.

Hazardous materials

From 2022 until the end of 2030, we strive to reduce hazardous waste per unit of product by approximately 10.0% per annum.

We engaged a waste recycling company to handle the disposal of waste oil generated during the operations. We would ensure the waste oil generated during our operation and fuel oil are stored properly in our containment facilities and handled by our contractor for disposal to reduce the risk of pollution caused by leakage of waste oil collected or fuel storage. We will also explore opportunities to minimise the use and amount of hazardous materials generated by opting for machine oil that is more environmental-friendly upgrading or replacing our machine and equipment when appropriate, and replacing hazardous chemicals with less hazardous products whenever possible.

Based on our internal emission data, as of 30 September 2022, we are on track in achieving the target value of the hazardous materials emissions as set out in the paragraph headed "Indicators and targets for environmental, social and climate-related risks" in this subsection.

Water

From 2022 until the end of 2030, we strive to reduce water consumption per unit of product by approximately 7.8% per annum.

We adopted the following management measures pursuant to the suggestions set out in the EIA Report, which the Independent Technical Consultant considers are reasonable:

(i) Construct drains and a settling sedimentation pond for the open pit, for reuse or discharge;

(ii) Collect leachate and rainwater from the mine site, for sedimentation and reuse or discharge;

(iii) Collect the wastewater from the washing of transportation vehicles, for sedimentation and re-use; and

(iv) Collect domestic sewage and re-use it for agricultural irrigation and as fertiliser.

In addition, we implemented policy on water usage, set water consumption KPIs, installed sprinkler system, installed water meters at water processors, and measured water consumption at a monthly basis.

Based on our internal emission data, as of 30 September 2022, we are on track in achieving the target value of the water consumption as set out in the paragraph headed "Indicators and targets for environmental, social and climate-related risks" in this subsection.

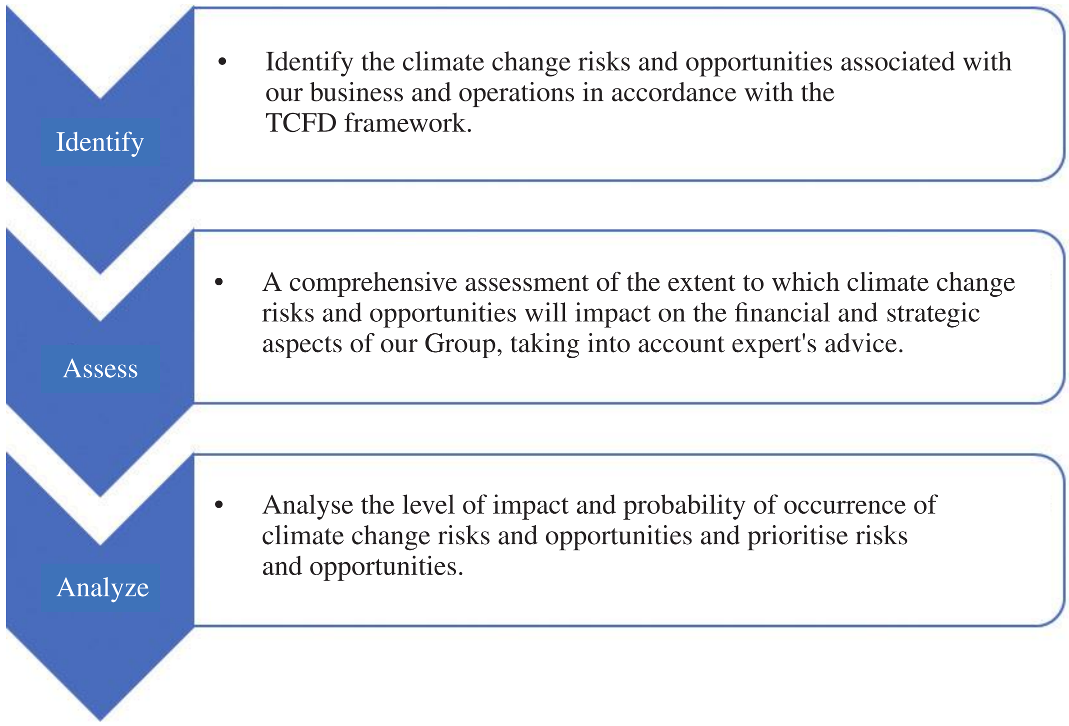
Climate change-related matters

The production of aggregate products and concrete products involves a considerable energy consumption and as a result releases considerable amount of carbon dioxide and other greenhouse gas, which poses climate change challenges to us. Therefore, we monitor global climate change trends and identify climate change-related risks and opportunities based on the recommendations of the Financial Stability Board Task Force on Climate-related Financial Disclosures (the "**TCFD**"), and strive to continuously improve our management based on the results achieved.

Governance	• The inclusion of climate change mitigation and adaptation issues in our ESG focus. • Our Board reviews climate and energy policies and considers analysis of climate change topics and quantifies trends in performance change. • Our general manager regularly reviews and analyses climate change related matters, summarises low carbon trends and report to our Board; and provides guidance and resources on relevant environmental topics. • Different departments are united to form a sound organisation for managing climate change issues.
Strategies	• We identify and analyse significant climate-related risks and opportunities and assess their potential operational and financial impact on us. • Our business units carry out relevant management actions in the areas of low carbon operations, respond to natural disasters in climate change, and support clean energy development.
Risk management	• We identify potential risks and opportunities in our business and operational activities with reference to TCFD's risk analysis framework. • We identify and define the materiality of risks and opportunities based on their probability of occurrence and the severity of their impacts. • Develop countermeasures to eliminate, mitigate, transfer or control risks depending on the different types of risk opportunities.
Performance and targets	• Data on activities related to greenhouse gas emissions is collected annually and peer benchmarking and inter-year comparisons are carried out to assess our level of performance in addressing climate change management and to develop improvement plans.

In order to better address the potential risks and opportunities of climate change, we have conducted policy research, peer benchmarking and combined expert advice to identify climate change risks and opportunities relevant to our operations and assess the impact of each risk and opportunity on our finances.

Climate change risk and opportunity analysis process



The climate change risks identified by us include three categories of physical risks, namely extreme weather, supply chain disruptions and resource utilisation, and four categories of transitional risks, namely policy and legal risks, technology risks, market risks and reputational risks. Transitional opportunities include products and services, energy sources and resilience.

Physical risks	**Impact cycle**	**Risks**	**Financial impact and response**
Extreme weather	Short-term	• Increased overall rainfall or more extreme storm events may result in flooding of pits, production facilities and storage mines and generate untreated discharges. • Increased rainfall could flood roads leading to the mine, inundate on-site warehouses and storage areas and affect the delivery of essential mining supplies.	**Financial impact:** additional capital or operating costs arising out of increased water storage capacity, additional maintenance and monitoring techniques, and further storm protection of the facility. **Response:** make full use of the functions of the production facilities' sedimentation ponds and storage ponds to achieve recycling of water resources, strengthen monitoring of storage water levels and pumping, so as to protect the production plant against rainstorms.

Physical risks	Impact cycle	Risks	Financial impact and response
Supply chain disruptions	Short-term	• Extreme weather events may affect the availability of raw materials required for production, as well as arrangements for the transportation of products.	**Financial impact:** production and revenue delays; transport delays; increased costs to enhance supply chain continuity and contingency planning for extreme weather events. **Response:** strengthen weather monitoring systems and identify alternative routes with key suppliers; work with key suppliers to determine their resilience to extreme weather events; and assess problems encountered in the supply chain.
Resource utilisation	Short-term	• The frequency and duration of extreme weather have increased and thus the risk of power outages has increased.	**Financial impact:** reduced or delayed production due to power outages. **Response:** cooperation with power supply companies on power supply scheduling, respond to power restriction orders in a timely manner, adjust production schedules in advance and update emergency standby plans accordingly.

Transitional risks	Impact cycle	Risks	Financial impact and management initiatives
Policy and legal risks	Medium to long term	• Changes in public policy and legislation. • Possible litigation arising from non-compliance. • Litigation arising from perceived failure of companies to act quickly to mitigate climate risks. • Material financial risks are not disclosed in a clear and adequate manner.	**Financial impact:** actual and proposed changes in climate-related laws, as well as uncertain regulations and taxes, may lead to higher costs for new developments and existing operations, resulting in lower economic returns. **Response:** monitor regulations being developed in China to address possible legal risks.

Transitional risks	Impact cycle	Risks	Financial impact and management initiatives
Technical risks	Medium to long term	• The availability, effectiveness, pricing and competitiveness of new technologies. • Externally developed low carbon technologies – reliable renewable energy, battery storage and back-up systems, energy efficient systems and equipment, automation and other automation and electrification technologies. • Timing of the development and deployment of technologies and innovations that support the transition to a low carbon economy.	**Financial impact:** write-off and early retirement of existing assets; capital investment in technology development. Increase in the cost of adopting/deploying new practices and processes, including road planning and design for underground and above ground mine sites. **Response:** (2021 – 2025) To focus on new renewable electricity generation installations. (2025 – 2030) To increase the use of low-carbon heavy mobile equipment and greener equipment.
Market risk	Medium to long term	• A shift in market perceptions of the mining sector. • The complicated market impacts brought by climate change. • The change in customers' preference towards certain goods, products and services.	**Financial impact:** increase in production costs due to changes in the costs of operation. **Response:** undertake business and resilience planning, climate transformation plans, regular engagement with investors, implement responsible sourcing strategies, continue and expand collaboration and partnerships.
Reputational risk	Medium to long term	• The way in which these risks are managed by our shareholders, local communities, employees, industry associations and other key stakeholders. • Changing stakeholder perceptions of how we can contribute to climate change. • Actions to delay the transition to a low carbon economy.	**Financial impact:** a damaged reputation could reduce investor's confidence, create challenges in maintaining positive community relations, and bring a material adverse effect on our business, financial condition, operations and growth prospects. **Response:** strengthen community relations; track and monitor community events, progress of our commitments and complaints, mitigate adverse events and situations. Regularly keep investors informed of climate change issues.

Transitional opportunities	Impact cycle	Opportunity	Response
Products and Services	Medium to long term	Since 2016, the PRC government has made various efforts in addressing environmental issues. The construction materials industry is expected to move in a environmental-friendly direction. The PRC government is guiding the construction materials industry towards energy saving.	We have increased our technological research and development to develop green and environmental friendly building materials to meet the national green development policy.
Energy sources	Medium to long term	Technology advances in renewable energy will continue; beyond 2030, we expect mobile fleets to transit from diesel to low-carbon fuel. The International Council on Mining and Metals initiative brings together the world's largest original equipment manufacturers to minimise diesel emissions by 2025 and to introduce greenhouse gas-free surface mining vehicles by 2040.	We are constantly upgrading our infrastructure, production facilities and processes to meet our goal of continuously reducing our greenhouse gas emissions and resource consumption.
Adaptability	Medium to long term	The land will be a nexus for water, energy, biodiversity and food, and provide flexibility to implement renewable energy projects and carbon offsets.	We will work with environmental organisations, governments, food and energy suppliers and land use planners to seise the opportunity to build a low carbon economy.

Land rehabilitation

Under the PRC laws and regulations, according to our PRC Legal Advisers, we are required to prepare a geological environment protection and land reclamation plan ("**Land Rehabilitation Plan**") for our Gaoloushan Project and are responsible for the restoration of damages caused to the geological environment by our exploration of mineral resources. According to the Independent Technical Report, the Land Rehabilitation Plan in relation to our operation of Gaoloushan Project (Phase I) and existing production facilities was prepared by Xuzhou Wanyuan Geological and Mineral Research Company Limited in January 2017. We submitted the Land Rehabilitation Plan to the Land and Resources Bureau of Huaibei City on 18 January 2017 and received the approval on 26 January 2017. The Land Rehabilitation Plan has been updated to include the development of Gaoloushan Project (Phase II) and new production plant by Anhui Province Geological and Mineral Exploration Bureau 325 Brigade and such plan was approved by the Natural Resources and Planning Bureau of Huaibei City in June 2021.

In addition, according to our PRC Legal Advisers, we are also required to make provision for the geological environment treatment and restoration fund ("**Restoration Fund**"). The Restoration Fund is used independently to carry out mine geological environment restoration and land reclamation as a whole. In relation to our Gaoloushan Project (Phase I), a reclamation deposit of approximately RMB11 million had been paid to Finance Bureau of Lieshan District Huaibei City (淮北市烈山區財政局) by our Group in February 2017, which is recoverable after the completion of reclamation. The total static investment of geological environment protection and land reclamation for our Gaoloushan Project (Phase II) development is RMB19,832,600 and the total dynamic investment is RMB23,973,800. For calculation of the provision of rehabilitation costs and relevant accounting treatment, please refer to the paragraph headed "Financial information – Discussion of Selected Items from the Consolidated Statements of Financial Position – Accrual for reclamation costs" in this prospectus.

In the event that a mining enterprise fails to make provision for the Restoration Fund, the competent authority of natural resources at or above the county level may impose a time limit on the enterprise to make provision, failing which, the competent authority may refuse to approve the annual report of mining activities submitted by the enterprise, which may affect the enterprise's application for the continuation and change of the mining rights. For further details about such requirements, please refer to the paragraph headed "Regulatory Overview – Laws and regulations related to geological environment protection and restoration" in this prospectus.

The Independent Technical Consultant is of the view that our land rehabilitation plans in relation to both Gaoloushan Project (Phase I) and Gaoloushan Project (Phase II) are generally in line with the relevant recognised PRC industry practices.

Social and community concern

Our Gaoloushan Project is located in Song Tuan Town, Lieshan District, Huaibei City of Anhui Province. The surrounding area of the site is mainly forest land and wasteland.

According to the Independent Technical Report, there are no natural reserves or significant cultural heritage sites within or surrounding our mining and production site and most of the surveyed public support the construction and development of our Gaoloushan Project (Phase I) and there is no opposition. For the future development, the Independent Technical Consultant recommends that we should conduct detailed analysis on the concerns of stakeholders, and design and implement a public consultation and disclosure plan to ensure that local communities continue to participate in project construction and operation. For details of our commitment/response to the recommendation by the Independent Technical Consultant, please refer to the subsection headed "Environmental protection, land rehabilitation and other social matters – Key recommendations of the Independent Technical Consultant" in this section.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we had not received any historical or current non-compliance notices and or other documented regulatory directives in relation to our Gaoloushan Project.

As at the Latest Practicable Date, to the best of the knowledge and belief of our Directors, the local governments or communities had not raised any concern in relation to the our Gaoloushan Project that may adversely affect our business operation.

Resources consumption

We aim to carry out our production in an environmental-friendly manner. Minimising resources consumption is one of the considerations in our operations. Electricity and water are consumed in our production process. Our Group encourages our employees to reduce resources consumption, including implementing electricity-saving initiatives such as switching off lights in public areas during non-working hours, so as to minimise the impact of resources consumption on the environment.

ESG Committee

Our Group is committed to establishing and maintaining positive environmental, social and governance ("**ESG**") practices and initiatives. We will adopt policies, charters and code of conducts to govern the ESG aspects of our day-to-day operations, ranging from reducing energy and water consumption caused by our operations, health and work safety, and social contribution to environmental protection and corporate governance. Our Board is responsible for devising strategies and targets in relation to ESG matters. In particular, our Company has established the ESG Committee consist of three members, being Mr. Liu Yong, Mr. Mao Hongxian and Mr. Qin Jiapeng, with Mr. Liu Yong as the chairman. The primary duties of the ESG Committee are to assist our Board in guiding and supervising the development and implementation of environmental, social and governance works of our Group to ensure compliance with relevant legal and regulatory requirements. There is no specific qualification requirement for members of the ESG Committee.

CORRUPTION PREVENTION

The Group strives to be ethical in its business operations, and does not tolerate any form of corruption, such as bribery, extortion, fraud or money laundering. Our Directors confirm that our Group complies with laws and regulations regarding bribery, extortion, fraud and money laundering. Our Directors confirm that during the Track Record Period, our Group received no allegations against it or its employees regarding bribery, extortion, fraud or money laundering. Our Directors confirm that there also were no whistleblowing disclosures received relating to bribery or corruption. Our Group requires all employees to comply with professional ethics, and prohibits any form of corruption. Employees who are found to have committed corruption will received disciplinary action, including being discharged from their duties and required to indemnify the losses caused. If their acts are found to be in violation of any regulatory requirement, the employee will be held accountable for his/her judicial responsibility. Our Group further strengthens the awareness of employees and new recruits by conducting periodic anti-corruption training.

HEALTH AND SAFETY

We are subject to certain national and local safety related laws and regulations. Please refer to the paragraph headed "Regulatory Overview – Laws and Regulations Related to Work Safety" in this prospectus for further details.

To ensure compliance with relevant PRC regulatory requirements, we have implemented a comprehensive system of safety management procedures and regulations which all of our employees must comply with. Tongming Mining's safety and environment committee is responsible for regulating and coordinating safety procedures relating to our mining activities and production. Employees are also regularly trained to comply with the relevant safety procedures.

We have implemented a system to handle safety related incidents. Our employees are required to make an immediate report upon the occurrence of an incident as well as to assist in mitigating the impact of the incident. We categorise incidents based on type and allocate the responsibilities among different departments. Safety incidents are differentiated into three categories: (i) traffic accident; (ii) injury/fatality accident; and (iii) equipment (building) damage accident. Each category of the incident are categorised into different level of severity. We handle incidents differently depending on the category and severity of the incident. After the incident, we also investigate its cause, evaluate its impact, and prepare a formal report for scrutiny and record.

Both Tongming Mining and Liantong Municipal have established a work safety committee to ensure the compliance of the PRC laws and regulations relating to work safety during our production; coordinate and supervise the implementation of work safety measures; and in the event of severe injury, death, fire, explosion, poisoning, or accident, handle investigation, report to management, and formulate measures to prevent the occurrence of similar event. Tongming Mining adopted a work safety manual that covers slope management, work safety training, equipment maintenance, identification of dangers, emergency handling procedures, and handling of explosives and work safety in respect of rock drilling, blasting, loading, welding and transportation. Tongming Mining engaged a qualified engineer to provide (i) consulting services in relation to work safety, in particular, to advise on any potential safety danger in the production process and (ii) education on work safety in Tongming Mining. In addition, Tongming Mining engaged a contractor to provide rescue services, including conducting preventive check-up, familiarising us with the relief road and assisting us in handling of disasters, at our Gaoloushan Project. Liantong Municipal adopted a work safety manual that covers, among others, work safety training and handling of machinery and equipment and explosive and flammable materials.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any serious or material accidents at our Gaoloushan Project and/or production plants. We also have not been adjudicated by any relevant PRC governmental authority for any material non-compliance with any health and safety requirements under PRC laws and regulations. According to our PRC Legal Advisers, we had been in compliance with the relevant laws and regulations in relation to occupational health and production safety in all material respects and we had not been subject to any material penalty imposed by the relevant authorities due to non-compliance with all relevant laws and regulations in respect of occupational health and safety in the PRC during the Track Record Period.

Tongming Mining obtained a Work Safety Licence (安全生產許可證), which was valid from 8 June 2018 to 7 June 2021, and such permit was subsequently renewed with an expiry date till 7 June 2024. According to the written confirmation in respect of work safety issued by the Emergency Management Bureau of Lieshan District of Huaibei City (淮北市烈山區應急管理局) on 9 September 2021, since 1 January 2018, Tongming Mining had not, amongst others, (i) incurred any accident concerning work safety, and (ii) been subject to any existing nor potential controversies or dispute regarding work safety. As advised by our PRC Legal Advisers, the Emergency Management Bureau of Lieshan District of Huaibei City (淮北市烈山區應急管理局) is the competent authority to oversee the production safety of Tongming Mining and issue the written confirmation in relation to work safety laws and regulations. According to the Independent Technical Report, our Gaoloushan Project is not subject to any known health or safety risk.

INSURANCE

We maintain insurance in relation to work safety liability. We also maintain insurance for our vehicles. For the three years ended 31 December 2021 and the nine months ended 30 September 2022, the total amount of premium we paid in respect of our insurance policies were approximately RMB107,000, RMB21,000, RMB411,000 and RMB411,000, respectively. During the Track Record Period, and as at the Latest Practicable Date, we did not experience any interruptions to our operation or losses or damages to our production facilities that had a material adverse effect on us. We believe that our insurance coverage is adequate and in line with the practice in the industry. We will closely monitor the risks associated with our operations and adjust our insurance coverage as necessary.

PRODUCTS RESPONSIBILITY

Our Group is committed to upholding and enhancing the quality of our products for the customers. Our Group is committed to reducing the health and safety risks associated with our products in order to protect customers. Our Group regularly conducts inspection on our machinery and equipment employed in its mining and processing operations for our aggregate products and production process of our concrete products to ensure that they are safe and in good working order. Our Group has also established procedures for managing product defects. During the Track Record Period, our Directors confirm that our Group has not received any complaints regarding material product defects. In addition, our Group places strong emphasis on customer's privacy, and provides employees with guidance to prevent them from disclosing customer information without obtaining prior consent. If any leak of customer information is found, our Group will rectify it promptly and administer punishment to responsible employees corresponding to the severity of the incident. Employees will be held legally responsible in serious circumstances. During the Track Record Period, our Directors confirm that our Group did not experience any incidents of customer information leakage, nor did it receive any complaints about improper use of customer information that had a significant impact on our Group. Our Group forbids any form of false or misleading description in its marketing processes. We believe this ensures that accurate and comprehensive information is provided to customers during sales of our aggregate products and concrete products.

LICENCES, APPROVALS AND PERMITS

Licences, approvals and permits

As at the Latest Practicable Date, we obtained the following licences, permits and approvals which are material to our current business operation:

Licence/ approval/ permit	Issuing authorities	Holder	Licence Number	Expiry date
Business Licence	Market Supervision Bureau of Xiangshan District Huaibei City	Tongming Mining	91340600MA2MUW7Y4B	No expiry date
Phase II Mining Licence	Natural Resources and Planning Bureau of Huaibei City	Tongming Mining	C3406002021067160152182	30 June 2024
Approval of design report on safety facilities in respect of Gaoloushan Project (Phase I)	Work Safety Supervision and Management Bureau of Huaibei City	Tongming Mining	淮安監管[2017]22號	No expiry date
Work Safety Licence	Emergency Management Department of Anhui Province	Tongming Mining	(皖)FM安許證字[2021]Y067號	7 June 2024
Pollutant Discharge Permit	Huaibei Municipal Ecology and Environment Bureau	Tongming Mining	91340600MA2MUW7Y4B001W	23 November 2023
Water Drawing Permit	Water Bureau of Huaibei City	Tongming Mining	C340604G2021-0009	26 October 2026
Water Drawing Permit	Water Bureau of Huaibei City	Tongming Mining	C340604S2021-0010	26 October 2026

Licence/ approval/ permit	Issuing authorities	Holder	Licence Number	Expiry date
Approval of the environmental impact report in respect of Gaoloushan Project (Phase I)	Environmental Protection Bureau of Huaibei City	Tongming Mining	淮環行[2017]06號	No expiry date
Business Licence	Market Supervision Bureau of Huaibei City	Liantong Municipal	91340600MA2MTEX07M	No expiry date
Construction Enterprise Qualification Certificate	Urban and Rural Construction Committee of Huaibei City	Liantong Municipal	D334156367	4 July 2023
Road Transport Business Permit	Huaibei Transportation Bureau	Liantong Municipal	皖交運管許可淮北字340600218212號	25 October 2024
Pollutant Discharge Permit	Huaibei Municipal Ecology and Environment Bureau	Liantong Municipal	91340600MA2MTEX07M002Q	21 February 2024
Water Drawing Permit	Water Bureau of Huaibei City	Liantong Municipal	C340603G2021-0006	9 April 2026
Approval of the environmental impact report in respect of the concrete production facilities	Environmental Protection Bureau of Xiangshan District, Huaibei City	Liantong Municipal	相環行[2018]7號	No expiry date
Notice of approval of the filing of the proposal on technical transformation	Economic and Information Bureau of Xiangshan District, Huaibei City	Liantong Municipal	相經信技改[2020]27號	No expiry date

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have obtained all material licences, permits and approvals which are necessary to our business operations in the PRC respectively. We will apply for the renewal of the above relevant licences prior to their respective expiry date. As advised by our PRC Legal Advisers, there is no legal impediment to the renewal of the material licences, permits and certificates of our Group.

EMPLOYEES

As of 30 September 2022, we employed a total of 152 full time employees who were all located in Anhui Province. A breakdown of our employees by function is shown below:

Functions	Number of employees as of 30 September 2022
Management	6
Mining engineering department	44
Safety and environment department	4
Production department	49
Operation and management department	23
Inventory department	3
General department	8
Finance, capital and audit department	8
Laboratory department	7
Total	152

As of 31 December 2019, 2020 and 2021, we employed a total of 124, 126 and 150 full-time employees, respectively.

We recruit employees from various sources, including internal position reallocations and promotions, and public and internet advertisement. The salaries of our employees are mainly dependent on seniority and work performance, and their total compensation includes basic salaries and allowances. For the three years ended 31 December 2021 and the nine months ended 30 September 2022, our total labour costs were approximately RMB20.6 million, RMB23.4 million, RMB23.5 million and RMB17.2 million, respectively.

We provide trainings to our employees on a regular basis, which covers areas including work safety, environmental protection, crisis management, and other job-specific matters, with a view to ensure and promote work safety in our operations. Before the employees assume their positions, we generally provide training courses for them to develop relevant skills required for their positions and to be introduced to our company culture and internal rules and regulations.

Each of our two PRC subsidiaries established a labour union in accordance with relevant regulations in the PRC. Our union actively provides benefits to employees, strives to protect our employees' legal rights and provides relief to employees in need; it also organises activities for our employees. During the Track Record Period and up to the Latest Practicable Date, we did not have any material labour dispute with or suffer any strike by our employees.

Our employees are entitled to retirement benefits and we made contributions to a contribution retirement scheme managed by the local government authority in the PRC for our employees. For the three years ended 31 December 2021 and the nine months ended 30 September 2022. We contributed to the abovementioned scheme in the amount of approximately RMB1.7 million, RMB0.9 million, RMB1.9 million and RMB1.4 million, respectively.

Labour engagement arrangements

In addition to direct employment, during the Track Record Period, we procured labour services either by way of labour dispatch or labour subcontracting to meet our need in daily business operations, including delivery of concrete products and cleaning services. Our Directors consider that the labour engagement arrangement enabled us to maintain a sufficient level of labour force to meet our operation requirements. As advised by our PRC Legal Advisers, the major difference between labour dispatch and labour subcontracting is the control and management of the workers. Labour dispatch occurs when the labour dispatch company recruits and dispatches the workers to the employing company and the employing company directly commands and manages the dispatched workers, who are required to follow the rules and policies of the employing company. Labour subcontracting occurs when the instructing company subcontracts works/tasks to the subcontractor, and the subcontractor has to arrange its own personnel to complete the works/tasks according to the requirements of the instructing company

Labour dispatch

As of 31 December 2019, 2020 and 2021 and 30 September 2022, we engaged 64, 55, nil and nil dispatched employees, respectively, through labour subcontractor agencies. We generally enter into a labour dispatch agreement with our labour subcontractor agencies and the terms of our agreement may vary. In general, the labour dispatch agreement provides that, we are required to, on a monthly basis, pay (i) wages, (ii) social insurance, (iii) service fee at a fixed rate per staff, and (iv) other fees such as compensations to the labour subcontractor agencies and the labour subcontractor agencies will provide suitable dispatched employees for us based on our needs and requirements. We are responsible for providing training to the dispatched employees to ensure their occupational health and safety.

Pursuant to the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》, the number of dispatched employee employed by an employer shall not exceed 10% of the total number of its total employees. As of 31 December 2019, 2020 and 2021 and 30 September 2022, the regulatory threshold of Liantong Municipal and Tongming Mining in total was 18, 16, 13 and 13, respectively and hence the number of dispatched employees engaged by Liantong Municipal and Tongming Mining for the two years ended 31 December 2020 exceeded the regulatory threshold. Such non-compliance was primarily caused by the employee responsible for ensuring compliance at the relevant time being unfamiliar with the relevant regulatory requirements. Since our Directors were of the view that the manpower as permitted under the regulatory limit was not sufficient to fulfil the daily business operations of our Group, and in order to ensure full compliance to relevant rules and regulations, as well as to satisfy our operation needs, we ceased to engage dispatched employees since May 2021 and engaged subcontract employee through labour subcontracting agencies. As advised by our PRC Legal Advisers, relevant governmental authorities may impose a fine of not less than RMB5,000 but not more than RMB10,000 per dispatched employee exceeding the regulatory threshold, in the circumstance where the entity failed to rectify such violation within a certain period of time after the receipt of the notice of rectification and the possible maximum penalty is RMB460,000. During the Track Record Period and up to the Latest Practicable Date, Liantong Municipal and Tongming Mining did not receive any notice of rectification from the governing labour administrative departments nor face any penalties in relation to the said non-compliance. Based on the above, our PRC Legal Advisers are of the view that the said non-compliance is immaterial and will not pose any material impact on our Group's operation and production.

Labour subcontracting

As of 31 December 2019, 2020 and 2021 and 30 September 2022, we engaged 9, 12, 28 and 32 subcontract employee, respectively, through labour subcontractor agencies. We generally enter into a labour subcontracting agreement with our labour subcontractor agencies and the terms of our agreement may vary. In general, the labour subcontracting agreement provides that the labour subcontractor agencies is responsible for paying wages and making social security contributions for these independent contractors. We, in turn, reimburse them for such expenditures on a monthly basis. We also have to pay a service fee based on the total wages to the subcontractor agencies on a monthly basis. Alternatively, we may agree with the subcontractor agencies a fixed monthly fee, which is all-inclusive and we are not required to bear the wages, insurance, benefits and transportation fees etc of the subcontract employees. We are responsible to provide training to ensure the occupational health and safety of the independent contractors. There is no employment contractual relationship between the independent contractors and us, and the independent contractors enter into labour contract with the relevant subcontractors.

PROPERTIES INTERESTS

Land used by our Gaoloushan Project

Our Gaoloushan Project is located in Xinyuan Village and Taishan Village, Song Tuan Town, Lieshan District of Huaibei City, Anhui Province. Pursuant to the Phase I Mining Licence, the permitted mining area of our Gaoloushan Project (Phase I) is 0.3330 km^2, which comprises forest land. In order for us to carry out our mining activities within the permitted area ("**Phase I Mining Area**"), according to the relevant PRC laws and regulations, we are required to, among others, (i) compensate the rights holder of the forest land; and (ii) obtain the approval from the natural resources authorities on the use of the forest land. We acquired the land use rights of the land where our Phase I Processing Plant is constructed upon ("**Phase I Plant Area**"). Pursuant to the land use right certificate, the Phase I Plant Area is an industrial land.

Phase I Mining Area

As at the Latest Practicable Date, Tongming Mining (i) entered into compensation agreements with the right holders for the use of certain forest land within the Phase I Mining Area (the "**Compensation Agreement(s)**"); (ii) obtained consent letters approving the use of forest land (使用林地審核同意書) from the forestry authorities (the "**Consent Letter(s)**"); and (iii) obtained forest logging permits (林木採伐許可證) from the natural resources authorities (the "**Forest Logging Permit(s)**").

Compensation Agreements

Tongming Mining entered into the following Compensation Agreements with the following right holders in respect of certain forest land within the Phase I Mining Area:

No.	Name of Right Holder	Area	Date(s) of agreement	Total compensation	Status of payment
1.	安徽豐和農業有限公司 ("**Anhui Fenghe Agriculture**")(1)	5.1072 ha (approximately 0.0511 km^2)	13 May 2017 and 28 November 2017	RMB3,446,369.6	The compensation was fully settled by November 2018.
2.	The 10th Group of Taishan Community Villagers Committee, Song Tuan Town, Lieshan District, Huaibei City, Anhui Province (安徽省淮北市烈山區宋疃鎮太山社區居民委員會第十村民組) ("**Taishan Community Villager Committee (10th Group)**")	28 mu (approximately 0.0187 km^2)	12 November 2017	RMB240,000(3)	The compensation was fully settled by December 2017.
3.	Taishan Community Villagers Committee (10th Group)(2)	75.2 mu (approximately 0.0501 km^2)	15 May 2018	RMB1,300,000	The compensation was fully settled by May 2018.

Notes:

(1) On 13 May 2017, Tongming Mining and Anhui Fenghe Agriculture entered into the Compensation Agreement, pursuant to which, Tongming Mining agreed to pay a compensation in the sum of RMB3,347,769.6 to Anhui Fenghe Agriculture. On 28 November 2017, Tongming Mining and Anhui Fenghe Agriculture entered into a supplemental compensation agreement, pursuant to which, Tongming Mining agreed to pay a further compensation in the sum of RMB98,600 to Anhui Fenghe Agriculture to compensate for the removal of 1232 trees and related attachments to the affect land, which was not covered by the compensation made in May 2017. Anhui Fenghe Agriculture is a company incorporated under the laws of PRC and is permitted to carry out business of planting and sales of agricultural products, sales of packaged seeds, and purchase and sales of seeds and grains etc. under its business licence.

(2) This compensation agreement (the "**Taishan Villagers Compensation Agreement**") was entered into by the People's Government of Song Tuan Town, Lieshan District, Huaibei City (淮北市烈山區宋疃鎮人民政府) ("**People's Government of Song Tuan Town**") on behalf of the Taishan Community Villager Committee (10th Group) with Tongming Mining. The People's Government of Song Tuan Town and the Taishan Community Villager Committee (10th Group), by way of a confirmation letter, confirmed that, among others, (i) the People's Government of Song Tuan Town acted on behalf of the Taishan Community Villagers Committee (10th Group), to enter into the compensation agreement; (ii) the Taishan Community Villagers Committee (10th Group) granted Tongming Mining the right to use all economic forest land, seedlings, other lands and all attachments above the elevation of +150m (i.e. the elevation approved under the Phase I Mining Licence) in the subject area; (iii) all villagers of the Taishan Community Villagers Committee (10th Group) received the compensation in full and had no objection to the compensation sum; and (iv) Tongming Mining is entitled to undergo mining operations in the subject area pursuant to the Taishan Villagers Compensation Agreement.

(3) Pursuant to the Compensation Agreement, Tongming Mining agreed to pay the Taishan Community Villagers Committee (10th Group) a further sum of RMB140,000 as the rent for subject forest land for the period between 1 November 2017 and 31 October 2022. Our Directors confirmed that there is no need for Tongming Mining to renew the lease as it ceased to occupy the subject forest land upon completion of the construction of Phase I Processing Plant and the mine roads, both of which did not fall within the subject forest land.

As advised by our PRC Legal Advisers, (i) each of the Compensation Agreement is legal, valid and binding against the parties under the PRC laws and regulations, and (ii) we were entitled to conduct our mining activities with the areas stipulated under the Compensation Agreements.

Consent Letters and Forest Logging Permits

On 21 June 2017, the Forestry Department of Anhui Province (安徽省林業廳) issued a Consent Letter approving the use of forest land (使用林地審核同意書), pursuant to which, Tongming Mining is approved to use a total site area of 25.4799 ha (approximately 0.2548 km^2) of forest land located in Lieshan District of Huaibei City, in particular, (i) Caili forest land (蔡里林場), (ii) Taishan Village of Song Tuan Town (宋疃鎮太山村), and (iii) Xinyuan Village of Song Tuan Town (宋疃鎮新園村) ("**Land I**"). On 16 September 2019, the Forestry Bureau of Anhui Province (安徽省林業局) issued a Consent Letter approving the use of forest land, pursuant to which, Tongming Mining is approved to use a total site area of 8.8187 ha (approximately 0.0882 km^2) of forest land located in Taishan Village of Song Tuan Town of Lieshan District of Huaibei City ("**Land II**"). On 15 September 2020, the Forestry Bureau of Anhui Province issued a Consent Letter approving the use of forest land, pursuant to which, Tongming Mining is approved to use a total site area of 15.9239 ha (approximately 0.1592 km^2) of forest land located in Taishan Village of Song Tuan Town of Lieshan District of Huaibei City ("**Land III**"). According to the confirmation dated 3 December 2021 issued by the Natural Resources and Planning Bureau of Huaibei City, the total area of forest lands approved under the Consent Letters, including Land I, Land II and Land III, is approximately 50.2225 ha (equivalent to 0.5022km^2), which covers the entire Phase I Mining Area; and the forests lands are permanent land (永久用地).

Pursuant to the Consent Letters, Tongming Mining was required to (i) obtain the approval to convert forest land into construction land; and (ii) obtain the approval for logging of forests within the forest land. On 16 August 2017, the Forestry Department of Anhui Province (安徽省林業廳) and Agriculture, Forestry and Water Conservancy Bureau of Lieshan District, Huaibei City (淮北市烈山區農林水利局) issued a Forest Logging Permit permitting the logging of forests in Land I for the period between 17 August 2017 and 17 September 2017. On 10 October 2019, the Forestry Department of Anhui Province (安徽省林業廳) and Natural Resources and Planning Bureau of Huaibei City issued a Forest Logging Permit permitting the logging of forests in Land II for the period between 10 October 2019 and 10 November 2019. On 23 November 2020, the Forestry Department of Anhui Province (安徽省林業廳) and Natural Resources and Planning Bureau of Huaibei City issued a Forest Logging Permit permitting the logging of forests in Land III for the period between 23 November 2020 and 23 December 2020. According to the confirmation dated 3 December 2021 issued by the Natural Resources and Planning Bureau of Huaibei City, which is the competent authority in charge of construction land as advised by our PRC Legal Advisers, in respect of Land I, Land II and Land III, since Tongming Mining obtained the relevant Consent Letters approving the use of the forest lands and it did not construct any building nor structure in the forest lands, Tongming Mining is not required to obtain any approval for the conversion of forest land into construction land and is entitled to conduct mining operations on the forest lands within the term of the mining licence.

As advised by our PRC Legal Advisers, according to the relevant PRC laws and regulations, the Forestry Department of Anhui Province and Forest Bureau of Anhui Province are the competent authorities to issue the Consent Letters.

As at the Latest Practicable Date, our Directors are not aware of any claim that may exist over the forest land on which mining activities had been or would be carried out. We believe we will be able to continue to use the relevant forest land within the Phase I Mine Area without any difficulty.

Phase I Plant Area

On 27 March 2019, Tongming Mining entered into a land use right contract with the Natural Resources and Planning Bureau of Huaibei City, pursuant to which the Natural Resources and Planning Bureau of Huaibei City agreed to assign the land, where our Phase I Processing Plant and its connecting road are constructed upon, with an aggregate site area of 207,281.3 m^2 for industrial purpose to Tongming Mining (the "**Land Use Right Contract**"). Pursuant to the land use right certificate, the land use right is valid for a term of 50 years between 27 March 2019 and 26 March 2069. As advised by our PRC Legal Advisers, (i) the Land Use Right Contract is legal, valid and binding against the parties under the PRC law and (ii) Tongming Mining had obtained all necessary land use right certificates and is entitled to occupy, use, sell, transfer, lease, charge or dispose of such land use rights in accordance with the applicable PRC laws. We own a total of nine buildings for offices, dormitory, processing and production, and canteen with an aggregate floor area of approximately 4,547.94 m^2 erected on such land, and have obtained real estate ownership certificates for such buildings.

Access Road

On 13 April 2017, Tongming Mining entered into a lease with the Villagers Committee of Taishan Community, Song Tuan Town, Lieshan District, Huaibei City (淮北市烈山區宋疃鎮太山社區居民委員會) ("**Taishan Community Villagers Committee**"), pursuant to which, the

Taishan Community Villagers Committee agreed to grant the land use right of the land we used as the access road to our Gaoloushan Project, which has a site area of 20.268 mu (approximately 0.0135 km^2), for a period of 20 years. The total sum payable under the Lease is RMB956,207, which comprise of rent of RMB885,711.6 and compensation of RMB70,495.4, both of which are payable in one instalment.

As advised by our PRC Legal Advisers, the aforementioned lease is legal, valid and binding against the parties under the laws and regulations of the PRC.

Our other property interests

Owned Property

Land

As at the Latest Practicable Date, we owned one parcel of land, with an aggregate site area of 52,594.89 m^2, and the buildings erected at West Dongliu Road, Wafang Village, Qugou Town, Xiangshan District, Huaibei City, Anhui Province where our concrete products production plant operates. As advised by our PRC Legal Advisers, we had obtained all necessary land use right certificates. We are entitled to occupy, use, sell, transfer, lease, charge or dispose of such land use rights in accordance with the applicable PRC laws.

Buildings

We owned nine industrial buildings in Wafang Village, Qugou Town in Huaibei City. As at the Latest Practicable Date, we have obtained valid building ownership certificates for the nine buildings. The total gross floor areas of the nine buildings equal to 34,858.33 m^2, according to the respective building ownership certificates.

During the Track Record Period and up to June 2021, (a) Tongming Mining failed to obtain building ownership certificates for one office building, one dormitory building and one canteen building and (b) Liantong Municipal failed to obtain building ownership certificate and related certificates and approvals for its storage booth and mixing station. Our Directors confirmed that the failure to timely obtain the building ownership certificates was due to an inadvertent oversight of our staff at the relevant time but was subsequently notified by our PRC Legal Advisers that such certificates were needed to protect the rights of our buildings. The incident was one-off incident and non-recurring in nature, and there was no subsequent re-occurrence of such non-compliance in our Group. As advised by our PRC Legal Advisers, given that (a) building ownership certificate is merely a proof of the owner's rights to occupy, use and benefit from the building and the only consequence for failing to obtain such certificate is the owner's rights are not fully protected under the PRC laws in case there is any dispute over the ownership; and (b) the buildings are constructed by our Group on the land which is owned by our Group, the risk of potential dispute over the the ownership of the buildings is remote. Furthermore, given (a) Tongming Mining and Liantong Municipal obtained the relevant building ownership certificates in June 2021; (b) the mixing station is a considered as a technical transformation project, which is not required to obtain ownership certificate and;

(c)(i) Tongming Mining and Liantong Municipal have not been investigated, prosecuted or penalised by the Natural Resources and Planning Bureau of Huaibei City ("**Bureau**"), which is governing body relating to land and buildings, for violation of any relevant laws and regulations in relation to natural resources management; (ii) Tongming Mining and Liantong Municipal have not been involved in any historical, current disputes or potential disputes in relation to natural resources management with the Bureau; and (iii) the Bureau has not received any complaints from third parties in relation to violation of natural resources management laws and regulations, the chance of prosecution and likelihood of being imposed penalties in respect of the historical non-compliance are remote, and are of the view that our non-compliance with respect to the building ownership certificates have not resulted in, and are not expected to result in, any material adverse impact on our business, financial and/or operations. As advised by our PRC Legal Advisers, as at the Latest Practicable Date, we had obtained all the necessary building ownership certificates for our operation.

Having considered the above and that the nature of the non-compliance with respect to the building ownership certificates did not have any material legal impact, nor any material adverse impact on our business, financial and/or operations, our Directors are of the view, and the Sole Sponsor concurs that, the said non-compliance would not affect the suitability of our Directors under Rule 3.08 and 3.09 of the Listing Rules.

Save as the above, our Group, as at the Latest Practicable Date, we did not have interest in any other property. For further details of our property interest, please refer to the Property Valuation Report set out in Appendix VI to this prospectus.

Leased Property

As at the Latest Practicable Date, we rented two properties with an aggregate gross floor area of approximately 275 m^2. One of the properties was leased from Huaibei Construction Investment and such lease will be terminated upon Listing. We use these properties mainly for the purpose of offices.

As at the Latest Practicable Date, the lessors of the two properties had not provided us with valid title certificates or relevant authorisation documents evidencing their rights to lease the buildings to us. As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such buildings. We believe that in the event that the relevant rightful title holders or other third parties challenge our use of such leased buildings and we are required to move, we are able to find suitable alternative properties within the proximate area, without incurring substantial additional costs nor imposing any material adverse effect on our business, financial condition and results of operations. Based on the above, our PRC Legal Advisers have confirmed that the above circumstances will not have a significant adverse impact on our overall operation.

As at the Latest Practicable Date, we had not registered or filed the lease agreements for such buildings with the relevant housing administrative authorities. Our PRC Legal Advisers have confirmed that non-registration and no-filing of the lease agreements will not affect the validity of the lease agreements. However, the relevant housing administrative authorities may require us to complete registration within a specified timeframe, or impose fines ranging between RMB1,000 and RMB10,000 for any delay for the specified timeframe in making the necessary registration pursuant to applicable PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the unregistered lease agreements, or been punished by relevant housing administrative authorities. Furthermore, the abovementioned fines were minimal as compared with our net assets as of 30 September 2022. Based on the above, our PRC Legal Advisers have confirmed that failing to go through registration and filing procedures of leased buildings will not have significant adverse impact on our overall operation.

As at 30 September 2022, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, pursuant to Rule 5.01A of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempt from compliance with the requirements under Chapter 5 of the Listing Rules and section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions).

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operation. During the Track Record Period, Liantong Municipal commenced legal proceedings to recover overdue payments for the concrete products provided to its customers. As at 30 September 2022 , our Group provided for a full amount of loss allowance of approximately RMB40.7 million for the trade and bills receivables aged over 12 months, including the overdue amounts of approximately RMB23.8 million in relation to which our Group commenced legal proceedings but not yet adjudicated. Our Directors are of the view that these litigations/arbitrations do not have a material importance against our Group because (i) Liantong Municipal is a plaintiff to the litigations/arbitrations with the aim to recover the unsettled payments from the customers; (ii) as of 30 September 2022, there were in total three unadjudicated litigations/arbitrations and the trade receivable of these litigations/arbitrations amounted to approximately RMB23.8 million. The gross carrying amount of our trade receivables were approximately RMB127.4 million as at 31 December 2019, RMB116.0 as at 31 December 2020, RMB63.7 million as at 31 December 2021 and RMB76.5 million as at 30 September 2022. The above demonstrated that the Group has been able to recover the trade receivable through litigations/arbitrations. For details on the discussions of our trade and receivables, please refer to the subsection headed "Financial information – Net current assets/liabilities – Trade and other receivables."; and (iii) going forward, our Group has adopted measures to monitor the credit risk of its customers and are more inclined sell its concrete products to companies with good credit history and/or companies agreeing to make prepayment.

Legal compliance

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in this section, our Group did not have any non-compliance which resulted in material impact on our normal operation.

NON-COMPLIANCE INCIDENT

Non-compliance incident	Reasons for non-compliance	Legal consequences and potential maximum penalties	Latest status	Remedial actions taken to prevent any future breaches and ensure on-going compliance
We commenced trial production of aggregate products in January 2018 before obtaining the work safety licence.	The commencement of trial production of aggregate products in January 2018 before obtaining work safety licence was due to the huge demand of aggregate products in Huaibei City resulted from the close down of quarries in Huaibei City due to the enforcement of the laws and regulations in relation to environment protection and work safety in mines in 2017. In order to alleviate such a demand of aggregate products for the key construction projects in Huaibei City in 2018, the government authorities in Huaibei requested our Group to provide them with aggregate products so as to ensure a smooth operation of the ongoing key construction project in Huaibei during our trial production.	As advised by our PRC Legal Advisers, we may be ordered to suspend our production operations and subject to a fine ranging from RMB100,000 to RMB500,000 and our concrete products and revenue derived from the trial production may be confiscated.	On 12 June 2018, Tongming Mining obtained a Work Safety Licence (安全生產許可證), which was valid from 8 June 2018 to 7 June 2021, and such permit was subsequently renewed with an expiry date till 7 June 2024. There was no subsequent re-occurrence of such non-compliance in our Group. Based on the confirmation letter issued by the Emergency Management Department of Huaibei City Lieshan District, which is the competent authority to oversee production safety of Tongming Mining and that Tongming Mining has obtained an approval on the design of the safety facilities of the production plant of aggregate products from Work Safety Supervision and Management Bureau of Huaibei City on 22 March 2017, our PRC Legal Advisers have advised us that (i) the commencement of trial production of aggregate products before obtaining the work safety licence did not constitute a material breach on the relevant laws and regulations as our Group has obtained approval on the design of the safety facilities before the trial production; (ii) the likelihood of being imposed penalties is remote; and (iii) such confirmation letter was issued by the competent government authorities.	In order to prevent the recurrence of non-compliance incident, we have implemented the enhanced internal control measures, including, among others, (i) providing trainings on the relevant laws and regulations relating to construction of any new and extension of our production facility to our staff in charge with the assistance of our PRC Legal Advisers; (ii) formulated internal policies and procedures to govern the process for application of licences and registration in relation to our operations, trial production of new products, and safety production during our operations; and (iii) we will consult our PRC Legal Advisers to understand the relevant laws and regulations and seek the confirmation from our PRC Legal Advisers before any commencement of production, if any, in the future. Based on the results of the review conducted by our internal control consultant, our Directors are of the view and our internal control consultant concurs that the internal control measures are adequate and effective to prevent the reoccurrence of the non-compliance and we have fully implemented the internal control measures.

View of our Directors and the Sole Sponsor

Having considered the above and that the nature of the non-compliance with respect to the commencement of trial production of aggregate products before obtaining the work safety license was not a material breach and no subsequent re-occurrence of such non-compliance in our Group, our Directors are of the view, and the Sole Sponsor concurs that, the said non-compliance would not affect the suitability of our Directors under Rule 3.08 and 3.09 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

In order to continuously improve our corporate governance, we intend to adopt or have adopted the following measures:

- we adopted or will adopt the measures and policies to improve our internal control systems and to ensure our compliance with the Listing Rules and the relevant laws in the PRC;
- we have taken remedial measures to address certain deficiencies in our internal control systems, including monitoring the ongoing compliance with the internal control measures put in place;
- we have engaged and will continue to appoint external professional advisers, including auditors, legal advisers or other advisers to render professional advice as to compliance with the statutory requirements as applicable to our Group from time to time;
- we have appointed China Everbright Capital Limited as our compliance adviser upon the Listing to provide advice to our Directors and management team on matters relating to the Listing Rules;
- regular training will be provided to all Directors and senior management after Listing by our external professional advisers on compliance with the Listing Rules and all relevant laws and regulations. Our Directors attended a seminar organised by our Company's legal advisers in December 2021 regarding the duties of directors of companies listed in Hong Kong;
- we will establish an audit committee prior to Listing, which will establish formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations; and
- our Board (which shall be responsible for monitoring the corporate governance of our Group) will also periodically review our compliance status with all relevant laws and regulations after Listing.

In preparation for Listing, we have engaged an independent internal control consultant ("**Internal Control Consultant**") to conduct an evaluation of our Group's internal control system in April 2021. During the review, the Internal Control Consultant identified internal control deficiencies of relating to, among others, corporate level controls, human resources and payroll management and information system management and has recommended remedial measures to enhance our internal control system, which form part of the remedial action and monitoring process as disclosed above.

Upon receipt of the recommendations made by the Internal Control Consultant, our Group had adopted the remedial measures recommended by the Internal Control Consultant. The Internal Control Consultant performed a follow-up review from June to December 2021 to review the status of the remedial actions taken by the management to address the findings identified by the Internal Control Consultants in May 2021 and the Internal Control Consultant raised no further recommendations.

Based on the review results of the Internal Control Consultant, our Directors are of the view that we have implemented all the recommended internal control measures and the measures are adequate and effective under the Listing Rules in enhancing our internal control system.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, there were no significant changes to the general business model of the Group, and our business generally maintained a stable growth despite the occurrence of recurrent waves and outbreaks of COVID-19. For the month ended 31 October 2022, we sold approximately 405,000 tonnes of aggregated products and others, representing an increase of approximately 8.4% as compared to the corresponding period in 2021. Such increase is generally in line with the increasing trend as demonstrated by the increase in sales volume of aggregate products and others for the nine months ended 30 September 2022 against the corresponding period in 2021. For the month ended 31 October 2022, we sold approximately 39,100 tonnes of concrete products, representing an increase of approximately 74.7% as compared to the corresponding period in 2021. Such increase was primarily due to the commencement of certain construction project in the second half of 2022 which required the use of our cement stabilised macadam and asphalt concrete by our customers in October 2022. In addition, as of the Latest Practicable Date, we have commenced the construction of mine roads, drainage and other infrastructure of our Gaoloushan Project (Phase II) and the construction process is expected to be completed by the end of fourth quarter of 2022 pursuant to the development plan. During the construction process, which includes levelling, drilling and blasting, minerals mixtures comprising sand, limestone, and soil are generated incidentally, these would be processed into our aggregate products through our Phase I Processing Plant and sold to our customers.

In order to stabilise the real estate sector, several favourable policies have been adopted. The "Implementation Opinions on Preferential Policies for Housing Purchases in Huaibei City" (《關於淮北市購房優惠政策的實施意見》) ("**Implementation Opinions**") was issued in April 2022, pursuant to which, local and non-local residents or enterprises could enjoy financial incentives and/or subsidies from the local government, financial institutions, and/or property developers when they purchase commodity properties in the urban area of Huaibei City. Such policy aims to support the residents' need for properties and promote the healthy development of the real estate market in Huaibei City. In May 2022, "Ten Measures for Huaibei City to Respond to the Epidemic Warming and Relief to Help the Real Estate Market Development Steady and Orderly",《淮北市應對疫情暖企紓困助力房地產市場平穩有序發展十條措施》 was introduced to provide preferential policies to support aspects including land transfer, provident funds and financing etc. so as to promote the healthy development of the real estate market in Huaibei City. In June 2022, the Bengbu Housing and Urban-Rural Development Bureau (蚌埠市住房和城鄉建設局) issued the "Several Measures to Promote the Stable and Healthy Development of the Real Estate Market" (關於促進房地產市場平穩健康發展的若干措施), which sets out measures to promote the development of real estate industry, such as the provision of allowances to first-time homeowner who can fulfil the eligibility requirement (i.e. academic or occupational qualifications) and the provision of further credit support for real estate companies. "Several Measures to Continuously Promote the High-quality Development of the Construction Industry in Huaibei City" (《淮北市持續推進建築業高質量發展若干措施》) ("**Several Measures**") was announced in June 2022, which sets out measures to enhance the competitiveness of construction companies and promotes the development of the city's construction industry, including encouraging financial institutions to provide financing to major construction companies, providing financial incentives to construction companies reaching certain amount of output value, and optimising the bidding procedure of housing and infrastructure projects etc. On the supply side, our Directors are of the view that the above governmental measures could provide support and incentive to the property developers and construction companies to continue to invest in the real estate market and build properties, while on the demand side, measures such as (i) providing financial incentives and/or subsidies to the local and non-local residents or enterprises by the local government, financial institutions, and/or property developers when residents purchase commodity properties in the urban area of Huaibei City pursuant to the Implementation Opinions; and (ii) providing allowances to first-time homeowner who can fulfil the eligibility requirements (i.e. academic and occupational qualifications) pursuant to the Several Measures could boost up the demand of private properties. While the exact effect and actual trend from these governmental measures remain to be seen in the longer term, our Directors believe that these measures may have begun to generate some positive results. The sale unit of residential properties in Huaibei City increased from approximately 1,000 units in April 2022 to approximately 1,600 units in September 2022, representing an increase of approximately 60%; the sales floor area of residential properties in Huaibei City increased from approximately 84,600 m^2 in April 2022 to approximately 165,800 m^2 in September 2022, representing an increase of approximately 96.0%; and the unit price per m^2 of residential properties slightly decreased from approximately RMB8,000/m^2 in April 2022 to approximately RMB7,800/m^2 in September 2022. In light of the above, our Directors believe, and CIC concurs, that the above measures could help stimulate and stabilise the real estate market in the foreseeable future and the construction materials industry would benefit from the future growth in the property market in Huaibei City and its surrounding cities (including Suzhou City and Bozhou City) as concrete is the key construction materials in the PRC and construction aggregate is one of the primary raw materials in producing concrete products.

Leveraging on our established presence in the region as we are the third largest construction aggregates producers in the markets of Huaibei City and its surrounding cities (including Suzhou City and Bozhou City), our Directors believe that we are able to capture the increasing demand arises from the effective implementation of the above governmental measures and therefore bring positive impact on the business and financial performance of our Group in the future. In addition, our Directors are of the view that on top of the above governmental measures which bring in benefits to the real estate sector, our Group are also well diversified to overcome any potential adverse impact brought by the private real-estate industry. Apart from the private property market, our Group also supplied our products to a range of public infrastructure construction projects in Anhui Province, including Huaibei People's Hospital (淮北市人民醫院), Huaibei City – S101 Hexiang Road renovation project (淮北市S101合相路改建工程), Huaibei Longshan North Road (淮北龍山北路項目) and Huaibei City Bus Passenger Transport Complex Building Hub Station (淮北市公交客運綜合樓樞紐站). The fixed assets investment (including but not limited to investment in infrastructure construction, industrial construction and urban renewal) in (i) Huaibei City increased from approximately RMB105.6 billion in 2017 to approximately RMB153.2 billion in 2021, a CAGR of approximately 9.7%; (ii) Bozhou City increased from approximately RMB106.7 billion in 2017 to approximately RMB139.0 billion in 2021, a CAGR of approximately 6.8%; and (iii) Suzhou City increased from approximately RMB140.3 billion in 2017 to approximately RMB225.3 billion in 2021, a CAGR of approximately 12.6%. It is forecasted that the fixed assets investment (including but not limited to investment in infrastructure construction, industrial construction and urban renewal) in (i) Huaibei City will rise to approximately RMB228.6 billion in 2026, at a CAGR of approximately 8.3% between 2021 and 2026; (ii) Suzhou City is expected to increase from approximately RMB225.3 billion to approximately RMB357.9 billion between 2021 and 2026 with a CAGR of approximately 9.7% between 2021 and 2026; and (iii) Bozhou City is expected to increase from approximately RMB139.0 billion to approximately RMB187.2 billion, with a CAGR of approximately 6.1% between 2021 and 2026. In light of the above, our Directors are of the view that the construction materials industry and our Group will also be able to benefit from the projected increase in fixed assets investments in Huaibei City and its surrounding cities (including Suzhou City and Bozhou City).

To the best knowledge of our Directors having made all reasonable enquiries, our Directors estimated that the revenue derived from end customers who were involved in the development and construction of residential properties were estimated to be approximately RMB158.9 million, RMB123.0 million, RMB113.7 million and RMB88.8 million for the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively, representing approximately 32.3%, 24.3%, 30.7% and 28.3% of our total revenue for the corresponding periods. Therefore, our revenue which was attributable to the real estate sector, on average, has been less than 30% of our total revenue during the Track Record Period. Such exposure was approximately 28.9% during the Track Record Period, and that this exposure has been decreasing from approximately 32.3% for the year ended 31 December 2019 to approximately 28.3% for the nine months ended 30 September 2022. The remaining portion of our revenue which was attributable to public infrastructure construction in Huabei City and its Surrounding Cities (including Suzhou City and Bozhou City). On the other hand, our revenue exposure to public infrastructure construction was approximately 67.7%, 75.7%, 69.3% and 71.7% for the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively. Such exposure has been increasing from approximately 67.7% for the year ended 31 December 2019 to approximately 71.7% for the nine months ended 30 September 2022. For details of the construction projects utilising our products, please refer to the subsection headed "Major construction projects utilising our products" in this section.

In light of the above, the revenue which was attributable to the real estate sector has been relatively limited. Therefore, our Group will not be affected substantially by the current conditions of the real estate sector. Further, the local government implemented measures aiming to stabilise the real estate sector, which generated positive results in Huaibei City on the sales of residential properties. On the other hand, public infrastructure construction is estimated to continue to be our major revenue source, and that such revenue contribution has been increasing during the Track Record Period. The public infrastructure construction sector in Huabei City has been experiencing good and healthy growth during the Track Record Period. As such, our Directors believe that the public infrastructure construction sector in Huaibei City will continue to deliver business volume and revenue growth to our Group.

OVERVIEW

As at the Latest Practicable Date, Huaibei Construction Investment and Cultural Tourism Investment (a wholly-owned subsidiary of Huaibei Construction Investment) held a total of 100% of our total issued share capital. Immediately following the completion of the Global Offering, Huaibei Construction Investment and Cultural Tourism Investment will hold a total of 75% of our enlarged issued share capital (assuming the Over-allotment Option is not exercised). Accordingly, Huaibei Construction Investment and Cultural Tourism Investment are a group of Controlling Shareholders upon Listing.

Huaibei Construction Investment is a wholly state-owned company approved by Huaibei Municipal Government and established on 24 April 2008 with the entire capital contributed by Huaibei SASAC, a PRC governmental body which is principally engaged in management of state-owned assets as authorised by the relevant finance and regulatory bodies of the PRC. Cultural Tourism Investment is a company established in the PRC with limited liability on 20 November 2013, which was wholly-owned by Huaibei Construction Investment as at the Latest Practicable Date. Both Huaibei Construction Investment and Cultural Tourism Investment are principally engaged in investment and management of infrastructure construction projects.

Each of our Directors and Controlling Shareholders has confirmed that none of them nor any of their respective close associates has any interest in any business, apart from the business of our Group, which competes with, or is likely to compete with our business, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders (the "**Covenantors**") has entered into a Deed of Non-competition in favour of our Company (for itself and as trustee for our subsidiaries) on 21 December 2022. Subject to the terms and conditions of the Deed of Non-competition, the Covenantors irrevocably and unconditionally undertake to and covenant with our Company (for itself and as trustee for our subsidiaries) that, during the period in which the Covenantors are subject to the provisions of the Deed of Non-competition:

(i) it will not, and will procure its close associates and/or the companies controlled by it (other than members of our Group) not to, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be engaged in, invest in, acquire, hold or provide any form of assistance to any person, firm or company (except members of the Group) to conduct (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) any business which is or may be similar to or in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time, including but not limited to the production and sale of aggregate products and concrete products (the "**Restricted Business**");

(ii) if it and/or any of its close associates has received, is offered or has identified any business investment or other business opportunity that competes or may compete, directly or indirectly, with the Restricted Business (the "**New Business Opportunity**"), it and/or any of its close associates shall (a) immediately give a notice in writing to our Company in respect of such New Business Opportunity, setting out all reasonably necessary information for our Group to make an informed assessment; and (b) use its best efforts to assist our Company in acquiring such New Business Opportunity at terms and conditions no less favourable than those available to it and/or its close associates;

(iii) neither it nor any of its close associates, directly or indirectly, carries out, participates or is engaged in, invests in, acquires or holds (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or is otherwise involved (other than through our Group) in the Restricted Business;

(iv) it will provide all necessary information for our Directors (including our independent non-executive Directors) to review its compliance with and implementation of the Deed of Non-competition on an annual basis and, if necessary, make annual statements in respect of its compliance with and implementation of the Deed of Non-competition in the annual reports of our Company;

(v) it will allow our Directors, their respective representatives and auditors to have full access to its records and/or will procure its close associates to use their best efforts to allow our Directors, their respective representatives and auditors to have full access to their records, in order for him/her/it to meet the terms and conditions of the Deed of Non-competition; and

(vi) for so long as it or any of its close associates, either alone or as a whole, remains the Controlling Shareholders of our Company (within the meaning of the Listing Rules) or a Director:

(1) it will not participate in, carry on or invest in any project or business opportunity that competes or may compete, directly or indirectly, with the business conducted by our Group from time to time;

(2) it will, in accordance with the Articles of Association and the Listing Rules, declare its interests and, where required, abstain from voting at any board meeting and/or general meeting of our Company and not be counted as quorum where required, if there is any actual or potential conflict of interests;

(3) it and its close associates (other than our Group) will not solicit any existing or then existing employee of our Group;

(4) without the consent of our Company, it will not use any information pertaining to the business of our Group which may have come to its knowledge in its capacity as the Controlling Shareholders of our Company and/or a Director for any purposes; and

(5) it will procure its close associates (other than our Group) not to participate in, carry on or invest in any project or New Business Opportunity mentioned above (except pursuant to paragraph (a) below).

The non-competition undertakings made by each of the Covenantors do not apply in the following circumstances:

(a) if the information on the principal terms of the Restricted Business, project or New Business Opportunity has been made available to our Group and our Directors, the principal terms in accordance with which the relevant Covenantor(s) or its/their close associates participate in carry on or invest in such Restricted Business, project or New Business Opportunity are approximately the same or are no more favourable than these offered to the Company, and our Company has confirmed that it, after review by our Directors (including our independent non-executive Directors, provided that the resolution shall be approved by the majority of our independent non-executive Directors at a meeting in the absence of Directors who have beneficial interest in the project or business relating to such project or business), will refuse to operate, participate in or carry on such Restricted Business relating to such New Business Opportunity, then any close associate of the Covenantors (other than our Group) has the right to participate in, carry on or invest in any Restricted Business relating to such New Business Opportunity that has previously been offered to our Group, irrespective of the value of such business. Subject to the foregoing, if the Covenantors or any of its close associates has decided to directly or indirectly participate in, carry on or invest in any Restricted Business relating to such New Business Opportunity, it/they shall be subject to any conditions imposed by our independent non-executive Directors and shall disclose to our Company the terms under which it/they operate, participate or carry on such Restricted Business as soon as practicable; and

(b) without prejudice to the principle of (a) above, the undertakings made by the Covenantors do not apply to any of the following:

(i) holding of shares or other securities issued by our Company or our subsidiaries; and

(ii) where a company is a company listed on any stock exchange recognised by national laws and holds the shares or securities in any company participating in any Restricted Business, the total interest (within the meaning of Part XV of the SFO) held by each of the Covenantors and its close associates is less than 5% of the share capital of such company.

The non-competition undertakings given by each of our Controlling Shareholders of our Company will take effect from the date on which dealings in our H Shares first commence on the Stock Exchange and will cease to have any effect upon the earlier of the date on which:

(a) any of our Controlling Shareholders and its/their close associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholders of our Company; or

(b) our H Shares cease to be listed on the Stock Exchange (except for temporary suspension of our H Shares due to any reason).

The decision-making process in relation to the Deed of Non-competition will be governed and monitored as follows:

- Our independent non-executive Directors will be responsible for deciding whether or not to take up a New Business Opportunity referred to us under the terms of the Deed of Non-competition and may invite senior management of our Company to assist them or provide any relevant information.

- Our independent non-executive Directors may employ an independent financial adviser and/or competent person as they consider necessary to advise them on the terms of any such New Business Opportunity.

- Our Controlling Shareholders will undertake to keep us informed of New Business Opportunity and to provide all information reasonably required by the independent non-executive Directors to assist them in their consideration of any New Business Opportunity.

- Our independent non-executive Directors will also review, on an annual basis, any decisions in relation to New Business Opportunity referred to us, and state their views with basis and reasons in our annual report.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing for the following reasons:

Management Independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises six executive Directors and three independent non-executive Directors and our board of supervisors consists of three Supervisors. Some of our Director and Supervisors hold the following positions in our Controlling Shareholders or any of their respective close associates:

Name of our Director/Supervisor	Position in our Company	Position in Controlling Shareholders and/or their respective close associates
Mr. Zhang Lizhe (張立哲)	Executive Director	Deputy general manager of Huaibei Construction Investment
		Executive director and general manager of Huaibei Transportation Investment
		Chairman of the board of Huaibei Construction Investment Oil Products Sales Co., Ltd.* (淮北建投油品銷售有限公司)(1)
		Chairman of the board and general manager of Huaibei Rongtong Industrial Co., Ltd.* (淮北市融通實業有限公司)(2)
		Chairman of the board of Huaibei Transportation Investment Petrochemical Oil Sales Co., Ltd.* (淮北市交投石化油品銷售有限公司)(3)
		Chairman of the board of Huaibei Shizhijiguan Transportation Services
Ms. Shi Yinyan (石銀燕)	Executive Director, chief financial officer of our Company	Director of Huaibei Rongtong Industrial Co., Ltd.* (淮北市融通實業有限公司)(2)

Name of our Director/Supervisor	Position in our Company	Position in Controlling Shareholders and/or their respective close associates
Ms. Zhao Mingling (趙明靈)	Supervisor	Supervisor of Huaibei Construction Investment
		Supervisor of Huaibei Transportation Investment
		Supervisor of Anhui South Pond Culture Media Co., Ltd.* (安徽南湖文化傳媒有限責任公司)(4)
		Supervisor of Huaibei Public Utility Assets Operation Co., Ltd.* (淮北市公用事業資產運營有限公司)(5)
		Chairlady of the supervisory committee of Huaibei Construction Investment Small Loan Co., Ltd.* (淮北市建投小額貸款有限公司)(6)
		Supervisor of Huaibei Tongchuang Financing Guarantee Group Co., Ltd.* (淮北市同創融資擔保集團有限公司)(7)
		Supervisor of Cultural Tourism Investment
		Supervisor of Huaibei Finance Holding Co., Ltd.* (淮北市金融控股集團有限公司)(8)
		Supervisor of Huaibei Radio and TV Newspaper Co., Ltd.* (淮北廣播電視報社有限責任公司)(9)
		Supervisor of Anhui Xiangrun Investment Holding Group Co., Ltd.* (安徽相潤投資控股集團有限公司) formerly known as Anhui Linhuan Industrial Park Circular Economy Development Co., Ltd.* (安徽臨渙工業園循環經濟發展有限公司)(10)
		Supervisor of Huaibei Construction Investment Co., Ltd.* (淮北市建設投資有限責任公司)(11)
		Supervisor of Huaibei Science and Technology Industry Investment Development Co., Ltd.* (淮北市科技產業投資發展有限公司)(12)
		Chairlady of the supervisory committee of Wanneng Huaibei Energy Sales Co., Ltd.* (皖能淮北能源銷售有限公司)(13)

Name of our Director/Supervisor	Position in our Company	Position in Controlling Shareholders and/or their respective close associates
Ms. Dong Jing (董璟)	Supervisor	Supervisor of Huaibei Construction Oil Products Sales Co., Ltd.*[(1)]
		Supervisor of Huaibei Rongtong Industrial Co., Ltd.*[(2)]
		Supervisor of Huaibei Transportation Investment Petrochemical Oil Sales Co., Ltd.*[(3)]
		Supervisor of Huaibei Shizhijiguan Transportation Services*
Ms. Li Chi (李馳)	Supervisor	Supervisor of Huaibei Lvjia Real Estate Co., Ltd.* (淮北市綠嘉置業有限公司)[(14)]
		Supervisor of Huaibei Lvsheng Real Estate Co., Ltd.* (淮北市綠盛置業有限公司)[(15)]
		Supervisor of Huaibei Jiantou Lvjin Real Estate Co., Ltd.* (淮北市建投綠金置業有限公司)[(16)]
		Supervisor of Huaibei Jiantou Lvxin Real Estate Co., Ltd.* (淮北市建投綠信置業有限公司)[(17)]
		Supervisor of Huaibei Yisheng Real Estate Co., Ltd.* (淮北市易盛置業有限公司)[(18)]
		Supervisor of Huaibei Pengyue Real Estate Co., Ltd.* (淮北市鵬悦置業有限公司)[(19)]
		Supervisor of Huaibei Jiantou Lvheng Real Estate Co., Ltd.* (淮北市建投綠恒置業有限公司)[(20)]
		Supervisor of Huaibei Penghui Real Estate Co., Ltd.* (淮北鵬輝置業有限公司)[(21)]
		Supervisor of Huaibei Jiantou Lvhe Real Estate Co., Ltd.* (淮北市建投綠合置業有限公司)[(22)]

Name of our Director/Supervisor	Position in our Company	Position in Controlling Shareholders and/or their respective close associates
		Supervisor of Huaibei Pengyang Real Estate Co., Ltd.* (淮北市鵬揚置業有限公司)(23)
		Supervisor of Huaibei Lvjin Real Estate Co., Ltd.* (淮北市綠錦置業有限公司)(24)
		Supervisor of Huaibei Pengtai Real Estate Co., Ltd.* (淮北市鵬泰房地產有限公司)(25)

Notes:

(1) Huaibei Construction Investment Oil Products Sales Co., Ltd. is an indirect wholly-owned subsidiary of Huaibei Construction Investment.

(2) Huaibei Rongtong Industrial Co., Ltd. is an indirect wholly-owned subsidiary of Huaibei Construction Investment.

(3) Huaibei Transportation Investment Petrochemical Oil Sales Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(4) Anhui South Pond Culture Media Co., Ltd. is an indirect wholly-owned subsidiary of Huaibei Construction Investment.

(5) Huaibei Public Utility Assets Operation Co., Ltd. is a direct non-wholly owned subsidiary of Huaibei Construction Investment.

(6) Huaibei Construction Investment Small Loan Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(7) Huaibei Tongchuang Financing Guarantee Group Co., Ltd. is a direct non-wholly owned subsidiary of Huaibei Construction Investment.

(8) Huaibei Finance Holding Co., Ltd. is a direct wholly-owned subsidiary of Huaibei Construction Investment.

(9) Huaibei Radio and TV Newspaper Co., Ltd. is an indirect wholly-owned subsidiary of Huaibei Construction Investment.

(10) Anhui Xiangrun Investment Holding Group Co., Ltd. formerly known as Anhui Linhuan Industrial Park Circular Economy Development Co., Ltd. is a direct wholly-owned subsidiary of Huaibei Construction Investment.

(11) Huaibei Construction Investment Co., Ltd. is a direct non-wholly owned subsidiary of Huaibei Construction Investment.

(12) Huaibei Science and Technology Industry Investment Development Co., Ltd. is a direct non-wholly owned subsidiary of Huaibei Construction Investment.

(13) Wanneng Huaibei Energy Sales Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(14) Huaibei Lvjia Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(15) Huaibei Lvsheng Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(16) Huaibei Jiantou Lvjin Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(17) Huaibei Jiantou Lvxin Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(18) Huaibei Yisheng Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(19) Huaibei Pengyue Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(20) Huaibei Jiantou Lvheng Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(21) Huaibei Penghui Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(22) Huaibei Jiantou Lvhe Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(23) Huaibei Pengyang Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(24) Huaibei Lvjin Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

(25) Huaibei Pengtai Real Estate Co., Ltd. is an indirect non-wholly owned subsidiary of Huaibei Construction Investment.

Despite the overlapping positions in our Company and our Controlling Shareholders, Ms. Zhao Mingling, Ms. Dong Jing and Ms. Li Chi do not assume any executive role in our Group. Although Mr. Zhang Lizhe and Ms. Shi Yinyan hold executive roles in our Controlling Shareholders and our Company, while performing their duties as an executive director, they have been and will continue to be supported by the separate and independent senior management teams of our Controlling Shareholders and our Group. In addition, there are other seven Directors, who do not take any position in our Controlling Shareholders and their respective close associates.

Based on the above and the following reasons, we consider that our Board and senior management will function independently of our Controlling Shareholders and their respective close associates:

(a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum subject to the provision of the Articles of Association; and

(c) all our Directors, Supervisors and senior management members (other than the abovementioned Director and Supervisors) are independent from our Controlling Shareholders. Our Group has established several departments with managers overseeing different areas of our business who shall report to the directors of our subsidiaries before reporting to the Board.

Operational Independence

We possess sufficient capital, assets, equipment, production and operating facilities and human resources to operate our business independently. We have obtained relevant licences, approvals and permits from regulatory authorities which are necessary to our operation in the PRC.

Other than the transactions set forth in the section headed "Continuing Connected Transactions", we have independent access to independent suppliers and independent customers for the operation of our business. Our Group has the skill and network to independently explore new market opportunities and solicit business opportunities with independent suppliers and customers. Operational and financial decisions are made by our Board and/or senior management, which are independent of our Controlling Shareholders. Our Company has established its own operating structure, which is composed of a number of departments, each of which has its own specific areas of responsibilities. Our Company has also developed a comprehensive internal control mechanism to facilitate effective business operations. All of our Group's administrative functions are performed by full-time employees of our Group. During the Track Record Period, we have supplied aggregate and concrete products to and procured raw materials, goods and services from Huaibei Construction Investment Group. Notwithstanding this, our Directors believe that we do not have heavy reliance on Huaibei Construction Investment Group. For further details, please refer to the paragraph headed "Business – Relationship with Huaibei Construction Investment Group". Based on the above, our Directors are of the view that our Company operates independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have our own internal control and financial system and make financial decisions according to our own business needs. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and their respective close associates.

During the Track Record Period, our Group's bank loans were directly or indirectly secured by the assets provided by and/or guaranteed by our Controlling Shareholders and/or their respective close associates. As of 30 September 2022, the amount of bank borrowings directly or indirectly secured and/or guaranteed by our Controlling Shareholders and/or their respective close associates were approximately RMB933.9 million, which will be released or replaced by our Company's corporate guarantee including mining rights upon the Listing.

Save as disclosed above, our Controlling Shareholders and their respective close associates have not entered in any financial arrangements with our Group as at the Latest Practicable Date.

Taking into account of the above factors, our Directors believe that the financial assistance provided by our Controlling Shareholders and their respective close associates during the Track Record Period would not affect our financial independence from the Controlling Shareholders, and going forward, our Company will continue to be capable of obtaining financial from independent external sources for our business operations on normal commercial terms without reliance on our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) our Directors shall comply with the Articles of Association which require our interested Director(s) not to vote (nor be counted in the quorum) on any resolutions of our Board approving any contracts or arrangements or other proposals in which he/she or any of his/her close associates is materially interested;

(b) any Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) our Company has appointed China Everbright Capital Limited as the compliance adviser who shall provide us with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws; and

(d) any transaction (if any) between (or proposed to be entered into between) our Group and our connected persons will be required to comply with the relevant provisions under Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group, and to protect the interests of our Shareholders, in particular, the minority Shareholders.

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, the directors, substantial shareholders and chief executive of our Company and our subsidiaries, any person who was a director of our Company or our subsidiaries within 12 months preceding the Listing Date and any of their respective associates will be connected persons of our Company upon Listing.

Our Group has entered into a number of agreements with parties who will, upon completion of the Listing, become our connected persons, and the transactions disclosed in this section will constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

CONNECTED PERSONS

1. Huaibei Construction Investment

Huaibei Construction Investment mainly engages in the business of, among others, investment and management of infrastructure construction projects. Huaibei Construction Investment is one of our Controlling Shareholders. Therefore, Huaibei Construction Investment and its respective associates are considered as connected persons of our Company under Chapter 14A of the Listing Rules.

2. Leiming Blasting

Leiming Blasting mainly engages in the business of, among others, blasting-related services. As at the Latest Practicable Date, Tongming Mining is owned as to 33% by Leiming Blasting. Therefore, Leiming Blasting is a substantial shareholder of our subsidiary and hence is considered as a connected person at the subsidiary level of our Group under Chapter 14A of the Listing Rules.

3. Huaibei Mining Share

Huaibei Mining Share mainly engages in, among others, sales of mine explosives and provision of other ancillary services. As at the Latest Practicable Date, Tongming Mining is owned as to 33% by Leiming Blasting and Huaibei Mining Share is a fellow subsidiary of Leiming Blasting. Therefore, Huaibei Mining Share is considered as a connected person at the subsidiary level of our Group under Chapter 14A of the Listing Rules.

Accordingly, the transactions between each of (i) Huaibei Construction Investment and its respective associates; (ii) Leiming Blasting; and (iii) Huaibei Mining Share on one hand, and our Group, on the other hand, will constitute connected transactions for our Group under Chapter 14A of the Listing Rules.

SUMMARY OF CONTINUING CONNECTED TRANSACTION

The following table sets forth a summary of our continuing connected transactions:

Fully exempt Continuing Connected Transaction

	Annual cap for each of the three years ending 31 December 2024 *(RMB million)*
Rescue Services Procurement Framework Agreement with Huaibei Mining Share	2022: 0.02 2023: 0.02 2024: 0.02

Non-exempt Continuing Connected Transactions

	Annual cap for each of the three years ending 31 December 2024 *(RMB million)*
Blasting Services Procurement Framework Agreement with Leiming Blasting	2022: 16.9 2023: 19.1 2024: 21.5
Products Sales Framework Agreement with Huaibei Construction Investment	2022: 148.2 2023: 154.5 2024: 157.3

(A) CONTINUING CONNECTED TRANSACTION FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

The following transactions have been and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and our Directors expect that all applicable percentage ratios of the relevant transactions are less than 0.1% or less than 5.0% and the total annual consideration is less than HK$3 million, which is within the de minimis threshold stipulated in Rule 14A.76(1) under Chapter 14A of the Listing Rules.

1. Rescue Services Procurement Framework Agreement with Huaibei Mining Share

During the Track Record Period, we procured rescue services from Huaibei Mining Share.

Principal terms

Parties

(i) Our Company, and

(ii) Huaibei Mining Share.

Subject matter and terms

On 21 December 2022, Huaibei Mining Share entered into a rescue services procurement framework agreement with our Company (the "**Rescue Services Procurement Framework Agreement**"), pursuant to which the Militarised Ambulance Brigade (軍事化救護大隊), being a unit of Huaibei Mining Share shall provide rescue services to our Group to assist in mine accidents and disasters control (if any), for which Huaibei Mining Share will charge our Group fees for an initial term commencing from the Listing Date and ending on 31 December 2024 (the "**Initial Term**"), which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the transaction

The Militarised Ambulance Brigade of Huaibei Mining Share is familiar with our business nature and demand and we have maintained a stable business relationship. Our Directors consider that Huaibei Mining Share can provide us with a rescue team who has the requisite expertise and experience of mine accidents and disasters control.

Pricing

The pricing for the rescue services is determined with reference to the price comparable to the type of services and terms provided by independent suppliers under normal commercial terms and in the ordinary course of business and such price and terms shall be no less favourable to our Group than is available from independent suppliers. Our Group will contemporaneously seek and compare the quotations and terms of services of at least two other independent suppliers offering the same or comparable services against the quotation and terms of services of Huaibei Mining Share, by providing them with similar details of services requested. Our Group would engage Huaibei Mining Share for the provision of services if the price and terms of the services offered are comparable to or more favourable to our Group than those offered by independent suppliers.

Historical figures

The total transactions amount for the procurement of rescue services from Huaibei Mining Share for each of the three years ended 31 December 2021 and the nine months ended 30 September 2022 were RMB10,000, RMB20,000, RMB20,000 and nil, respectively.

Annual caps and basis of the caps

The annual caps under the Rescue Services Procurement Framework Agreement are determined based on the historical transaction amounts for the Track Record Period. It is expected that the annual total purchase price to be paid by our Group to Huaibei Mining Share for the years ending 31 December 2022, 2023 and 2024 will not be more than RMB20,000, RMB20,000 and RMB20,000, respectively.

(B) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM STRICT COMPLIANCE WITH INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

The following transactions have been and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and our Directors expect that the highest applicable percentage ratio (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Such transactions will be subject to reporting, annual review and announcement requirements but exempt from strict compliance with the independent shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

1. Blasting Services Procurement Framework Agreement with Leiming Blasting

During the Track Record Period, we procured blasting services from Leiming Blasting.

Principal terms

Parties

(i) Our Company (for ourselves and on behalf of our subsidiaries); and

(ii) Leiming Blasting.

Subject matter and terms

Leiming Blasting entered into a blasting services procurement framework agreement (the "**Blasting Services Procurement Framework Agreement**") on 21 December 2022 with our Company, pursuant to which Leiming Blasting shall provide blasting services to our Group for an initial term commencing from the Listing Date and ending on 31 December 2024 (the "**Initial Term**"), which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the transaction

Pursuant to the shareholders' agreement of Tongming Mining entered into between Huaibei Transportation Investment, which was the then shareholder of Tongming Mining and Leiming Blasting dated 18 April 2016, Leiming Blasting undertook to provide blasting-related services to Tongming Mining on terms no less favourable to our Group than terms available to or from Independent Third Parties. Through years of cooperation, we believe that Leiming Blasting has understanding of our way of quality control as well as safety requirements, which will enable smooth cooperation and operation and costs saving. According to the CIC Report, Leiming Blasting is one of the major blasting service providers in Huaibei City and it possesses technical capability. For further details, please refer to the paragraph headed "Business – Suppliers and Subcontractors – Arrangements with Subcontractors" in this prospectus.

Pricing

The pricing for the blasting services is determined with reference to the price comparable to the types of services and terms provided by independent suppliers under normal commercial terms and in the ordinary course of business and such price and terms shall be no less favourable to our Group than is available from independent suppliers. Our Group will contemporaneously seek and compare the quotations and terms of services of at least two other independent suppliers offering the same or comparable services against the quotation and terms of services of Leiming Blasting, by providing them with similar details of services requested such as formulating a blasting plan, arranging and managing equipment and materials required for blasting and rock drilling and testing. Our Group would engage Leiming Blasting for the provision of services if the price and terms of the services offered are comparable to or more favourable to our Group than those offered by independent suppliers and after having considered the strategic need to ensure uninterrupted supply of the services to our Group.

Historical figures

The total transactions amount of blasting services provided by Leiming Blasting to our Group for each of the three years ended 31 December 2021 and the nine months ended 30 September 2022 were RMB14.9 million, RMB19.3 million, RMB15.8 million and RMB14.4 million, respectively.

Annual caps and basis of the caps

The annual caps under the Blasting Services Procurement Framework Agreement are determined after arm's length negotiations between the parties with reference to:

(i) the historical transaction amounts for the Track Record Period,

(ii) estimated sales volume of aggregate products for each of the three years ending 31 December 2024, which amounts to 3.5 million tonnes, 4.0 million tonnes, and 4.5 million tonnes, respectively, based on the existing sales volume of aggregate products as of 30 September 2022 and our Group's aggregate products production plan and targets; and

(iii) prevailing market rates for the provision of blasting services similar in nature, which normally ranged from RMB4.5 to RMB6.0 per tonne, according to CIC.

It is expected that the annual total purchase price to be paid by our Group to Leiming Blasting for the years ending 31 December 2022, 2023 and 2024 will not be more than RMB16.9 million, RMB19.1 million and RMB21.5 million, respectively.

(C) CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

The following transactions have been carried out and will be entered into in our ordinary and usual course of business and on normal commercial terms or better, and our Directors expect that the highest applicable percentage ratio (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Such transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Products Sales Framework Agreement with Huaibei Construction Investment

During the Track Record Period, our Group supplied aggregate and concrete products to Huaibei Construction Investment Group.

Principal terms

Parties

(i) Huaibei Construction Investment (for itself and on behalf of its subsidiaries); and

(ii) our Company (for ourselves and on behalf of our subsidiaries).

Subject matter and terms

On 21 December 2022, our Company entered into a products sales framework agreement (the "**Products Sales Framework Agreement**") with Huaibei Construction Investment pursuant to which our Group shall supply aggregate and concrete products to Huaibei Construction Investment Group for an initial term commencing from the Listing Date and ending on 31 December 2024 (the "**Initial Term**"), which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

During the Initial Term of the Products Sales Framework Agreement, it is envisaged that from time to time, Huaibei Construction Investment Group may place individual purchase orders ("**Individual Orders**") with our Group.

Reasons for the transaction

Since sale of aggregate and concrete products is in the ordinary and usual course of business of our Group, the transactions under the Products Sales Framework Agreement will broaden the income base of our Group. For details of the reason for the transaction, please refer to the section headed "Business – Relationship with Huaibei Construction Investment Group".

Our Directors consider that the transactions contemplated under the Products Sales Framework Agreement are fair and reasonable, on normal commercial terms and are in the interests of our Group and our Shareholders as a whole.

Pricing

The prices payable by Huaibei Construction Investment Group to our Group under the Individual Orders will be determined in accordance with the pricing policy adopted and regularly reviewed by our Group for the sale of aggregate and concrete products with reference to (i) the monthly market indicative price on construction materials published by Huaibei Construction Standard Rating Station (淮北市建設標準定額站) (if applicable); (ii) the prevailing market price of the same or similar products supplied by our Group to at least two Independent Third Parties in the same or neighbourhood regions based on normal commercial terms and in the ordinary and usual course of business; (iii) our production costs; (iv) payment terms; and (v) transportation costs.

Historical figures

The total transactions amount regarding the aggregate and concrete products sales to Huaibei Construction Investment Group for each of the three years ended 31 December 2021 and the nine months ended 30 September 2022 were approximately RMB3.1 million, RMB62.4 million, RMB114.0 million and RMB91.4 million, respectively. The increase in the historical transaction amount was mainly due to the increase in demand of ready-mixed concrete from Huaibei Construction Investment Group. For further details of the sale of ready-mixed concrete to Huaibei Construction Investment Group, please refer to the paragraph headed "Business – Customers – Relationship with Huaibei Construction Investment Group" in this prospectus.

Annual caps and basis of the caps

It is expected that the annual total purchase price to be paid by Huaibei Construction Investment Group to our Group for the years ending 31 December 2022, 2023 and 2024 will not be more than RMB148.2 million, RMB154.5 million and RMB157.3 million, respectively.

The increase in the annual caps under the Products Sales Framework Agreement for the three years ending 31 December 2024 as compared to the historical transaction amount for the three years ended 31 December 2021 and the nine months ended 30 September 2022 is mainly due to the expected increase in demand for aggregate and concrete products from the Huaibei Construction Investment Group, taking into consideration:

(i) the historical transaction amount arising from the existing contracts and the number of existing contracts under which we are engaged by Huaibei Construction Investment Group to provide aggregate and concrete products. During the Track Record Period, the number of contracts signed between our Group and Huaibei Construction Investment Group was 3, 8, 7 and 8, respectively;

(ii) the projected revenue in respect of construction projects under development by Huaibei Construction Investment Group for which our Group had been contracted to provide concrete products for the three years ended 31 December 2021 and the nine months ended 30 September 2022; and

(iii) the expected increase in the number of projects which we anticipate we may be engaged by Huaibei Construction Investment Group to provide concrete products based on the growth and development of the construction industry in Huaibei City and its surrounding cities. For each of the three financial years ending 31 December 2024, the estimate construction projects which we may be engaged by Huaibei Construction Investment Group to provide concrete products will be 18, 31 and 32, respectively.

(D) APPLICATION FOR WAIVER

The transactions described in "– (B) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement Requirements but exempt from strict compliance with Independent Shareholders' Approval Requirements" in this section constitute our continuing connected transactions under the Listing Rules which are subject to the reporting, annual review and announcement requirements of the Listing Rules. The transactions described in "– (C) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" in this section constitute our continuing connected transactions under the Listing Rules which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements of the Listing Rules.

As described above, we expect the continuing connected transactions to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement, circular and/or independent shareholders' approval requirements (as the case may be) under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, waivers exempting us from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "– (B) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement Requirements but exempt from strict compliance with Independent Shareholders' Approval Requirements" and "– (C) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set out in the respective annual caps (as stated above).

Our Company will comply with the applicable requirements under the Listing Rules if any of the proposed caps set out above are exceeded, or when there is a material change in the terms of these transactions. Apart from the announcement and independent shareholders' approval requirements for which waiver have been sought, our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules.

If any terms of the transactions contemplated under the abovementioned agreements are altered or if our Company enters into any new agreements with any connected persons in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

(E) DIRECTORS' VIEW

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in "– (B) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement Requirement but exempt from strict compliance with Independent Shareholders' Approval Requirements" and "– (C) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" in this section have been and will continue to be carried out: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) the terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole. In addition, the annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

(F) SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view that the continuing connected transactions described in "– (B) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement Requirement but exempt from strict compliance with Independent Shareholders' Approval Requirements" and "– (C) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" in this section have been and will continue to be carried on: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) the terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole. In addition, the annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholder as a whole.

(G) INTERNAL CONTROL MEASURES

In order to ensure that the terms under the continuing connected transactions described in "– (B) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement Requirement but exempt from strict compliance with Independent Shareholders' Approval Requirements" and "– (C) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" in this section and continuing connected transactions contemplated thereunder are fair and reasonable, and the connected transactions are carried out under normal commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the connected transactions. In addition, the Audit Committee, the Board and various other internal departments of our Company (including but not limited to the finance department) are jointly responsible for evaluating the terms under the framework agreements for connected transactions, in particular, with respect to the fairness of the pricing policies and annual caps under each agreement;

- the Audit Committee, the Board and various other internal departments of our Company also regularly monitor the fulfilment status and the transaction updates under the framework agreements. In addition, the management of our Company also regularly reviews the pricing policies of the continuing connected transactions;

- our independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions and provide annual confirmations to ensure that, pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;

- our finance department will maintain and update the list of connected persons of our Group. Such list will be circulated to members and relevant departments of our Group on a quarterly basis; and

- when considering service fees for the services to be provided by our Group to the above connected persons, our Group will constantly research prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered to the above connected persons from mutual commercial negotiations are fair, reasonable and are no less favourable than those to be offered to Independent Third Parties.

BOARD OF DIRECTORS

Our Board consists of nine Directors, including six executive Directors and three independent non-executive Directors. Our Directors were elected and appointed by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment. The functions and duties of our Board include but are not limited to: convening Shareholders' general meetings and reporting our Board's work at the Shareholders' general meetings; implementing the resolutions passed at the Shareholders' general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association.

The following table sets forth certain information of our Directors.

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Liu Yong (劉勇)	50	Chairman, executive Director	6 December 2018	16 February 2016	Overall management and participate in our Group's operation and strategic planning	None
Ms. Zhao Li (趙麗)	39	Executive Director	6 December 2018	5 March 2018	Overall management and participate in our Group's operation	None
Mr. Mao Hongxian (毛鴻顯)	31	Executive Director	6 December 2018	6 December 2018	Overall management and participate in our Group's operation	None
Mr. Qin Jiapeng (秦加朋)	52	Executive Director	6 December 2018	6 December 2017	Overall management and participate in our Group's operation	None
Mr. Zhang Lizhe (張立哲)	53	Executive Director	6 December 2018	16 February 2016	Overall management and participate in our Group's operation	None
Ms. Shi Yinyan (石銀燕)	48	Executive Director, chief financial officer	26 May 2021	20 December 2018	Overseeing our Group's overall management operation, financial matters	None

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Gao Wei (郜偉)	38	Independent non-executive Director	16 June 2021	16 June 2021	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	None
Mr. Liu Chaotian (劉朝田)	59	Independent non-executive Director	16 June 2021	16 June 2021	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	None
Ms. Xing Mengwei (邢梦瑋)	32	Independent non-executive Director	16 June 2021	16 June 2021	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	None

Executive Directors

Mr. Liu Yong (劉勇), age 50, has been the chairman of our Board and an executive Director since 6 December 2018. He is primarily responsible for, among others, overseeing the Board, operation and management, business coordination, safe production and business coordination of the Group. The previous work experience of Mr. Liu is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
September 1991 to August 1999	Huaibei Fuel Company of Anhui Province* (安徽省淮北燃料公司)	Sale of coal	Chief of finance	Accounting, preparation of financial statements

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
September 1999 to August 2006	Huaibei Xiangshan District West Street Office* (淮北市相山區西街道辦事處)	Governmental organisation	Officer	Family planning
September 2006 to July 2015	Huaibei Tongchuang Financial Guarantee Group Co., Ltd.* (淮北市同創融資擔保集團有限公司)	Provision of loan guarantee	Officer	Management and coordination work
July 2015 to December 2018	Huaibei Transportation Investment	Investment and management of transportation infrastructure and construction projects	Head of business development	• Coordinating and supervising the implementation of projects • Participating in the research of mining site for the establishment of Tongming Mining • Conducting feasibility study of Gaoloushan Mine • Assisting in the construction of the Phase I Gaoloushan Mine • Participating in the management of mine production and operation
February 2016 to June 2018	Liantong Municipal	Production and sale of concrete products	Director	Overall management
April 2016 to January 2019	Tongming Mining	Production and sale of aggregate products	Director	Overall management
March 2017 to March 2018	Sanya Xinhu Concrete Co., Ltd.* (三亞新湖混凝土有限公司)	Production and sale of concrete products	Director	Overall management

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
November 2017 to May 2018	Huaibei Transportation Investment Petrochemical Oil Sales Co., Ltd.* (淮北市交投石化油品銷售有限公司)	Sale of petrochemical oil	Chairman	Overall management
December 2017 to March 2018	Huaibei Construction Investment Dongming Petrochemical Oil Sales Co., Ltd. (淮北市建投東明石化油品銷售有限公司)	Sale of petrochemical oil	Director	Overall management
December 2007 to present	Huaibei Huxin Pawn Co., Ltd.* (淮北市互信典當有限公司)	Pawn business	Supervisor	Supervising the board and members of senior management
December 2017 to present	Anhui Zhongye Huaihai Prefabricated Construction Co., Ltd.* (安徽中冶淮海裝配式建築有限公司)	Production and sales of fabricated construction products	Director	Overall management
December 2018 to present	Our Company	Production and sale of construction aggregate and concrete products	Chairman, executive Director	Overall management and participate in our Group's operation and strategic planning
March 2022 to present	Tongtai Tongjin	Mining and processing of copper and gold	Director	Overall management

Mr. Liu graduated from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Finance and Trading School* (安徽財貿學院)) in December 1995 where he completed the course of industrial economics management. Mr. Liu was accredited the intermediate accountant qualification by the Ministry of Finance of PRC (中華人民共和國財政部) in May 1999.

Ms. Zhao Li (趙麗), age 39, has been an executive Director since 6 December 2018. She is primarily responsible for overseeing the general department and the overall management of fixed assets, documentations, seals and logistics support of the Group. The previous work experience of Ms. Zhao Li is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
October 2006 to July 2015	Huaibei Tongchuang Financial Guarantee Group Co., Ltd.* (淮北市同創融資擔保集團有限公司)	Provision of loan guarantee	Finance manager	Financial accounting and funds operation, preparation of financial plan and provide supervision
July 2015 to June 2017	Huaibei Transportation Investment	Investment and construction	Chief of finance	Financial accounting and funds operation, preparation of financial plan and provide supervision
June 2017 to November 2020	Huaibei Transportation Investment	Investment and construction	Chief of general affairs	Management and coordination work
March 2018 to January 2019	Tongming Mining	Production and sale of aggregate products	Supervisor	Supervising the board and members of senior management
July 2018 to July 2019	Liantong Municipal	Production and sale of concrete products	Supervisor	Supervising the board and members of senior management
December 2018 to present	Our Company	Production and sale of construction aggregate and concrete products	Executive Director	Overall management and participate in our Group's operation

Ms. Zhao Li graduated from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Finance and Trading School* (安徽財貿學院)) in January 2009 where she obtained her bachelor's degree in management. She was accredited the intermediate accountant qualification by the Ministry of Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障廳) in August 2010.

Mr. Mao Hongxian (毛鴻顯), age 31, has been an executive Director since 6 December 2018. He is primarily responsible for overseeing the safe production, environmental work, internal control, sales and procurement of the Group and the overall management of Tongming Mining. The previous work experience of Mr. Mao is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
July 2013 to March 2016	Huaibei Mining Co., Ltd. (淮北礦業股份有限公司)	Processing and sale of coal	Technician	Electrical engineering maintenance management
April 2016 to December 2018	Huaibei Transportation Investment	Investment and management of transportation infrastructure and construction projects	Business manager	• Investment development and project management work • Participating in the research of mining site for the establishment of Tongming Mining • Conducting feasibility study of Gaoloushan Mine • Assisting in the construction of the Phase I Gaoloushan Mine • Participating in the management of mine production and operation
December 2018 to present	Tongming Mining	Production and sale of aggregate products	Deputy general manager	Overseeing the operation and administration department and general department, financial assets management, tenders, internal control, sales and procurement and the overall management
December 2018 to present	Our Company	Production and sale of construction aggregate and concrete products	Executive Director	Overall management and participate in our Group's operation
January 2019 to present	Tongming Mining	Production and sale of aggregate products	Director	Overall management

Mr. Mao graduated from the China University of Mining and Technology (中國礦業大學) in June 2013 where he obtained his bachelor's degree in engineering, majoring in electrical engineering and automation.

Mr. Qin Jiapeng (秦加朋), aged 52, has been an executive Director since 6 December 2018. He is primarily responsible for overseeing the safe production, internal control, production and sales of the Group and the overall management of Liantong Municipal. The previous work experience of Mr. Qin is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
July 1991 to December 1996	Huaibei Rubber Factory* (淮北市橡膠廠)	Manufacture of rubber conveyor	Officer	Equipment maintenance and related matters
December 1996 to August 2002	Huaibei Trust Investment Co., Ltd.* (淮北市信託投資有限公司)	Financial service	Officer	Financial service related matters
August 2002 to September 2013	Huaibei Jinkang Property Management Centre* (淮北市金康物業管理中心)	Property service	Deputy general manager	Business management
September 2013 to May 2017	Huaibei Transportation Investment*	Investment and construction	Person in charge of the property group	Operation management
February 2014 to February 2018	Huaibei Rongtong Industrial Co., Ltd.* (淮北市融通實業有限公司)	Toll road and taxi advertisement business	Director	Overall management
August 2016 to August 2018	Huaibei Transportation Investment*	Investment and construction	Director	Overall management
October 2016 to March 2018	Huaibei Jindun Motor Vehicle Testing Co., Ltd.* (淮北市金盾機動車檢測有限公司)	Vehicle testing	Director	Overall management

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
October 2016 to March 2018	Huaibei Gold Eagle Motor Vehicle Environmental Exhaust Detection Co., Ltd.* (淮北市金鷹機動車環保尾氣檢測有限公司)	Motor vehicle exhaust emission inspection	Director	Overall management
May 2017 to December 2017	Huaibei Jinan Driving School Co., Ltd.* (淮北市金安駕校有限責任公司)	Driving school	Deputy general manager	Overall management
December 2017 to present	Liantong Municipal	Production and sale of concrete products	Deputy general manager	Providing assistance to the general manager in operation management
June 2018 to present	Liantong Municipal	Production and sale of concrete products	Director	Overall management
December 2018 to present	Our Company	Production and sale of construction aggregate and concrete products	Executive Director	Overall management and participate in our Group's operation

Mr. Qin was previously a supervisor and shareholder of the following company before its deregistration:

Company name	Nature of business	Place of incorporation	Position held	Date of dissolution	Means of dissolution
Huaibei Xinchao Property Service Co., Ltd.* (淮北市鑫超物業服務有限公司)	Property services	The PRC	Supervisor	26 April 2020	Deregistration

Mr. Qin confirmed that (i) the above company was solvent immediately prior to the deregistration; (ii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the deregistration of the above company; and (iii) there was no wrongful act on his part leading to the deregistration of the above company.

Mr. Qin graduated from the Anhui Chemical School* (安徽省化工學校) in July 1991 where he obtained the certificate of instrument and automation profession. He further obtained the certificate of computer application in Anhui Open University* (安徽開放大學) (formerly known as Anhui Broadcast Television University* (安徽廣播電視大學)) in July 1995.

Mr. Zhang Lizhe (張立哲), aged 53, has been an executive Director since 6 December 2018. He is primarily responsible for overseeing the general department and management and administration, human resources and determining the remuneration packages of employees. The previous work experience of Mr. Zhang is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
July 1992 to September 2009	Anhui Wanbei Coal and Electricity Group Co., Ltd.* (安徽省皖北煤電集團有限責任公司)	Coal business	Deputy general manager of the wages department and deputy officer of employment referral centre	Assisting the senior management with operation
September 2009 to April 2015	Anhui Hengyuan Coal and Electricity Co., Ltd.* (安徽恒源煤電股份有限公司)	Coal mining and sale	Deputy general manager of the human resources department and head of planning and recruitment office	Assisting the senior management with human resources matters
July 2015 to November 2019	Huaibei Industry Support Fund Co., Ltd.* (淮北市產業扶持基金有限公司) formerly known as Huaibei Industrial Investment Guidance Fund Co., Ltd.* (淮北市產業投資引導基金有限公司)	Investment in high-tech and modern industries	Director	Overall management
March 2017 to October 2018	Sanya Xinhu Concrete Co., Ltd.* (三亞新湖混凝土有限公司)	Product and sale of concrete products	General manager	Overseeing the operation of the board

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
December 2017 to March 2018	Huaibei Construction Investment Dongming Petrochemical Oil Sales Co., Ltd.* (淮北市建投東明石化油品銷售有限公司)	Sale of petrochemical oil	General manager	Overall management
April 2015 to September 2022	Huaibei Construction Investment	City development, public utility services, construction and related services	Director	Financial management and business in Hefei office
April 2015 to present	Huaibei Construction Investment	City development, public utility services, construction and related services	Deputy general manager	Financial management and business in Hefei office
May 2015 to present	Huaibei Rongtong Industrial Co., Ltd.* (淮北市融通實業有限公司)	Toll road and taxi advertisement business	Chairman of the board and general manager	Overseeing the operation of the board
July 2015 to present	Huaibei Jin'an Driving School Co., Ltd.* (淮北市金安駕校有限責任公司)	Driving school	Chairman of the board and general manager	Overseeing the operation of the board
July 2015 to present	Huaibei Gold Eagle Motor Vehicle Environmental Exhaust Detection Co., Ltd.* (淮北市金鷹機動車環保尾氣檢測有限公司)	Motor vehicle inspection	Chairman of the board	Overseeing the operation of the board
February 2016 to present	Liantong Municipal	Production and sale of concrete products	Director	Overall management

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
April 2016 to present	Tongming Mining	Production and sale of aggregate products	Director	• Investment development and project management work • Participating in the research of mining site for the establishment of Tongming Mining • Conducting feasibility study of Gaoloushan Mine • Assisting in the construction of the Phase I Gaoloushan Mine • Participating in the management of mine production and operation
August 2016 to present	Huaibei Transportation Investment	Investment	Director and general manager	Overseeing company's operation and management
November 2017 to present	Huaibei Transportation Investment Petrochemical Oil Sales Co., Ltd.* (淮北市交投石化油品銷售有限公司)	Sales of petrochemical oil	Chairman of the board and general manager	Overseeing the operation of the board
March 2018 to December 2021	Huaibei Jindun Motor Vehicle Testing Co., Ltd.* (淮北市金盾機動車檢測有限公司)	Motor vehicle testing	Chairman of the board and general manager	Overseeing the operation of the board
March 2018 to present	Huaibei Shizhijiguan Transportation Services	Transportation services	Chairman of the board and general manager	Overseeing the operation of the board

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
March 2018 to present	Tongming Mining	Production and sale of aggregate products	Chairman	• Investment development and project management work • Participating in the research of mining site for the establishment of Tongming Mining • Conducting feasibility study of Gaoloushan Mine • Assisting in the construction of the Phase I Gaoloushan Mine • Participating in the management of mine production and operation
July 2018 to present	Liantong Municipal	Production and sale of concrete products	Chairman	Overseeing the board
December 2018 to present	Our Company	Production and sale of construction aggregate and concrete products	Executive Director	Overall management and participate in our Group's operation
January 2021 to present	Huaibei Construction Investment Oil Products Sales Co., Ltd.* (淮北建投油品銷售有限公司)	Sale of oil products	Chairman of the board	Overseeing the operation of the board
March 2022 to present	Tongtai Tongjin	Mining and processing of copper and gold	Director	Overall management

Mr. Zhang was previously a legal representative and chairman of the board of the following company before its deregistration:

Company name	Nature of business	Place of incorporation	Position held	Date of dissolution	Means of dissolution
Zhongtai Huaihai High-Tech Co., Ltd.* (中泰淮海高新技術股份有限公司)	New products, new material and technology development, technical consultancy	PRC	Legal representative and chairman of the board	1 July 2021	De-registration

Mr. Zhang confirmed that (i) the above company was solvent immediately prior to the deregistration; (ii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the deregistration of the above company; and (iii) there was no wrongful act on his part leading to the deregistration of the above company.

Mr. Zhang graduated from the East China University of Political Science and Law (華東政法大學) (formerly known as East China School of Political Science and Law (華東政法學院)) in July 1992 where he obtained his bachelor's degree in law. He further obtained the Master of Business Administration in Anhui Institute of Business Administration (安徽工商管理學院) in December 2009. Mr. Zhang is qualified as a senior economist by the Anhui Province Senior Economist Qualification Review Committee* (安徽省高級經濟師評審委員會) in November 2007.

Ms. Shi Yinyan (石銀燕), aged 48, has been the chief financial officer of our Company since December 2018 and an executive Director since 26 May 2021. She is primarily responsible for overseeing the finance, capital and audit department of our Group and financial management and supervision of our Group. The previous work experience of Ms. Shi is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
July 1994 to July 1996	Anhui Province Huaibei City Automobile Transportation Co., Ltd.* (安徽省淮北市汽車運輸有限責任公司)	Transportation and logistics	Cash accountant	Cashier work

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
July 1996 to December 2012	Anhui Province Huaibei City Automobile Transportation Co., Ltd.* (安徽省淮北市汽車運輸有限責任公司)	Transportation and logistics	Accountant in charge	Financial accounting, budgeting, operational analysis and tax planning
January 2013 to May 2016	Anhui Province Huaibei City Automobile Transportation Co., Ltd.* (安徽省淮北市汽車運輸有限責任公司)	Transportation and logistics	Accountant	Financial accounting, formulating financial policies, financial budget management and control, operational analysis, participating in operating decisions and training and education
June 2016 to December 2018	Huaibei Construction Investment	City development, public utility services, construction and related services	Accountant	Accounting, preparing the financial budget, final accounts, overall fund arrangement and management, tax planning, participation in the company's business decision-making
October 2019 to present	Huaibei Rongtong Industrial Co., Ltd.* (淮北市融通實業有限公司)	Toll road and taxi advertisement business	Director	Overall management
December 2018 to present	Our Company	Production and sale of construction aggregate and concrete products	Chief financial officer	Overseeing our Group's overall management operation, financial matters
May 2021 to present	Our Company	Production and sale of construction aggregate and concrete products	Executive Director, chief financial officer	Overseeing our Group's overall management operation, financial matters

Ms. Shi graduated from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Finance and Trading School* (安徽財貿學院)) in October 1998 where she majored in accounting. Ms. Shi was accredited the senior accountant qualification by the Department of Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障廳) in March 2016.

Independent non-executive Directors

Mr. Gao Wei (郜偉), aged 38, has been appointed as our independent non-executive Director since 16 June 2021 and is primarily responsible for supervising and providing independent judgement to our Board. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee. The previous work experience of Mr. Gao is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
February 2010 to March 2012	Anhui Zhilian Accounting Firm (General Partnership)* (安徽智聯會計師事務所(普通合夥))	Accounting services	Auditor	Auditing financial statements and special audit investigation
April 2012 to April 2016	Huaibei Newspaper Culture Media Group Co., Ltd.* (淮北報業文化傳媒集團有限公司)	Corporate management advisory, undertaking exhibition activities, design, advertisement	Financial officer	Overall financial management of the group
May 2016 to September 2019	Anhui Hongxin Asset Management Co., Ltd.* (安徽鴻信資產管理有限公司)	Asset management, external project investment, financial consultancy and advisory	Investment advisory manager	Conducting equity investment due diligence
September 2019 to December 2020	Beijing Kuntai Ronghe Certified Public Accountants Co., Ltd.* (北京坤泰融和會計師事務所有限公司)	Accounting services	Audit project manager	Auditing financial statements, special audit investigations and financial advisory
December 2020 to November 2021	Beijing Chengyuxin Certified Public Accountants (General Partnership)* (北京誠與信會計師事務所(普通合夥))	Accounting services	Auditing manager	Auditing financial statements, corporate accounting and financial consulting

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
June 2021 to present	Our Company	Production and sale of construction aggregate and concrete products	Independent non-executive Director	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations
November 2021 to present	Beijing Ruiying Kyoto Certified Public Accountants (General Partnership)* (北京瑞盈京都會計師事務所(普通合夥))	Accounting services	Audit project manager	Auditing financial statements, special audit investigations and financial advisory

Mr. Gao graduated from the Huaibei Normal University (淮北師範大學) (formerly known as Huaibei Coal Industry Teachers College (淮北煤炭師範學院)) where he obtained his bachelor's degree in economics in July 2008. He was accredited as a certified practising accountant by the Chinese Institute of Certified Public Accountants in March 2015.

Mr. Liu Chaotian (劉朝田), aged 59, has been appointed as our independent non-executive Director since 16 June 2021 and is primarily responsible for supervising and providing independent judgement to our Board. He is also the chairman of the Remuneration committee and a member of each of the Audit Committee and Nomination Committee. The previous work experience of Mr. Liu is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
August 1984 to December 1990	Accounting Department of the Finance Office of Wanbei Mining Bureau* (皖北礦務局財務處會計科)	Coal mining	Accounting staff	General auditing and accounting work
December 1990 to September 1992	Capital Department of Wanbei Mining Bureau* (皖北礦務局資金科)	Coal mining	Deputy department head	Accounting analysis and management

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
September 1992 to December 1995	Finance Department of Wanbei Mining Bureau* (皖北礦務局機關財務科)	Coal mining	Department head	Budget control, fund management and supervision
December 1995 to March 1998	Diversified Business Corporation of Wanbei Mining Bureau* (皖北礦務局多種經營總公司)	Coal mining	Deputy general manager	Project planning and development, capital management control
March 1998 to August 2000	Asset and Finance Department of Anhui Wanbei Coal and Electricity Group* (安徽省皖北煤電集團有限責任公司資產財務部)	Coal mining	Deputy head	Asset and tax management, capital operation risk management, overseeing the internal control system
August 2000 to July 2005	Anhui Wanbei Coal and Electricity Group Capital Management Centre* (安徽省皖北煤電集團有限責任公司資金管理中心)	Coal mining	Director	Supervising the implementation of the monetary fund management system, approving financing plans
March 2003 to November 2014	Anhui Qinglu Railway Co., Ltd.* (安徽青蘆鐵路有限責任公司)	Railway freight service	Supervisor	Supervising the board and senior management members
July 2005 to August 2009	Audit Department of Anhui Wanbei Coal and Electricity Group Company* (安徽省皖北煤電集團有限責任公司審計處)	Coal mining	Director	Organising and implementing audit projects, supervising the development of business relationships with intermediary agencies

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
September 2007 to June 2018	Anhui Changjiang Energy Development Co., Ltd.* (安徽長江能源發展有限責任公司)	Operation of coal wholesale	Supervisor	Supervising the board and senior management members
May 2008 to April 2020	Anhui Wanmei material Trade Co., Ltd.* (安徽皖煤物資貿易有限責任公司)	Product and sale of coal and petrochemical oil	Supervisor	Supervising the board and senior management members
June 2009 to March 2019	Anhui Hengda Ecological Environment Construction Engineering Co., Ltd.* (安徽省恒大生態環境建設工程有限責任公司)	Ecological Environment Construction	Supervisor	Supervising the board and senior management members
August 2009 to September 2014	Political Work Department of Anhui Wanbei Coal and Electricity Group Company* (安徽省皖北煤電集團有限責任公司政治工作部)	Coal mining	Head	Organisation and public relation work
September 2014 to June 2015	Anhui Wanbei Coal and Electricity Group* (安徽省皖北煤電集團有限責任公司), Anhui Hengyuan Coal and Electricity Co., Ltd.* (安徽恒源煤電股份有限公司)	Coal mining	Office manager	Formulation of rules and regulations of the company, providing administrative support

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
June 2015 to September 2020	Anhui Hengyuan Coal and Electricity Co., Ltd.* (安徽恒源煤電股份有限公司)	Coal mining	Chairman of the Supervisory Board	Presiding over the board of supervisors, supervising directors, managers, and other management personnel
July 2018 to September 2020	Anhui Wanbei Coal and Electricity Group* (安徽省皖北煤電集團有限責任公司)	Coal mining	Deputy chief accountant and head of asset and finance department	Formulating and implementing financial goals, overseeing the internal control system and the implementation of financial policies
January 2003 to December 2021	Anhui Wanbei Coal and Electricity Hengxin Property Development Co., Ltd.* (安徽省皖北煤電恒馨房地產開發有限公司)	Property development	Chairman of the board of supervisors	Overseeing the operation of the board of supervisors
September 2020 to present	Anhui Wanbei Coal and Electricity Group* (安徽省皖北煤電集團有限責任公司)	Coal mining	Researcher	Participating in research work as part of major project development
June 2021 to present	Our Company	Production and sale of construction aggregate and concrete products	Independent non-executive Director	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations

Mr. Liu graduated from Anhui School of Science and Technology* (安徽理工學校) (formerly known as Anqing Commercial School in Anhui Province (安徽省安慶商業學校)) in July 1984. He graduated from Anhui University of Finance and Economics (安徽財經大學)(formerly known as Anhui Finance and Trading School* (安徽財貿學院)) in June 1989 where he completed the course of accounting. He also obtained his master's degree in business administration from Anhui Institute of Business Administration* (安徽工商管理學院) in December 2004.

Ms. Xing Mengwei (邢梦瑋), aged 32, has been appointed as our independent non-executive Director since 16 June 2021 and is primarily responsible for supervising and providing independent judgement to our Board. She is also a member of the Audit Committee. The previous work experience of Ms. Xing is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
July 2014 to April 2018	IPS International Holdings Limited	Investment in private equity and secondary market of Hong Kong shares	Assistant Vice President	Coordinating and executing equity investment projects, the immigration business and overseas business consulting
June 2015 to October 2015	RHB Securities Hong Kong Limited	Dealing in securities and advising on securities	Account executive	Dealing in securities and preparing research report
April 2018 to May 2018	Duo Asset Management Limited	Asset management	Investment portfolio supervisor	Building and managing portfolio of investment projects
May 2018 to June 2019	N Plus Capital Limited	Advising on securities and asset management	Chief investment officer	Long-term investment fund management, due diligence work for fund investment and leading the investment team
February 2020 to April 2022	Yee Tai Capital Limited	Advising on securities and asset management	Director and responsible officer	Managing overseas investment projects, coordinating the relation work with investors, finding and developing potential investment projects
June 2021 to present	Our Company	Production and sale of construction aggregate and concrete products	Independent non-executive Director	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations
May 2022 to present	Renco Investments Limited	Advising on securities and asset management	Director and responsible officer	Overseeing the overall operations
July 2022 to present	Renco Holdings Group Limited (stock code: 2323)	Manufacture and sale of printed circuit boards and advising on securities and asset management	Executive director and authorised representative	Overseeing the operations

Ms. Xing graduated from the North Minzu University (北方民族大學) in July 2013 where she obtained her bachelor's degree in engineering, majoring in information engineering. She graduated from the City University of Hong Kong (香港城市大學) in July 2014, where she obtained her master of science degree in business information systems. Ms. Xing is a licenced person registered with SFC to carry out type 4 (advising on securities) and typed 9 (asset management) regulated activities under the SFO.

BOARD OF SUPERVISORS

Our Board of Supervisors consists of three Supervisors, comprising one employees' representative Supervisor and two Shareholders' representative Supervisors. Our Supervisors were elected for a term of three years, which is renewable upon re-election. The functions and duties of our Board of Supervisors include reviewing the Company's financial position, supervising the Directors and senior management in their performance of their duties and to propose the removal of Directors and senior management who have violated laws, regulations, the Articles of Association or Shareholders' resolutions; when the acts of Director or senior management personnel are detrimental to the Company's interests, to require the Director and senior management to correct these acts; proposing the convening of extraordinary Shareholders' general meetings and to convene and preside over Shareholders' general meetings when the Board fails to perform the duty of convening and presiding over Shareholders' general meetings under the PRC Company Law; and exercise any other authority stipulated in the Articles of Association. Supervisors may be present at Board meetings and make inquiries or proposals in respect of the resolutions of the Board. The Board of Supervisors may investigate any irregularities identified in the operation of the Company and, when necessary, may engage an accounting firm to assist its work at the cost of the Company. Each of the Supervisors has entered into a service contract with our Group.

The following table sets forth certain information of our Supervisors.

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Ms. Zhao Mingling (趙明靈)	53	Chairman of the Board of Supervisors and Shareholders' representative Supervisor	6 December 2018	6 December 2018	Responsible for supervising the Board and senior management members of our Company	None
Ms. Li Chi (李馳)	32	Employees' representative Supervisor	6 December 2018	6 December 2018	Responsible for supervising the Board and senior management members of our Company	None

Name	Age	Position	Date of appointment	Date of joining our Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Ms. Dong Jing (董璟)	46	Shareholders' representative Supervisor	6 December 2018	16 February 2016	Responsible for supervising the Board and senior management members of our Company	None

Ms. Zhao Mingling (趙明靈), aged 53, has been appointed as Shareholders' representative and the chairman of the Board of Supervisors since 6 December 2018. She is primarily responsible for supervising the Board of their exercise of rights, the Group's financial position and senior management in their performance of their duties. The previous work experience of Ms. Zhao is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
July 1989 to August 1993	Huaibei No. 1 Knitting Factory* (淮北市第一針織廠)	Textile and apparel	Stock-taker	Stocktaking of production materials and finished goods
September 1993 to September 2013	Huaibei Trust Investment Co., Ltd.* (淮北市信託投資有限公司)	Financial service	Deputy officer of credit union and officer of sales department	Loan business operation
October 2013 – June 2015	Huaibei Transportation Investment	Investment and construction	Chief of finance	Finance related matters
July 2015 to March 2016	Huaibei Tongchuang Financial Guarantee Group Co., Ltd.* (淮北市同創融資擔保集團有限公司)	Provision of loan guarantee	Chief of finance	Financial management
July 2016 to March 2018	Huaibei Construction Investment Real Estate	Real estate investment and development	Supervisor	Supervising the board and senior management members
July 2016 to March 2018	Huaibei Parking	Parking service and information system consultancy and advisory	Supervisor	Supervising the board and senior management members

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
July 2016 to April 2018	Huaibei Juye Fund Management Co., Ltd.* (淮北市聚業基金管理有限公司)	Private funds management	Supervisor	Supervising the board and senior management members
July 2016 to April 2018	Huaibei Investment Trading	Trading in bulk commodities	Supervisor	Supervising the board and senior management members
August 2016 to April 2018	Huaibei Construction Investment Small and Medium-sized Enterprise Financial Service Co., Ltd.* (淮北市建投中小企業金融服務有限公司)	Asset management, external project investment, financial consultancy and advisory	Supervisor	Supervising the board and senior management members
November 2016 to June 2018	Anhui Bailian Business Education Technology Co., Ltd.* (安徽百聯商學教育科技股份有限公司)	Enterprise management consultancy and advisory	Supervisor	Supervising the board and senior management members
November 2018 to November 2019	Huaibei Industry Support Fund Co., Ltd.* (淮北市產業扶持基金有限公司)	Fund investment and development of high-tech and modern industries support	Supervisor	Supervising the board and senior management members
September 2015 to present	Huaibei Tongchuang Financing Guarantee Group Co., Ltd.* (淮北市同創融資擔保集團有限公司)	Provision of guarantee services	Supervisor	Supervising the board and senior management members
April 2016 to present	Huaibei Construction Investment	City development, public utility services, construction and related services	Supervisor, deputy head of the discipline inspection and supervision audit department	Anti-bribery and disciplinary related management

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
September 2016 to present	Huaibei Construction Investment Small Loan Co., Ltd.* (淮北市建投小額貸款有限公司)	Provision of small scale loan	Chairman of the board of supervisors	Supervising the board and senior management members
October 2016 to present	Huaibei Public Utility Assets Operation Co., Ltd.* (淮北市公用事業資產運營有限公司)	Utility assets operation	Supervisor	Supervising the board and senior management members
October 2016 to present	Cultural Tourism Investment	Cultural tourism	Supervisor	Supervising the board and senior management members
October 2016 to present	Huaibei Finance Holding Co., Ltd.* (淮北市金融控股集團有限公司)	Asset management, investment and operation	Supervisor	Supervising the board and senior management members
October 2016 to present	Huaibei Construction Investment Co., Ltd.* (淮北市建設投資有限責任公司)	City development, public utility services, construction and related services	Supervisor	Supervising the board and senior management members
June 2017 to present	Anhui South Pond Culture Media Co., Ltd.* (安徽南湖文化傳媒有限責任公司)	Culture media	Supervisor	Supervising the board and senior management members
September 2017 to present	Anhui Taolu New Material Research Institute Co., Ltd.* (安徽陶鋁新材料研究院有限公司)	Technical development, consultancy and advisory of ceramic aluminium new materials	Supervisor	Supervising the board and senior management members
November 2017 to present	Anhui Construction Engineering Group Huaibei Transportation Construction Co., Ltd.* (安徽建工集團淮北交通建設有限公司)	City development, public utility services, construction and related services	Chairlady of supervisory committee	Supervising the board and senior management members

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
February 2018 to present	Huaibei Transportation Investment	Investment	Supervisor	Supervising the board and senior management members
March 2018 to present	Huaibei Shuren Engineering Construction Co., Ltd.* (淮北市樹人工程建設有限公司)	Engineering construction	Chairlady of supervisory committee	Supervising the board and senior management members
April 2018 to present	Anhui Xiangrun Investment Holding Group Co., Ltd.* (安徽相潤投資控股集團有限公司) formerly known as Anhui Linhuan Industrial Park Circular Economy Development Co., Ltd.* (安徽臨渙工業園循環經濟發展有限公司)	Industrial park business	Supervisor	Supervising the board and senior management members
November 2018 to present	Huaibei Science and Technology Industry Investment Development Co., Ltd.* (淮北市科技產業投資發展有限公司) formerly known as Huaibei Industrial Investment Operation Co., Ltd.* (淮北市工業投資運營有限公司)	Technical development, consultation and related services	Supervisor	Supervising the board and senior management members
December 2018 to present	Our Company	Production and sale of construction aggregate and concrete products	Supervisor	Supervising the Board and senior management members of our Company

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
January 2019 to present	Tongming Mining	Production and sale of aggregate products	Supervisor	Supervising the board and senior management members
July 2019 to present	Liantong Municipal	Production and sale of concrete products	Supervisor	Supervising the board and senior management members
October 2019 to present	Huaibei Radio and TV Newspaper Co., Ltd.* (淮北廣播電視報社有限責任公司)	Radio, television and newspaper	Supervisor	Supervising the board and senior management members
July 2020 to present	Huaibei Construction Investment	City development, public utility services, construction and related services	Head of the discipline inspection and supervision audit department	Anti-bribery and disciplinary related management
July 2021 to present	Wanneng Huaibei Energy Sales Co., Ltd.* (皖能淮北能源銷售有限公司)	Energy sales	Chairlady of the supervisory committee	Supervising the board and senior management members

Ms. Zhao graduated from Anhui Province Huaibei City Employee Secondary Vocational School* (安徽省淮北市職工中等專業學校) in July 1989 where she completed the course for computer profession. She also completed the course of economics management in and graduated from the Correspondence College of the Central Party School of the Communist Party of China* (中共中央黨校函授學院) in December 2000.

Ms. Zhao was accredited the intermediate accountant qualification by the Ministry of Finance of PRC (中華人民共和國財政部) in May 2005 and the senior economist (business administration) qualification by the Department of Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障廳) in January 2019.

Ms. Li Chi (李馳), aged 32, has been elected as an employees' representative Supervisor since 6 December 2018. She is primarily responsible for overseeing the conduct and discipline division of the Group and supervising disciplinary related matters of the Group including handling and resolving complaints of misconducts. The previous work experience of Ms. Li is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
October 2012 to April 2018	Anhui Transportation Holding Group Suzhou Expressway Management Co., Ltd.* (安徽省交通控股集團宿州高速管理有限公司)	Highway operation and maintenance	Deputy officer	Administrative management
April 2018 to December 2018	Huaibei Construction Investment	City development, public utility services, construction and related services	Discipline inspector of the discipline inspection and supervision audit department	Disciplinary related management
November 2020 to May 2021	Huaibei Lvhong Real Estate Co., Ltd.* (淮北市綠弘置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
November 2020 to September 2021	Huaibei Lvtai Real Estate Co., Ltd.* (淮北市綠泰置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
December 2018 to present	Our Company	Production and sale of construction aggregate and concrete products	Employee representative supervisor	Overseeing the conduct and discipline division of the Group and supervising disciplinary related matters of the Group including handling and resolving complaints of misconducts
April 2020 to Present	Huaibei Jiantou Lvhe Real Estate Co., Ltd.* (淮北市建投綠合置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
June 2020 to Present	Huaibei Jiantou Lvjin Real Estate Co., Ltd.* (淮北市建投綠金置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
July 2020 to Present	Huaibei Jiantou Lvxin Real Estate Co., Ltd.* (淮北市建投綠信置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
July 2020 to Present	Huaibei Jiantou Lvheng Real Estate Co., Ltd.* (淮北市建投綠恒置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
December 2020 to Present	Huaibei Lvjia Real Estate Co., Ltd.* (淮北市綠嘉置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
December 2020 to Present	Huaibei Lvsheng Real Estate Co., Ltd.* (淮北市綠盛置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
December 2020 to Present	Huaibei Lvjin Real Estate Co., Ltd.* (淮北市綠錦置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
July 2021 to Present	Huaibei Yisheng Real Estate Co., Ltd.* (淮北市易盛置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
July 2021 to Present	Huaibei Pengyang Real Estate Co., Ltd.* (淮北市鵬揚置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
September 2021 to Present	Huaibei Penghui Real Estate Co., Ltd.* (淮北鵬輝置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
November 2021 to Present	Huaibei Pengyue Real Estate Co., Ltd. * (淮北市鵬悦置業有限公司)	Real estate development	Supervisor	Supervising the board and senior management members
April 2022 to Present	Huaibei Pengtai Real Estate Co., Ltd.* (淮北市鵬泰房地產有限公司)	Real estate development	Supervisor	Supervising the board and senior management members

Ms. Li graduated from Wuhan University of Engineering Science (武漢工程科技學院) (formerly known as Jiangcheng College China University of Geoscience (中國地質大學江城學院)) in June 2012 where she obtained her bachelor's degree in arts. She further obtained her master's degree in arts from the Flinders University (福林德斯大學) of Australia in May 2014.

Ms. Dong Jing (董璟), aged 46, joined our Group on 16 February 2016 as the supervisor of Liantong Municipal and has been appointed as a shareholder's representative Supervisor since 6 December 2018. She is primarily responsible for overseeing the conduct and discipline division of the Group and supervising the Board of their exercise of rights, publicity, education, projects and tenders in the anti-bribery and corruption aspects and internal audit of the Group. The previous work experience of Ms. Dong is set out below:

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
February 1996 to December 2000	Huaibei Trust Investment Co., Ltd.* (淮北市信託投資有限公司)	Financial service	Officer	Administrative management
January 2001 to August 2002	Huaibei Trust Investment Co., Ltd.* (淮北市信託投資有限公司)	Financial service	Deputy office manager	Administrative management
September 2002 to September 2013	Huaibei Trust Investment Co., Ltd.* (淮北市信託投資有限公司)	Financial service	Member of asset liquidation team	Administrative management
October 2013 to April 2017	Huaibei Transportation Investment*	Investment and construction	Head of general affairs department	Administrative management
February 2016 to September 2016	Liantong Municipal	Production and sale of concrete products	Supervisor	Supervising the board and senior management members
May 2017 to December 2020	Huaibei Transportation Investment*	Investment and construction	Head of the discipline inspection and supervision audit department	Anti-bribery and disciplinary related management

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
December 2017 to March 2018	Huaibei Construction Investment Dongming Petrochemical Oil Sales Co., Ltd.* (淮北市建投東明石化油品銷售有限公司)	Sale of petrochemical oil	Supervisor	Supervising the board and senior management members
March 2018 to October 2018	Sanya Xinhu Concrete Co., Ltd.* (三亞新湖混凝土有限公司)	Production and sale of concrete products	Supervisor	Supervising the board and senior management members
May 2015 to present	Huaibei Rongtong Industrial Co., Ltd.* (淮北市融通實業有限公司)	Toll road and taxi advertisement business	Supervisor	Supervising the board and senior management members
May 2015 to present	Anhui North Anhui Intercity Fuhuai Railway Co., Ltd.* (安徽省淮北港航投資有限公司)	Development and construction of ports	Chairlady of supervisory committee	Supervising the board and senior management members
April 2016 to August 2016; March 2018 to present	Tongming Mining	Production and sale of aggregate products	Supervisor	Supervising the board and senior management members
December 2017 to present	Anhui Zhongye Huaihai Prefabricated Construction Co., Ltd.* (安徽中冶淮海裝配式建築有限公司)	Production and sales of fabricated construction products	Supervisor	Supervising the board and senior management members
March 2018 to December 2021	Huaibei Jindun Motor Vehicle Testing Co., Ltd.* (淮北市金盾機動車檢測有限公司)	Vehicle testing	Supervisor	Supervising the board and senior management members

Period	Name of employer(s)	Principal business of the employer(s)	Position	Duties and responsibilities
March 2018 to present	Huaibei Gold Eagle Motor Vehicle Environmental Exhaust Detection Co., Ltd.* (淮北市金鷹機動車環保尾氣檢測有限公司)	Motor vehicle inspection	Supervisor	Supervising the board and senior management members
March 2018 to present	Huaibei Shizhijiguan Transportation Services	Transportation services	Supervisor	Supervising the board and senior management members
April 2018 to present	Huaibei Jin'an Driving School Co., Ltd.* (淮北市金安駕校有限責任公司)	Driving school	Supervisor	Supervising the board and senior management members
May 2018 to present	Huaibei Transportation Investment Petrochemical Oil Sales Co., Ltd.* (淮北市交投石化油品銷售有限公司)	Sale of petrochemical oil	Supervisor	Supervising the board and senior management members
December 2018 to present	Our Company	Production and sale of construction aggregate and concrete products	Supervisor	Supervising the Board and senior management members of our Company
January 2021 to present	Anhui Huaibei Port and Shipping Investment Co., Ltd.* (安徽省皖北城際阜淮鐵路股份有限公司)	Public railway construction and related services	Supervisor	Supervising the board and senior management members
January 2021 to present	Huaibei Construction Oil Products Sales Co., Ltd.* (淮北建投油品銷售有限公司)	Sale of oil products	Supervisor	Supervising the board and senior management members
March 2022 to present	Tongtai Tongjin	Mining and processing of copper and gold	Supervisor	Supervising the board and members of senior management

Ms. Dong was previously a legal representative of the following company before its deregistration:

Company name	Nature of business	Place of incorporation	Position held	Date of dissolution	Means of dissolution
Huaibei Landa Clothing Store* (淮北市藍大服裝店)	Individual Industrial and Commercial Households	PRC	Legal representative	16 May 2011	De-registration

Ms. Dong confirmed that (i) the above company was solvent immediately prior to the deregistration; (ii) she is not aware of any actual or potential claim which has been or could potentially be made against her as a result of the deregistration of the above company; and (iii) there was no wrongful act on her part leading to the deregistration of the above company.

Ms. Dong graduated from Anhui University of Finance and Economics (安徽財經大學) (formerly known as Anhui Finance and Trading School* (安徽財貿學院)) in December 2003 where she passed the Self-Taught Higher Education Examinations in finance profession. Ms. Dong was accredited the accountant qualification by the Department of Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障廳) in May 1998.

Save as disclosed in this section, each of our Directors and the Supervisors has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and our Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and our Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) or paragraph 41(3) of Appendix 1A of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management of our business. For the biographical details of our executive Directors, please refer to the sub-paragraph headed "Board of Directors – Executive Directors" above in this section. The following table sets forth certain information of the members of the senior management of our Company.

Name	Age	Position	Date of joining our Group	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Liu Yong (劉勇)	50	Chairman, executive Director	16 February 2016	Overall management and participate in our Group' operation and strategic planning	None
Ms. Shi Yinyan (石銀燕)	48	Chief financial officer	20 December 2018	Overall management operation of our Group and financial management	None

Mr. Liu Yong (劉勇) is our executive Director. For further biographic details of Mr. Liu, please refer to "Board of Directors – Executive Directors" in this section.

Ms. Shi Yinyan (石銀燕) is our chief financial officer. For further biographic details of Ms. Shi, please refer to "Board of Directors – Executive Directors" in this section.

JOINT COMPANY SECRETARIES

Mr. Li Kin Wai (李健威) and Ms. Shi Yinyan (石銀燕) are our joint company secretaries.

Mr. Li Kin Wai (李健威) ("**Mr. Li**"), has been appointed as the joint company secretary of our Company since 16 August 2021 where he is responsible for company secretarial matters of the Company.

Mr. Li has over 10 years of experience in the corporate secretarial and compliance services field. He is a manager of Corporate Services of Tricor Services Limited ("**Tricor**"), a global professional service provider. Mr. Li currently serves as company secretary or joint company secretary for a number of Hong Kong listed companies.

Mr. Li is a Chartered Secretary and a Chartered Governance Professional. He is also an associate of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly known as The Hong Kong Institute of Chartered Secretaries (HKICS)) and the Chartered Governance Institute (CGI) (formerly known as the Institute of Chartered Secretaries and Administrators (ICSA)) in the United Kingdom.

For the biography of Ms. Shi Yinyan, please refer to the sub-paragraph headed "Board of Directors – Executive Directors" above in the section.

We have applied to the Stock Exchange for and the Stock Exchange has granted us, a waiver of three years from the Listing Date from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. For details of the waiver, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – Appointment of Joint Company Secretaries".

THE PARTY COMMITTEE

According to the Constitution of the Communist Party of China ("**CPC**"), each of our Company, Tongming Mining and Liantong Municipal has established the Committee of Communist Party (the "**Party Committee**"), which plays a core political role in the respective companies. The Party Committee acts only in an advisory capacity and does not assume management responsibilities by participating in the implementation of any management decisions. The Party Committee mainly assumes the following duties and responsibilities:

- ensuring and supervising the implementation of national policies and strategies of the CPC, and supporting major decisions made by Central Committee of the CPC and the State Council.

- advising on decision-making of major issues of the relevant company.

- strictly govern the performance of members of the CPC and enhance the loyalty of members.

- provides political guidance for the operation of the relevant company and arouses the spirit of unity and positive morale, and facilitates the organisation of labour unions and Communist Youth Leagues.

As advised by our PRC Legal Advisers, the duties of our Party Committee do not overlap with the duties of our Board.

BOARD COMMITTEES

Audit Committee

Our Company has established the Audit Committee with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to our Board.

Our Audit Committee consists of three members, being Mr. Gao Wei, Mr. Liu Chaotian and Ms. Xing Mengwei. Mr. Gao Wei currently serves as the chairman of our Audit Committee.

Remuneration Committee

Our Company has established the Remuneration Committee with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration of our senior management and to recommend members of our Board.

Our Remuneration Committee consists of three members, being Mr. Liu Chaotian, Mr. Gao Wei and Mr. Liu Yong. Mr. Liu Chaotian currently serves as the chairman of our Remuneration Committee.

Nomination Committee

Our Company has established the Nomination Committee with its written terms of reference in compliance with paragraph A.5 of the Corporate Government Code set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our Nomination Committee consists of three members, being Mr. Liu Yong, Mr. Liu Chaotian and Mr. Gao Wei. Mr. Liu Yong currently serves as the chairman of our Nomination Committee.

ESG Committee

Our Company has established the ESG Committee on 17 January 2022 with its written terms of reference. The primary duties of the ESG Committee are to assist the Board in guiding and supervising the development and implementation of environmental, social and governance works of our Group to ensure compliance with relevant legal and regulatory requirements.

Our ESG Committee consists of three members, being Mr. Liu Yong, Mr. Mao Hongxian and Mr. Qin Jiapeng. Mr. Liu Yong currently serves as the chairman of our ESG Committee.

REMUNERATION POLICY

Our Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of our Company. Our Company also reimburses our Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Company or executing their functions in relation to the operations of our Company. We regularly review and determine the remuneration and compensation packages (including incentive plans) of our Directors, Supervisors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors, Supervisors and senior management and the performance of our Company.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at our Board level as an essential to the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity by taking into account a number of factors, including but not limited to talent, skills, gender, age, ethnicity, experience, independence and knowledge. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our board diversity policy and other factors. Our Company will also take into consideration our own business model and specific needs from time to time.

Our Directors have a balanced mix of knowledge, skills and experience, including engineering, overall business management, finance and investment. They obtained degrees in various majors, including business administration, economics, accounting and engineering. We have three independent non-executive Directors who have different industry backgrounds, representing over one-third of our Board members. Furthermore, our Board has a wide age range of 31 to 59 years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, our Directors consider that the composition of our Board upon the Listing satisfies our board diversity policy.

Our nomination committee is responsible for the implementation of the board diversity policy and compliance with relevant codes governing board diversity under the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our nomination committee will review the board diversity policy and our diversity profile from time to time to ensure its continued effectiveness, and where necessary, make any revisions that may be required and recommend any such revisions to the Board for consideration and approval. Our nomination committee will identify and recommend suitable female candidates for the Board's consideration and our Company will maintain not less than 30% female representation in the Board so as to maintain an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices. We will also disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis. After Listing, the effective implementation of the board diversity policy will also depend on our Shareholders' judgement on the suitability of individual candidates and their views on the scale of gender diversity of our Board. As such, we will provide our Shareholders with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior to general meetings of our Company.

In recognition of the importance of board diversity, we will continue to promote diversity of our Company at all levels, including the Board and senior management level, to enhance the effectiveness of our corporate governance. At the same time, we will ensure that there is gender diversity when recruiting staff at mid to senior levels so that our Company will have a pipeline of female senior management in future. We will also continue to provide diversified career development opportunities to our staff and engage different training resources for our staff in order to develop future candidates for Director and senior management.

COMPENSATION OF OUR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For each of the three years ended 31 December 2021 and the nine months ended 30 September 2022, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) of our Directors and Supervisors were approximately RMB1,857,000, RMB1,758,000, RMB2,283,000 and RMB1,679,000, respectively. Our Directors' and Supervisors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

The fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) of the top five highest paid individuals (including Directors and Supervisors) for each of the three years ended 31 December 2021 and the nine months ended 30 September 2022, were approximately RMB1,094,000, RMB938,000, RMB1,068,000 and RMB1,253,000, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, past Directors, our Supervisors, past Supervisors or the five highest-paid individuals for the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of our Directors or Supervisors had waived any remuneration during the Track Record Period. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

It is estimated that under the arrangements currently in force, the aggregate amount of compensation (including salaries, benefits in kind but excluding discretionary bonuses) payable to our Directors and Supervisors for the year ending 31 December 2022, will be approximately RMB1,759,000 and RMB752,000, respectively.

COMPLIANCE ADVISER

Our Company has appointed China Everbright Capital Limited as our compliance adviser upon Listing pursuant to Rule 3A.19 and Rule 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;

(c) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, China Everbright Capital Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. China Everbright Capital Limited will also inform us of any amendment or supplement to applicable laws and guidelines in Hong Kong.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and the associated Listing Rules after the Listing.

As at the Latest Practicable Date, the registered share capital of our Company was RMB198,000,000, divided into 198,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the Global Offering will be increased to RMB264,000,000 and set out as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
198,000,000	Domestic Shares*(Note 1)*	75%
66,000,000	H Shares to be issued under the Global Offering	25%
264,000,000		100.0%

Note:

1. These Domestic Shares may be converted into H Shares. For further details, please refer to the section headed "Conversion of our Domestic Shares into H Shares" in this section.

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be increased to RMB273,900,000 and set out as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
198,000,000	Domestic Shares*(Note 1)*	72.3%
66,000,000	H Shares to be issued under the Global Offering	24.1%
9,900,000	H Shares to be issued upon full exercise of the Over-allotment Option	3.6%
273,900,000		100.0%

Note:

1. These Domestic Shares may be converted into H Shares. For further details, please refer to the section headed "Conversion of our Domestic Shares into H Shares" in this section.

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and the issue of H Shares pursuant to the Global Offering is made. It takes no account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Options.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that: (i) at least 25% of the issuer's total number of issued shares must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares.

Based on the information in the table above, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

OUR SHARES

Upon the completion of Global Offering, the Shares of our Company will be divided into two categories: Domestic Shares and H Shares. Our Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars (except for our H Shares which are eligible shares under the Shanghai-Hong Kong Stock Connect and can be traded in Renminbi) between legal or natural persons of Hong Kong, Macau, Taiwan or any country or jurisdiction other than the PRC and qualified domestic institutional investors of the PRC. Domestic Shares, on the other hand, may only be subscribed for and traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC as well as certain PRC qualified investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi.

Our Promoters hold all existing Domestic Shares as promoter shares (as defined in the PRC Company Law). Under the PRC Company Law, promoter shares may not be sold within a period of one year from the date of establishment of our Company. The PRC Company Law further provides that in relation to the public share offering of a company, the shares of our Company which have been issued prior to the offering shall not be transferred within one year from the date of the listing on any stock exchange.

Except as described in this prospectus and in relation to the despatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarised in Appendix V to this prospectus, our Domestic Shares and our H Shares will rank pari passu with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC laws may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months. We have not approved any share issue plan other than the Global Offering.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

We have two classes of ordinary shares, Domestic Shares and H Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares. Such converted H Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted shares shall have duly completed pursuant to any requisite internal approval processes and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required if any of our Domestic Shares are to be converted into and traded as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our Listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our Listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our Listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and procedure for conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on: (i) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates; and (ii) the admission of our H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Promoters currently proposes to convert any of the Domestic Shares held by it into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE LISTING DATE

The PRC Company Law provides that in relation to the Global Offering of a company, the shares issued by a company prior to the Global Offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the *Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange* (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days upon listing and provide a written report to the CSRC regarding the centralised registration and deposit of its unlisted Shares as well as the current offering and listing of shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the completion of the Global Offering, the existing Shareholders have by special resolution in general meeting given approval, either conditionally or subject to such terms and conditions as may be specified in the mandate to authorise, allot and issue Domestic Shares and/or H Shares, either separately or concurrently once every twelve months, within a period of up to the date of the conclusion of the next annual general meeting of Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, upon such terms and conditions and for such purposes and to such persons as our Board in their absolute discretion deem fit, and to make necessary amendments to the Articles of Association and to file such amendments to the relevant administration bureau for industry and commerce for registration, provided that, the number of Domestic Shares or H Shares to be issued shall not exceed 20% of the number of our Domestic Shares in issue and H Shares in issue (as the case may be) as of the Listing Date.

Furthermore, we need to obtain approvals from the CSRC and other relevant government authorities for the actual issuance of H Shares and Domestic Shares.

For more details of this general mandate, please refer to "Appendix VIII – Statutory and General Information – A. Further Information about our Company – 3. Resolutions passed at our Company's extraordinary general meeting on 21 December 2022" in this prospectus.

CONVENING OF GENERAL AND CLASS MEETINGS

Please refer to "Appendix V – Summary of Articles of Association" in this prospectus for details of the circumstances under which general meetings and class meetings of our Company are required.

So far as our Directors are aware, as at the Latest Practicable Date and immediately prior to and following the completion of the Global Offering (taking no account of any Shares which maybe issued pursuant to the exercise of the Over-allotment Option), each of the following persons have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of our Company:

			Shares held as at the Latest Practicable Date and immediately prior to the Global Offering[1]		Shares held in the total share capital of the Company immediately following the completion of the Global Offering[1]	
Shareholder	**Capacity/ nature of interest**	**Class of Shares**	**Number**	**Percentage (approx.)**	**Number**	**Percentage (approx.)**
Huaibei Construction Investment	Beneficial owner	Domestic Shares	196,020,000 (L)	99%	196,020,000	74.25%
	Interest in controlled corporation[2]	Domestic Shares	1,980,000 (L)	1%	1,980,000	0.75%

Notes:

1. The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

2. As at the Latest Practicable Date, Cultural Tourism Investment held 1,980,000 Domestic Shares, representing 1% equity interest of our Company. Huaibei Construction Investment holds the entire equity interest of Cultural Tourism Investment. Accordingly, by virtue of the SFO, Huaibei Construction Investment is deemed or taken to be interested in all the Shares which are beneficially owned by Cultural Tourism Investment.

Save as disclosed herein, our Directors are not aware of any person who will, immediately prior to and following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

*You should read the following discussion and analysis of our Group's financial condition and results of operations in conjunction with our audited consolidated financial statements as at and for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, including notes thereto set forth in the Accountants' Report included as Appendix I to this prospectus (the "**Consolidated Financial Information**"). Our Consolidated Financial Information have been prepared in accordance with the IFRSs. You should read the whole Accountants' Report and not merely rely on the information contained in this section.*

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. Please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a construction materials provider with state-owned background located in Huaibei City, Anhui Province. Our major products include (i) aggregate products, which we mine in our Gaoloushan Mine and process at our nearby production facilities located in Lieshan District, Huaibei City; and (ii) concrete products, which we manufacture at our production facilities located in Xiangshan District, Huaibei City. During the Track Record Period, we mainly sold our aggregate products and concrete products to construction companies, building materials companies and wholesalers.

We are the third largest construction aggregates producers in the markets of Huaibei City and its surrounding cities including Suzhou City and Bozhou City with the market share of approximately 12.9% in 2021 in terms of sales volume, according to the CIC Report. We are also the fifth largest asphalt concrete supplier in Huaibei City with the market share of approximately 7.4% in 2020 in terms of sales volume, according to the CIC Report.

For each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, our revenue was approximately RMB492.5 million, RMB506.4 million, RMB370.3 million, RMB280.7 million and RMB313.3 million, respectively. Our profits for the same years/periods were approximately RMB168.9 million, RMB182.5 million, RMB98.9 million, RMB79.2 million and RMB77.6 million, respectively.

Our Gaoloushan Project (Phase I) commenced commercial production in June 2018. Pursuant to the Phase I Mining Licence, the designated mining area is approximately 0.3330 km^2, the permitted elevation is +247 m to +150 m and the permitted annual production volume is approximately 3.5 million tonnes per annum. On 30 June 2021, we obtained the Phase II Mining Licence, which would increase the permitted maximum production volume from 3.5 million tonnes per annum to 8 million tonnes per annum. The designated mining area is also increased from 0.3330 km^2 to approximately 0.8777 km^2 pursuant to the Phase II Mining Licence. According to the Independent Technical Report, as at 30 September 2022, the estimated Resources of our Gaoloushan Mine was approximately 184.3 million tonnes, comprising Indicated Resources of approximately 178.9 million tonnes and inferred Resources of approximately 5.4 million tonnes; and the Probable Reserves was approximately 126.8 million tonnes. The estimated mine life of our Gaoloushan Mine was approximately 18 years based on the Probable Reserves of approximately 126.8 million tonnes and an anticipated annual production up to 8 million tonnes in 2031 upon implementation of our development plan.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition, results of operations and the period-to-period comparability of our financial results are principally affected by the following factors:

Pricing of our products

Our aggregate products are mainly divided into five types depending on their size which include (i) scalping, (ii) sand powder, (iii) 0.5-1 construction aggregates; (iv) 1-2 construction aggregates; and (v) 1-3 construction aggregates, which are mined at our Gaoloushan Mine and processed at our processing plant while we also sell overburden which is a by-product generated during the mining of our aggregate products. Our concrete products includes (i) ready-mixed concrete, (ii) cement stabilised macadam; and (iii) asphalt concrete, which are manufactured in our own production plant in Xiangshan District, Huaibei City.

The prices for our aggregate products are determined with reference to the general market trend, the prices of products of similar specifications and quality offered by our competitors, and the quality of our aggregate products. In respect of our concrete products, we determine our price with reference to factors including the monthly market indicative price on construction materials published by Huaibei Construction Standard Rating Station (淮北市建設標準定額站), customers' background, our production costs, payment terms and transportation costs.

Please refer to the paragraph headed "Customers – Pricing policy" in the section headed "Business" of this prospectus for further details of the pricing of our products.

Price for our products may be influenced by numerous factors which are beyond our control, such as inflation rates, interest rates and economic conditions in the PRC. Market price fluctuations may, accordingly, affect our results of operation and financial conditions.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the price of our products during the Track Record Period, assuming all other factors were to remain unchanged. Fluctuations are assumed to be 5.0% and 10.0%.

	Impact on profit attributable to equity owners of the Company (RMB'000)			
Period	**-10%**	**-5%**	**5%**	**10%**
For the year ended 31 December 2019	(23,232)	(11,616)	11,616	23,232
For the year ended 31 December 2020	(24,215)	(12,107)	12,107	24,215
For the year ended 31 December 2021	(17,579)	(8,789)	8,789	17,579
For the nine months ended 30 September 2022	(14,966)	(7,483)	7,483	14,966

Cost of raw materials and blasting fees

Our competitiveness, costs and profitability depend, in part, on our ability to source and maintain a stable and sufficient supply of raw materials at acceptable prices, particularly for our concrete products. The raw materials that we use in our concrete products primarily include binding materials (such as cement mineral powder and coal ash), aggregates (such as sand) and admixtures. In the production of asphalt concrete products, the major raw materials include asphalt, aggregates and mineral powder. We procure all of our raw materials in the PRC. Our costs of raw materials for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022 amounted to approximately RMB113.7 million, RMB87.1 million, RMB77.6 million, RMB51.3 million and RMB59.2 million, respectively, representing approximately 48.8%, 40.0%, 40.4%, 38.4% and 38.1% of our total cost of sales, respectively. If we are unable to obtain raw materials in the quantities and quality that we require, our volume and/or quality of production of concrete products may decline, which in turn may have a material adverse effect on our results of operations.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of raw materials during the Track Record Period, assuming all other factors were to remain unchanged. Fluctuations are assumed to be 5.0% and 10.0%.

	Impact on profit attributable to equity owners of the Company (RMB'000)			
Period	**-10%**	**-5%**	**5%**	**10%**
For the year ended 31 December 2019	4,692	2,346	(2,346)	(4,692)
For the year ended 31 December 2020	3,595	1,797	(1,797)	(3,595)
For the year ended 31 December 2021	3,199	1,599	(1,599)	(3,199)
For the nine months ended 30 September 2022	2,442	1,221	(1,221)	(2,442)

Our blasting fees represented the fee we paid to Leiming Blasting in relation to the blasting service provided for our mining operation, which amounted to approximately RMB14.9 million, RMB19.3 million, RMB15.8 million, RMB12.3 million and RMB14.4 million, for the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, respectively, accounted for approximately 6.4%, 8.9%, 8.2%, 9.2% and 9.2% of our total cost of sales for the same period. If there are any significant increase in the blasting fees, our profit margin may be squeezed and our result of operation may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the blasting fees during the Track Record Period, assuming all other factors were to remain unchanged. Fluctuations are assumed to be 5.0% and 10.0%.

	Impact on profit attributable to equity owners of the Company (RMB'000)			
Period	**-10%**	**-5%**	**5%**	**10%**
For the year ended 31 December 2019	746	373	(373)	(746)
For the year ended 31 December 2020	970	485	(485)	(970)
For the year ended 31 December 2021	791	396	(396)	(791)
For the nine months ended 30 September 2022	721	361	(361)	(721)

Production capacity

Our sales volume is largely dependent on the demand for our products and our ability to meet such demand. Our ability to meet the market demand, in turn, is limited by our production capacity. We expect an increase in our production volume to be the main driver of our sales volume and revenue growth in the future.

According to the Independent Technical Report, as at 30 September 2022, the estimated Resources of our Gaoloushan Mine was approximately 184.3 million tonnes, comprising Indicated Resources of approximately 178.9 million tonnes and inferred Resources of approximately 5.4 million tonnes; and the estimated Probable Reserves was 126.8 million tonnes. The estimated mine life of our Gaoloushan Mine was approximately 18 years based on the Probable Reserves of approximately 126.8 million tonnes and an anticipated annual production up to 8 million tonnes in 2031 upon implementation of our development plan.

In order to implement our business strategy, we plan to gradually increase our production of aggregate products to 8 million tonnes per annum in 2031. It is expected that we will reach an annual production volume of approximately 4.0 million tonnes, 5.0 million tonnes, 6.0 million tonnes, 7.0 million tonnes, and 8.0 million tonnes in 2023, 2025, 2027, 2029 and 2031, respectively. By the end of the third quarter of 2023, it is expected that Phase II Processing Plant will begin trial production, while production will continue at our Phase I Processing Plant until the end of 2026. During the transition period, we expect to operate both Phase I Processing Plant and Phase II Processing Plant for the production of our aggregate products. From 2027, we expect that all production will be from our Phase II Processing Plant. The table below sets forth a breakdown of the historical production volume during the Track Record Period and target production volume of aggregate products between 2022 and 2031 based on our planned production schedule:

	Historical Volume			Target volume									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	(tonnes)	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*
	'000	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*
Phase I Processing Plant	3,300	4,300	3,500	3,500	3,500	3,500	3,500	3,500	–	–	–	–	–
Phase II Processing Plant	–	–	–	–	500	1,000	1,500	2,000	6,000	6,500	7,000	7,500	8,000
Total	3,300	4,300	3,500	3,500	4,000	4,500	5,000	5,500	6,000	6,500	7,000	7,500	8,000

Our production capacity is affected by the scale and speed by which we exploit our Gaoloushan Mine, the availability of equipment and machinery necessary for extraction, and the capacity and efficiency of labour and subcontractors we hire for extraction. Our ability to obtain governmental approvals is also an important factor that will impact the exploitation process of Phase II Gaoloushan Mine. Unexpected maintenance or technical problems of our existing equipment or failures in delivery of key equipment to our Gaoloushan Mine may constrain our production capacity. Additionally, our production may be materially and adversely affected by factors beyond our control, including adverse weather conditions, natural disasters such as earthquakes, floods and landslides, and unexpected geological formations.

Demand for our products in Anhui Province

The demand for our aggregate products and concrete products is dependent on a number of factors, including the levels of economic development and investment in infrastructure projects in Huaibei City, Suzhou City and Bozhou City. During the Track Record Period, all of our businesses were conducted in Huaibei City, Anhui Province and its surrounding cities, such as Suzhou City and Bozhou City.

Therefore, our Group's results of operations and financial conditions are affected by, among others, the number of construction projects which further depend on the general economic conditions of construction industry in Anhui Province.

According to the CIC Report, the gross output value of the construction industry in Anhui Province is expected to grow with a CAGR of approximately 9.0% between 2021 and 2026, reaching approximately RMB1,631.6 billion by 2026 and the total sales volume of construction aggregate in Huaibei City, Suzhou City and Bozhou City is expected to reach approximately 35.6 million tonnes in 2026 with a CAGR of approximately 5.8% from 2021 to 2026.

Please refer to section headed "Industry Overview" in this prospectus for further details of factors that could affect the demand for our products and thus, our revenue and profits.

PRC government control and policies

The mining industry in China is highly regulated. Our operations are subject to a wide range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labour, occupations health and safety, waste treatment and environmental protection and operational management. Despite that we are making every effort to comply with these laws and regulations, they are constantly changing and evolving and as a result, any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may expose us to increased litigation and unforeseen compliance costs, all of which could negatively impact our financial results.

The PRC government also has the full authority to grant, renew and terminate exploration, mining and production permits. While we expect ourselves to be able to renew our mining and production permits, if for any reason we are unable to do so in time or at all, our business, financial conditions and results of operations would be materially and adversely affected.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our Company was incorporated in the PRC on 21 December 2018 as a limited liability company. Our Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned in the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Accountants' Report in Appendix I to this prospectus sets forth certain significant accounting policies in Note 2, which are important for understanding our financial condition and results of operations.

Some of our accounting policies involve critical accounting estimates and judgements that are discussed in Note 3 of "Appendix I – Accountants' Report". Estimates, assumptions and judgement are continually evaluated and are based on historical experience and other factors by our management, including expectations of future events that are believed to be reasonable under the circumstances. We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Please refer to Note 3 of "Appendix I – Accountants' Report".

Revenue recognition

Income is classified by our Group as revenue when it arises from the sale of goods, the provision of services in the ordinary course of our Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. Our Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated on the straight-line basis to write off the cost of items of property, plant and equipment other than mining rights and mining assets to their estimated residual value over their estimated useful lives as follows:

	Useful life
Buildings and machinery	10-20 years
Office equipment and others	3-4 years
Right-of-use assets	Over the term of lease

Mining rights and mining assets are depreciated on the units-of-production ("**UOP**") method.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Credit losses and impairment of assets

Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, deposits with original maturities over three months, trade and other receivables).

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

DESCRIPTION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of consolidated statements of profit or loss and other comprehensive income for the period indicated. This information should be read together with our consolidated financial information and related notes, which have been prepared in accordance with IFRSs, and set out in Appendix I to this prospectus. Our operating results in any period are not necessarily indicative of results that may be expected for any future period.

Consolidated statements of profit or loss and other comprehensive income of our Group

	For the year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	492,542	506,382	370,327	280,741	313,289
Cost of sales	(233,234)	(217,858)	(191,978)	(133,663)	(155,192)
Gross profit	259,308	288,524	178,349	147,078	158,097
Other income	2,292	5,923	20,887	18,584	8,067
Selling expenses	(969)	(35)	–	–	–
Administrative expenses	(12,310)	(12,640)	(18,193)	(12,225)	(15,675)
Impairment (losses)/reversal on trade receivables	(18,902)	(33,016)	6,075	(10,991)	7,640
Profit from operations	229,419	248,756	187,118	142,446	158,129
Finance costs	(4,085)	(5,114)	(54,347)	(36,188)	(54,361)
Profit before taxation	225,334	243,642	132,771	106,258	103,768
Income tax	(56,458)	(61,129)	(33,877)	(27,016)	(26,172)
Profit for the year/period	168,876	182,513	98,894	79,242	77,596
Attributable to:					
Equity shareholders of the Company	114,000	124,188	64,706	53,474	50,850
Non-controlling interest	54,876	58,325	34,188	25,768	26,746
Profit for the year/period	168,876	182,513	98,894	79,242	77,596

Revenue

Our Group's revenue is generated from the (i) sale of aggregate products and others; and (ii) sale of concrete products. For each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, we have recorded revenue of approximately RMB492.5 million, RMB506.4 million, RMB370.3 million, RMB280.7 million and RMB313.3 million, respectively.

The following table sets forth a breakdown of our revenue by products for the years/periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Revenue from sale of aggregate products and others	323,848	65.8	369,603	73.0	255,888	69.1	202,213	72.0	227,033	72.5
Revenue from sale of concrete products	168,694	34.2	136,779	27.0	114,439	30.9	78,528	28.0	86,256	27.5
Total	492,542	100	506,382	100	370,327	100	280,741	100	313,289	100

Revenue from sales of aggregate products and others

Our revenue generated from sale of aggregate products and others increased by approximately RMB45.8 million, or 14.1% from approximately RMB323.8 million for the year ended 31 December 2019 to approximately RMB369.6 million for the year ended 31 December 2020, which was mainly attributable to the increase in sales volume of aggregate products from approximately 3,250.2 thousand tonnes for the year ended 31 December 2019 to approximately 4,248.1 thousand tonnes for the year ended 31 December 2020, as partially offset by the decrease in average selling price of our aggregate products from approximately RMB99.6 per tonne for the year ended 31 December 2019 to approximately RMB87.0 per tonne for the year ended 31 December 2020.

Our revenue generated from sale of aggregate products and others decreased by approximately RMB113.7 million, or 30.8%, from approximately RMB369.6 million for the year ended 31 December 2020 to approximately RMB255.9 million for the year ended 31 December 2021. Such decrease was mainly attributable to (i) the decrease in our sales volume of our aggregate products and others from approximately 4,248.1 thousand tonnes for the year ended 31 December 2020 to approximately 3,444.5 thousand tonnes for the year ended 31 December 2021; and (ii) the decrease in average selling price from approximately RMB87.0 per tonne for the year ended 31 December 2020 to approximately RMB74.3 per tonne for the year ended 31 December 2021.

Our revenue generated from sale of aggregate products and others increased by approximately RMB24.8 million, or 12.3%, from approximately RMB202.2 million for the nine months ended 30 September 2021 to approximately RMB227.0 million for the nine months ended 30 September 2022, which was mainly attributable to the increase in sales volume of our aggregate products and others from approximately 2,737.2 thousand tonnes for the nine months ended 30 September 2021 to approximately 3,247.6 thousand tonnes for the nine months ended 30 September 2022, as partially offset by the decrease in average selling price from approximately RMB73.9 per tonne for the nine months ended 30 September 2021 to approximately RMB69.9 per tonne for the nine months ended 30 September 2022.

Revenue from sales of concrete products

Our revenue generated from sale of concrete products decreased by approximately RMB31.9 million, or 18.9% from approximately RMB168.7 million for the year ended 31 December 2019 to approximately RMB136.8 million for the year ended 31 December 2020, which was primarily because of (i) the decrease in the sales volume of our ready-mixed and cement stabilised macadam from approximately 204.3 thousand m^3 and 218.5 thousand tonnes for the year ended 31 December 2019 to approximately 160.9 thousand m^3 and 120.1 thousand tonnes, respectively, for the year ended 31 December 2020; and (ii) the slight decrease in average selling price of our ready-mixed concrete from approximately RMB552.8 per m^3 to RMB531.9 per m^3 during the same period which was in line with the decrease in sales value of ready-mixed concrete products market in Huaibei City, according to CIC.

Our revenue generated from sale of concrete products decreased by approximately RMB22.4 million, or 16.4%, from approximately RMB136.8 million for the year ended 31 December 2020 to approximately RMB114.4 million for the year ended 31 December 2021, which was primarily due to the combined effect of (i) the decrease in sales volume of our cement stabilised macadam and asphalt concrete of approximately 145.4 thousand tonnes in total; and (ii) the decrease in average selling price of our ready-mixed concrete products from approximately RMB531.9 per m^3 for the year ended 31 December 2020 to approximately RMB486.8 per m^3 for the year ended 31 December 2021, as partially offset by the increase in sales volume of our ready-mixed concrete from approximately 160.9 thousand m^3 for the year ended 31 December 2020 to approximately 202.2 thousand m^3 for the year ended 31 December 2021.

Our revenue generated from sale of concrete products increased by approximately RMB7.8 million, or 9.9%, from approximately RMB78.5 million for the nine months ended 30 September 2021 to approximately RMB86.3 million for the nine months ended 30 September 2022, which was primarily due to the increase in sale volume of our ready-mixed concrete from approximately 133.1 thousand m^3 for the nine months ended 30 September 2021 to approximately 161.8 thousand m^3 for the nine months ended 30 September 2022, as partially offset by (i) the decrease in average selling price of our ready-mixed concrete from approximately RMB484.5 per m^3 for the nine months ended 30 September 2021 to approximately RMB452.6 per m^3 for the nine months ended 30 September 2022; and (ii) the decrease in average selling price of our asphalt concrete from approximately RMB457.2 per tonne for the nine months ended 30 September 2021 to approximately RMB448.9 per tonne for the nine months ended 30 September 2022.

For further details on the fluctuation of average selling price and sales volume of our products, please refer to the paragraphs headed "Average selling prices" and "Sales volume" below in this section.

Revenue by product types

The table below sets out the breakdown of our revenue, sales volume and average selling price of our products by product types during the Track Record Period:

	Year ended 31 December									Nine months ended 30 September					
	2019			2020			2021			2021			2022		
	Revenue[(2)]	**Sales volume**[(3)]	**Average selling price**	**Revenue**[(2)]	**Sales volume**[(3)]	**Average selling price**	**Revenue**[(2)]	**Sales volume**[(3)]	**Average selling price**	**Revenue**[(2)]	**Sales volume**[(3)]	**Average selling price**	**Revenue**[(2)]	**Sales volume**[(3)]	**Average selling price**
	(RMB'000)	*(thousand tonnes/m^3*	*(RMB per m^3/tonne)*	*(RMB'000)*	*(thousand tonnes/m^3*	*(RMB per m^3/tonne)*	*(RMB'000)*	*(thousand tonnes/m^3*	*(RMB per m^3/tonne)*	*(RMB'000)* *(Unaudited)*	*(thousand tonnes/m^3*	*(RMB per m^3/tonne)*	*(RMB'000)*	*(thousand tonnes/m^3*	*(RMB per m^3/tonne)*
Product type															
Aggregate products															
Scalping	3,254	60.3	54.0	4,495	96.2	46.7	1,625	41.2	39.5	1,499	37.7	39.7	1,351	36.1	37.4
Sand powder	80,454	964.7	83.4	91,551	1,255.4	72.9	63,964	1,047.3	61.1	49,938	852.6	58.6	58,665	993.8	59.0
0.5-1 construction aggregates	87,371	816.3	107.0	108,995	1,167.2	93.4	78,464	982.4	79.9	62,347	782.8	79.6	65,769	880.1	74.7
1-2 construction aggregates	118,331	1,065.7	111.0	133,083	1,336.4	99.6	81,193	935.6	86.8	64,155	733.8	87.4	77,122	961.5	80.2
1-3 construction aggregates	33,725	310.2	108.7	29,844	313.7	95.1	29,132	359.5	81.0	23,569	291.1	81.0	22,964	299.4	76.7
Sub-total	323,135	3,217.2	100.4	367,967	4,168.8	88.3	254,378	3,366.0	75.6	201,509	2,698.0	74.7	225,871	3,170.8	71.2
Others[(1)]	713	33.0	21.6	1,636	79.3	20.6	1,510	78.5	19.2	704	39.2	18.0	1,162	76.8	15.1
Total aggregate product and others	323,848	3,250.2	99.6	369,603	4,248.1	87.0	255,888	3,444.5	74.3	202,213	2,737.2	73.9	227,033	3,247.6	69.9

	Year ended 31 December									Nine months ended 30 September					
	2019			2020			2021			2021			2022		
	Revenue[2] (RMB'000)	Sales volume[3] (thousand tonnes/m^3	Average selling price (RMB per m^3/tonne)	Revenue[2] (RMB'000)	Sales volume[3] (thousand tonnes/m^3	Average selling price (RMB per m^3/tonne)	Revenue[2] (RMB'000)	Sales volume[3] (thousand tonnes/m^3	Average selling price (RMB per m^3/tonne)	Revenue[2] (RMB'000) (Unaudited)	Sales volume[3] (thousand tonnes/m^3	Average selling price (RMB per m^3/tonne)	Revenue[2] (RMB'000)	Sales volume[3] (thousand tonnes/m^3	Average selling price (RMB per m^3/tonne)
Concrete products															
Ready-mixed concrete	112,937	204.3	552.8	85,588	160.9	531.9	98,407	202.2	486.8	64,492	133.1	484.5	73,243	161.8	452.6
Cement stabilised macadam	32,933	218.5	150.7	17,415	120.1	145.0	4,453	31.6	140.7	3,902	27.9	139.7	4,210	29.9	141.0
Asphalt concrete[4]	22,824	55.1	414.2	33,776	81.9	412.4	11,579	24.6	471.1	10,134	22.2	457.2	8,803[5]	19.6	448.9
Sub-total	168,694			136,779			114,439			78,528			86,256		
Total	492,542			506,382			370,327			280,741			313,289		

(1) Others refer to overburden (i.e. a mixture of waste rocks and soils) and its major use is for the construction of road subbase course.

(2) The sum excludes the inter-segment revenue of (i) approximately RMB5,793,000, RMB4,043,000, RMB3,659,000, RMB3,322,000 and RMB83,000 for each year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, respectively, attributable to the sale of aggregate products by Tongming Mining to Liantong Municipal for the production of concrete products and (ii) approximately RMB83,000, RMB98,000, nil, nil and nil for each year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, respectively, attributable to the sale of concrete products by Liantong Municipal to Tongming Mining.

(3) The unit for ready-mixed concrete is m^3 and the unit for other products are tonnes. The sum excludes the inter-segment sales volume of (i) approximately 49,000 tonnes, 40,000 tonnes, 54,000 tonnes, 50,000 tonnes and 1,000 tonnes for each year ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, respectively, attributable to the sale of aggregate products by Tongming Mining to Liantong Municipal; (ii) approximately 200 m^3 for the year ended 31 December 2019, attributable to the sale of ready-mixed concrete products by Liantong Municipal to Tongming Mining; and (iii) approximately 200 tonnes for the year ended 31 December 2020, attributable to the sale of asphalt concrete by Liantong Municipal to Tongming Mining.

(4) Asphalt concrete consists of three types of products: ordinary, emulsified and coloured asphalt concrete.

(5) We did not produce and sell asphalt concrete to independent customers during the nine months ended 30 September 2022. Approximately RMB0.5 million of our sales to independent customers occurred during the previous years was recognised during the nine months ended 30 September 2022 due to relevant accounting standards.

Sales volume

Aggregate products and others

The sales volume of our aggregate products and others increased from approximately 3,250.2 thousand tonnes for the year ended 31 December 2019 to approximately 4,248.1 thousand tonnes for the year ended 31 December 2020, primarily attributable to the increasing number of infrastructure projects encouraged by the local government policies such as the "Implementation Plan for Strengthening Urban Infrastructure Construction in Huaibei City" (《淮北市加強城鎮基礎設施建設實施方案》) published in March 2020.

The sales volume of our aggregate products and others decreased from approximately 4,248.1 thousand tonnes for the year ended 31 December 2020 to approximately 3,444.5 thousand tonnes for the year ended 31 December 2021, which our Directors believe was mainly due to (i) our adjustment on the production volume of our aggregate products and others in accordance with our permitted production volume of 3.5 million tonnes per year from the historically high production volume in 2020, which was mainly resulted from the fulfilment of a surge in demand of our aggregate products as a result of the resumption of key construction projects in Huaibei City after the COVID-19 pandemic in 2020. This was not considered as a non-compliance as confirmed by the Natural Resources and Planning Bureau of Huaibei City; and (ii) repair and maintenance of the road connecting to Anhui Provincial Highway S101 during the first half of 2021, which affected the transportation condition and demand of our aggregate products as some of the customers may have to take a detour to pick up the products from our Gaoloushan Mine, leading to an increase in their transportation cost.

The sales volume of our aggregate products and others increased from approximately 2,737.2 thousand tonnes for the nine months ended 30 September 2021 to approximately 3,247.6 thousand tonnes for the nine months ended 30 September 2022. Such increase was primarily attributable to (i) the low sales volume for the nine months ended 30 September 2021 resulted from the repair and maintenance of the road connecting the Anhui Provincial Highway S101 during the first half of 2021. Upon completion of the repair and maintenance of the connecting road, the affected transportation condition has been improved since late May 2021; and (ii) the delivery of the products during the beginning of 2022 for those prepayments made in 2021 as a result of the adjustment of production volume of our aggregate product near the end of 2021 due to our permitted annual production capacity.

Concrete products

The sales volume of our ready-mixed concrete decreased from approximately 204.3 thousand m^3 for the year ended 31 December 2019 to approximately 160.9 thousand m^3 for the year ended 31 December 2020, while the sales of our cement stabilised macadam decreased from approximately 218.5 thousand tonnes for the year ended 31 December 2019 to approximately 120.1 thousand tonnes for the year ended 31 December 2020, because in order to reduce the risk of non-payment of trade receivables, we are more inclined to sell our concrete products to companies with good credit history and/or companies agreeing to make prepayment. Accordingly, we have reduced our sales to certain customers with long outstanding trade receivables, leading to the decrease in the sales volume of our concrete products. The sales volume of our asphalt concrete increased from approximately 55.1 thousand tonnes for the year ended 31 December 2019 to approximately 81.9 thousand tonnes for the year ended 31 December 2020, primarily attributable to the increase in the demand of asphalt concrete driven by the increasing number of infrastructure projects encouraged by the local government policies.

The sales volume of our ready-mixed concrete increased from approximately 160.9 thousand m^3 for the year ended 31 December 2020 to approximately 202.2 thousand m^3 for the year ended 31 December 2021, which was primarily attributable to the increase in our sales to Huaibei Investment Trading, given that one of its customer, Huaihai Construction is a state owned construction company in Huaibei City which our Directors believe will have huge and continuous demand on ready-mixed concrete. The sales volume of our cement stabilised macadam decreased from approximately 120.1 thousand tonnes for the year ended 31 December 2020 to approximately 31.6 thousand tonnes for the year ended 31 December 2021. The sales volume of our asphalt concrete decreased from approximately 81.9 thousand tonnes for the year ended 31 December 2020 to approximately 24.6 thousand tonnes for the year ended 31 December 2021. The sales volume of our cement stabilised macadam and asphalt concrete decreased because in order to reduce the risk of non-payment of trade receivables, we are more inclined to sell our concrete products to companies with good credit history and/or companies agreeing to make prepayment. Accordingly, we have reduced our sales of concrete products to certain of our previous customers with long outstanding trade receivables.

The sales volume of our ready-mixed concrete increased from approximately 133.1 thousand m^3 for the nine months ended 30 September 2021 to approximately 161.8 thousand m^3 for the nine months ended 30 September 2022, which was primarily attributable to our sales to Huaibei Investment Trading and Huaihai Construction for their construction projects. The sales volume of our cement stabilised macadam increased slightly from approximately 27.9 thousand tonnes for the nine months ended 30 September 2021 to approximately 29.9 thousand tonnes for the nine months ended 30 September 2022, which is relatively stable. The sales volume of our asphalt concrete decreased from approximately 22.2 thousand tonnes for the nine months ended 30 September 2021 to approximately 19.6 thousand tonnes for the nine months ended 30 September 2022. The decrease in sales volume of our asphalt concrete was mainly due to the decrease in demand of our asphalt concrete resulted from the policies and regulations of Huaibei City Government in response to the new wave of outbreak of COVID-19 during the first three quarter of 2022 which delayed certain highway and infrastructure construction projects in Huaibei which required the said products, according to CIC. Since the use of ready-mixed concrete is wider than that of cement stabilised macadam and asphalt concrete, the sales volume of ready-mixed concrete was less affected by COVID-19 during the nine months ended 30 September 2022.

Average selling prices

Aggregate products and others

The average selling price of our aggregate products and others decreased from approximately RMB99.6 per tonne for the year ended 31 December 2019 to approximately RMB87.0 per tonne for the year ended 31 December 2020, primarily attributable to the increase in supply of aggregate products in Huaibei City resulted from the remediation process of abandoned quarries (山體整治) encouraged by the local government in 2020. According to the CIC Report, during such process, rubbles which could be used to produce construction aggregates were removed from abandoned quarries and entered into the market, leading to the increase in supply of construction aggregates. At the same time, existing suppliers had expanded their production capacities to fill up the shortage resulted from the strict implementation safety production and environment protection policies such as "The Regulations on Central Inspection Work of Ecological and Environmental Protection" (《中央生態環境保護督察工作規定》) and the "Notice of Shutting Down Unqualified Non-coal Mines for Safety Production" (《關於做好關閉不具備安全生產條件非煤礦山工作的通知》) issued by the Work Safety Committee of the State Council, which were introduced in 2019, leading to the increase in supply of construction aggregates in the market and decrease in average selling price of construction aggregates accordingly.

The average selling price of our aggregate products and others further decreased from approximately RMB87.0 per tonne for the year ended 31 December 2020 to approximately RMB74.3 per tonne for the year ended 31 December 2021, primarily because (i) we offered lower selling price of our aggregate products to our customers in an attempt to attract and retain those customers who might be affected by the repair and maintenance of the road connecting to Anhui Provincial Highway S101 during the first half of 2021. Upon completion of the repair and maintenance of the connecting road, the aforesaid transportation condition has been improved since late May 2021; (ii) the remediation process of abandoned quarries continued during the year which led to the increased supply of construction aggregates; and (iii) the temporary shrinking of demand on construction aggregates in 2021 resulted from (a) the measures imposed by government of PRC in order to stabilise the real estate sector in China. Therefore, the growth rate of real estate development investment in Huaibei City has slowed down in the second half of 2021 and many real estate companies paused their construction projects and thus resulted in a decrease in demand in construction aggregates; and (b) in light of the regional outbreak of COVID-19 in Eastern China, the government of Huaibei City issued regulations to eliminate gathering of people and reduce personnel movement in construction sites which resulted in delay of some construction projects, according to the CIC Report.

The average selling price of our aggregate products and others decreased from approximately RMB73.9 per tonne for the nine months ended 30 September 2021 to approximately RMB69.9 per tonne for the nine months ended 30 September 2022, which was primarily because of the decrease in market prices due to the decrease in demand of our aggregate products and others resulted from the policies and regulations issued by Huaibei City Government in response to the new wave of outbreak of COVID-19 during first three quarters of 2022, which delayed some of the construction projects in Huaibei, according to the CIC Report.

According to the CIC Report, the annual average price of construction aggregate in Huaibei City were RMB110.0 per tonne, RMB100.0 per tonne, RMB87.3 per tonne and RMB81.2 per tonne for 2019, 2020, 2021 and 2022 (forecast), respectively. The average selling price of our aggregate products and others were approximately RMB99.6 per tonne, RMB87.0 per tonne, RMB74.3 per tonne and RMB69.9 per tonne for each of the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively. The discrepancies between the average selling price of our aggregate products and others and the annual average price of construction aggregate in Huaibei City were mainly due to the fact that the annual average price of construction aggregate in Huaibei City stated in the CIC Report has put little weight on the price of scalping, sand powder and others as they are the by-products of the other industry players in the construction material industry. After excluding scalping, sand powder and others from the average price of our construction aggregate, the average selling prices of our aggregate products would be approximately RMB109.2 per tonne, RMB96.5 per tonne, RMB82.9 per tonne and RMB77.5 per tonne during the Track Record Period, which are comparable to the annual average price of construction aggregate in Huaibei City for the 2019 and 2020 and the nine months ended 30 September 2022.

For 2021, the average selling price of our aggregate products was lower than the market price primarily because of the lower price we offered to our customers in an attempt to attract and retain those customers who may be affected by the repair and maintenance of the road connecting to Anhui Provincial Highway S101 during the first half of 2021. Furthermore, according to the CIC Report, (i) the measures imposed by the PRC government to stabilise the real estate market in China has also slowed down the real estate investment in Huaibei City and (ii) the government of Huaibei City issued regulations to eliminate gathering of people and reduce personnel movement in construction sites in light of the regional outbreak of COVID-19 in Eastern China, resulting in delay in some construction projects. This has led to a decrease in the demand of construction aggregate in the market, and we were not able to increase the price of our construction aggregate against this backdrop, even though the repair and maintenance of the road had already been completed in the late May 2021.

According to the CIC Report, the average price of scalping in Huaibei City were RMB52.0 per tonne, RMB46.8 per tonne, RMB41.0 per tonne and RMB38.1 per tonne for 2019, 2020, 2021 and 2022 (forecast), respectively, while the average price of sand powder in Huaibei City were RMB81.4 per tonne, RMB70.8 per tonne, RMB62.0 per tonne and RMB60.8 per tonne for the same years. The average selling price of our scalping were approximately RMB54.0 per tonne, RMB46.7 per tonne, RMB39.5 per tonne and RMB37.4 per tonne for each of the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively, while the average selling price of our sand powder were approximately RMB83.4

per tonne, RMB72.9 per tonne, RMB61.1 per tonne and RMB59.0 per tonne for the same years/period. The average selling prices of our scalping and sand powder were generally comparable to the respective market price in Huaibei City during the Track Record Period.

Concrete products

The average selling prices of all three types of our concrete products decreased slightly for the year ended 31 December 2019 to the year ended 31 December 2020, which was generally in line with the concrete products market price in Huaibei City due to the decrease in the price of construction aggregates, the main raw material of concrete.

The average selling prices of our ready-mixed concrete products decreased from approximately RMB531.9 per m^3 for the year ended 31 December 2020 to RMB486.8 per m^3 for the year ended 31 December 2021 as we offered a lower price of our ready-mixed concrete products to Huaibei Investment Trading, given that it could make prepayment to us and due to its relatively high purchase volume. The average selling prices of our cement stabilised macadam remained relatively stable during the same period. The average selling prices of our asphalt concrete products increased from approximately RMB412.4 per tonne for the year ended 31 December 2020 to RMB471.1 per tonne for the year ended 31 December 2021 as we provided consignment processing service to our customers in April 2021, which led to the increase in our revenue from asphalt concrete while it did not increase our sales volume as we only charge processing fee for providing consignment processing service. For the years ended 31 December 2019 and 2020, we did not provide any consignment processing service of asphalt concrete products. During the year ended 31 December 2021 and the nine months ended 30 September 2022, we provided consignment processing service of asphalt concrete products to two customers and one customer, respectively, and the revenue derived from such service amounted to approximately RMB1.0 million and RMB0.3 million. After excluding consignment processing service mentioned above, for the year ended 31 December 2021 and the nine months ended 30 September 2022, the average selling price of our Group's asphalt concrete products amounted to approximately RMB428.3 per tonne and RMB430.3 per tonne, respectively. For the year ended 31 December 2021 and the nine months ended 30 September 2022, the average selling prices of our asphalt concrete were comparable to the market selling price of asphalt concrete in Huaibei, which was approximately RMB432.2 per tonne in 2021 and approximately RMB440.0 per tonne in 2022 (forecast), according to CIC.

According to CIC, the range of selling price of asphalt concrete in Huaibei City were approximately RMB354.0 per tonne to approximately RMB583.1 per tonne for 2019, approximately RMB347.0 per tonne to approximately RMB489.8 per tonne for 2020, approximately RMB367.4 per tonne to approximately RMB557.5 per tonne for 2021 and approximately RMB366.1 per tonne to approximately RMB516.8 per tonne for 2022 (forecast). The selling price of our asphalt concrete products (excluded consignment processing, if any) ranged from approximately RMB369.9 per tonne to approximately RMB4,198.5 per tonne for the year ended 31 December 2019, approximately RMB349.6 per tonne to approximately RMB2,787.6 per tonne for the year ended 31 December 2020, approximately RMB354.0 per tonne to approximately RMB3,058.3 per tonne for the year ended 31 December 2021 and approximately RMB354.0 per tonne to approximately RMB2,477.9 per tonne for the nine months ended 30 September 2022. The deviation between the selling price range of our asphalt concrete products and the market price range in Huaibei City was primarily because we also sold coloured asphalt and emulsified asphalt which were not included in the market price range of asphalt concrete, according to CIC. After excluding coloured asphalt and emulsified asphalt, the selling price of our asphalt products (excluded consignment processing, if any) would range from approximately RMB369.9 per tonne to approximately RMB601.8 per tonne for the year ended 31 December 2019, approximately RMB349.6 per tonne to approximately RMB486.7 per tonne for the year ended 31 December 2020, approximately RMB354.0 per tonne to approximately RMB576.0 per tonne for the year ended 31 December 2021 and approximately RMB354.0 per tonne to approximately RMB448.1 per tonne for the nine months ended 30 September 2022, which are within and/or comparable to the range of the market selling price range in Huaibei City.

For the year ended 31 December 2019, the average selling price of our coloured asphalt concrete was approximately RMB2,380.5 per tonne and the selling prices ranged from approximately RMB1,796.5 per tonne to approximately RMB4,198.5 per tonne, which were within and/or comparable to the market selling price range of approximately RMB1,800.0 per tonne to approximately RMB3,400.0 per tonne in 2019, according to CIC. The high end of the selling price of our coloured asphalt concrete was higher than that of the market because during the year ended 31 December 2019, there was a one-off sale of coloured asphalt which we also provided add-on services such as paving services. Therefore, the selling price included, among others, transportation costs, paving costs, equipment costs and machine operating costs. After excluding such one-off transaction, the selling price range of our coloured asphalt was comparable to and/or within the market price range. We did not sell coloured asphalt concrete for each of the two years ended 31 December 2021 and the nine months ended 30 September 2022. For the nine months ended 30 September 2022, the average selling price of our coloured asphalt concrete was approximately RMB858.4 per tonne, while the market price ranges from approximately RMB1,800.0 per tonne to approximately RMB3,400.0 per tonne, according to CIC. The average selling price of our coloured asphalt concrete was lower than the market price range. This is because, among others, (i) our tender price was lower than the market price with a view to increasing the chance of successful tender; (ii) the model of the batch of asphalt concrete we sold (namely AC-10) was a cheaper model than the general model (namely AC-13) in the market; and (iii) the colour of the batch of asphalt concrete we sold required less colour powder and was therefore cheaper than other colours, according to CIC. As we only recorded one unit price for our coloured asphalt concrete for the nine months ended 30 September 2022, there was no selling price range.

For each of the three years ended 31 December 2021 and the nine months ended 30 September 2022, the average selling price of our emulsified asphalt were approximately RMB2,637.2 per tonne, RMB2,475.7 per tonne, RMB3,058.3 per tonne and RMB2,477.9 per tonne, respectively. The selling price range of our emulsified asphalt for each of the years ended 31 December 2019 and 2020 were approximately RMB2,477.9 per tonne to approximately RMB2,796.5 per tonne and approximately RMB2,163,7 per tonne to approximately RMB2,787.6 per tonne, respectively. We did not have selling price ranges for the year ended 31 December 2021 and the nine months ended 30 September 2022 as we only recorded one unit selling price for sale of emulsified asphalt. Our average selling prices and/or selling price ranges of emulsified asphalt were within and/or comparable to the selling price range of emulsified asphalt in Huaibei, which were approximately RMB2,500.0 per tonne to approximately RMB2,700.0 per tonne, approximately RMB2,200.0 per tonne to approximately RMB2,600 per tonne, approximately RMB2,500.0 per tonne to approximately RMB3,100.0 per tonne and approximately RMB2,400.0 per tonne to approximately RMB3,000.0 per tonne, for each of the three years ended 31 December 2021 and the nine months ended 30 September 2022, respectively, according to CIC.

The average selling price of our ready-mixed concrete decreased from approximately RMB484.5 per m^3 for the nine months ended 30 September 2021 to approximately RMB452.6 per m^3 for the nine months ended 30 September 2022, which was primarily because the cost of raw material for our ready-mixed concrete decreased during the same period, such that we offered lower prices to our customers. The average selling price of our cement stabilised macadam and asphalt concrete for the nine months ended 30 September 2022 amounted to approximately RMB141.0 per tonne and RMB448.9 per tonne, respectively, which remained stable as compared to the average selling price for the nine months ended 30 September 2021 of approximately RMB139.7 per tonne and RMB457.2 per tonne.

The average selling price of our ready-mixed concrete was approximately RMB452.6 per m^3 for the nine months ended 30 September 2022, which was comparable to the 2022 forecast market price of ready-mixed concrete in Huaibei City, which amounted to approximately RMB460.0 per m^3, according to the CIC Report.

The average selling price of our cement stabilised macadam were approximately RMB150.7 per tonne, RMB145.0 per tonne, RMB140.7 per tonne and RMB141.0 per tonne for each of the three years ended 31 December 2021 and the nine months ended 30 September 2022, which were higher than the 2019, 2020, 2021 and 2022 (forecast) market price of cement stabilised macadam in Huaibei City, which amounted to approximately RMB140.0 per tonne, RMB135.0 per tonne, RMB132.0 per tonne and RMB135.3 per tonne for the respective years/periods, according to the CIC Report. The average selling prices of our cement stabilised macadam were higher than the market price of cement stabilised macadam in Huaibei City because the cement stabilised macadam we sold contained relatively higher proportion of cement, and therefore were sold at a higher price according to CIC.

Save for those explained above, the average selling prices of our concrete products, including (i) ready-mixed concrete products, (ii) cement stabilised macadam products, and (iii) asphalt concrete products were close to the market price of the industry in Huaibei City according to the CIC Report. For details of the average selling prices of concrete products in Huaibei City, please refer to the paragraph headed “Industry Overview – Average Price of Construction Materials and Costs Analysis of Raw Materials”.

Cost of sales

Our cost of sales mainly represented our cost of raw materials, subcontracting fees, depreciation and amortisation and staff cost. For each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, we have recorded cost of sales of approximately RMB233.2 million, RMB217.9 million, RMB192.0 million, RMB133.7 million and RMB155.2 million, respectively.

	For the year ended 31 December						For the nine months ended 30 September			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Raw material	113,746	48.8	87,140	40.0	77,551	40.4	51,348	38.4	59,191	38.1
Subcontracting fees	34,339	14.7	33,792	15.5	25,252	13.2	17,696	13.2	21,194	13.7
Depreciation and amortisation	44,303	19.0	54,103	24.8	47,882	24.9	36,834	27.6	44,543	28.7
Staff cost	16,329	7.0	18,184	8.3	17,701	9.2	11,590	8.7	12,793	8.2
Utilities	7,006	3.0	6,127	2.8	6,252	3.3	4,407	3.3	4,126	2.7
Vehicle expense	6,472	2.8	7,949	3.6	9,669	5.0	7,055	5.3	7,971	5.1
Others*(Note)*	11,038	4.7	10,563	4.8	7,671	4.0	4,733	3.5	5,374	3.5
Total	**233,234**	**100.0**	**217,858**	**100.0**	**191,978**	**100**	**133,663**	**100**	**155,192**	**100**

Note: Others primarily represented (i) safety fees incurred for security purpose and for erecting enclosures surrounding our Gaoloushan Mine; and (ii) usage ancillary materials such as lubricant and adhesive materials during production process.

Cost of raw material represented the cost of binding materials, aggregates and admixtures for the production of our concrete products.

Subcontracting fees primarily represented (i) the fees paid to subcontractors for blasting services in relation to our mining operation; (ii) the fees paid to transportation services providers for the delivery of concrete products; and (iii) the fees paid to subcontractors for paving of our cement stabilised macadam and asphalt concrete products for our customers.

Depreciation and amortisation represented (i) the depreciation charged in relation to our processing plant and production equipment; and (ii) the amortisation charged in relation to our mining rights and other intangible assets for our operations.

Staff cost primarily represented the salaries and benefits for our mining and processing staff.

Utilities primarily represented the cost for the energy used for our mining and production operation, including electricity and water.

Vehicle expenses primarily represented the fuel expenses for our mining fleet within our Gaoloushan Project and our transportation vehicles for our concrete products.

Gross profit and gross profit margin

We recorded gross profit of approximately RMB259.3 million, RMB288.5 million, RMB178.3 million, RMB147.1 million and RMB158.1 million for each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, respectively. The respective gross profit margin were approximately 52.6%, 57.0%, 48.2%, 52.4% and 50.5%.

The following table sets out our gross profit and gross profit margin by product types for the respective years/periods indicated:

	Year ended 31 December						Nine months ended 30 September			
	2019		2020		2021		2021		2022	
	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)* *(Unaudited)*	*(%)*	*(RMB'000)*	*(%)*
Aggregate products										
Scalping	1,709	52.5	2,173	48.3	517	31.8	572	38.1	453	33.5
Sand powder	55,626	69.1	61,238	66.9	35,727	55.9	28,984	58.0	33,968	57.9
0.5-1 construction aggregate	65,986	75.5	80,237	73.6	51,979	66.2	43,110	69.1	43,897	66.7
1-2 construction aggregate	90,337	76.3	100,415	75.5	55,970	68.9	46,122	71.9	53,228	69.0
1-3 construction aggregate	25,776	76.4	22,268	74.6	19,441	66.7	16,415	69.6	15,524	67.6
Sub-total	239,435	74.1	266,330	72.4	163,634	64.3	135,202	67.1	147,070	65.1
Others[(1)]	459	64.4	1,061	64.9	875	57.9	415	59.0	590	50.7
Total (including others)	239,894	74.1	267,391	72.3	164,509	64.3	135,617	67.1	147,660	65.0
Concrete products										
Ready-mixed concrete	13,403	11.9	13,930	16.3	11,426	11.6	8,538	13.2	8,473	11.6
Cement stabilised macadam	4,941	15.0	3,114	17.9	658	14.8	704	18.0	761	18.1
Asphalt concrete	1,070	4.7	4,089	12.1	1,756	15.2	2,219	21.9	1,203	13.7
Sub-total	19,414	11.5	21,133	15.5	13,840	12.1	11,461	14.6	10,437	12.1
Total	259,308	52.6	288,524	57.0	178,349	48.2	147,078	52.4	158,097	50.5

(1) Others refer to overburden (i.e. a mixture of waste rocks and soils) and its major use is for the construction of road subbase course.

Our gross profit margin from sale of aggregate products and others decreased from approximately 74.1% for the year ended 31 December 2019 to approximately 72.3% for year ended 31 December 2020, which was primarily resulted from the decrease in average selling price of our aggregate products and others from approximately RMB99.6 per tonne for the year ended 31 December 2019 to approximately RMB87.0 per tonne for the year ended 31 December 2020.

Our gross profit margin from sale of aggregate products and others decreased from approximately 72.3% for the year ended 31 December 2020 to approximately 64.3% for year ended 31 December 2021 due to the average selling price of our aggregate products and others further decreased from approximately RMB87.0 per tonne for the year ended 31 December 2020 to approximately RMB74.3 per tonne for the year ended 31 December 2021.

Our gross profit margin from sale of aggregate products and others decreased from approximately 67.1% for the nine months ended 30 September 2021 to approximately 65.0% for the nine months ended 30 September 2022, which was primarily resulted from the decrease in average selling price of our aggregate products and others from approximately RMB73.9 per tonne for the nine months ended 30 September 2021 to approximately RMB69.9 per tonne for the nine months ended 30 September 2022.

For the reasons on fluctuation of our averages selling prices, please refer to the paragraph headed "Description of certain items from the consolidated statements of profit or loss and other comprehensive income – Average selling prices – Aggregate products and others" above.

Other income

During the Track Record Period, we had other income which represented primarily our interest income from our bank deposit and loans to Huaibei Construction Investment Group, and government grants.

	Years ended 31 December			**For the nine months ended 30 September**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income	1,423	2,998	17,981	17,403	3,834
– From Huaibei Construction Investment Group	–	29	15,373	15,373	–
– From bank deposits	1,423	2,969	2,608	2,030	3,834
Government grants	20	2,050	164	164	3,615
Others	849	875	2,742	1,017	618
	2,292	5,923	20,887	18,584	8,067

We recorded other income of approximately RMB2.3 million, RMB5.9 million, RMB20.9 million, RMB18.6 million and RMB8.1 million for each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, respectively.

Interest income from Huaibei Construction Investment Group primarily arose from our loans to Huaibei Construction Investment Group, including (i) a loan on a continuous basis which was repayable upon request at interest rates of 0.3% per annum in 2020 and 6.95% per annum in 2021 granted in December 2020, which was fully settled in August 2021; and (ii) a loan granted in December 2020 in the sum of approximately RMB22.4 million with an interest rate of 3.85% per annum, which has been fully settled in October 2021.

Our PRC Legal Advisers advised us that Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC prohibits any financing arrangements or lending transactions between non-financial institutions. Further, pursuant to Article 73 of the General Lending Provisions, the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisers further advised that, notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretations on Private Lending Cases**") which has been last amended on 29 December 2020 and implemented on 1 January 2021. The Supreme People's Court recognises the validity and enforceability of financing arrangements and lending transactions between non-financial institutions so long as such agreements are for business operation purposes and do not fall into certain situations stipulated in the Civil Code of the PRC and the Judicial Interpretations on Private Lending Cases.

As of the Latest Practicable Date, we had not received any notice of claim or were not subject to any investigation or penalty relating to the loans we provided to related parties and third parties during the Track Record Period. Loans to related parties were fully settled as of the Latest Practicable Date. On this basis, our PRC Legal Advisers are of the view that the risk of us being penalised for the above-mentioned loans is remote. For further details of the risk relating to our lending, please refer to the paragraph headed "Risks relating to our business – We charged interest on advances made to other parties during the Track Record Period." under the Risk Factors section. Our Directors confirm that going forward, except for the remittance of proceeds from the Global Offering to Tongming Mining and Liantong Municipal by way of, including but not limited to borrowings which is in compliance with the applicable PRC Laws as advised by the PRC Legal Advisers, we will not continue to be involved in such financing arrangements or lending transactions. For further detail of the borrowing arrangement in relation to the proceeds from the Global Offering, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

Government grants primarily represented the subsidies from government which were one-off in nature.

Others primarily represented a sum derived from accounting treatment on deposits on mine reclamation and penalty income. The amount of others increased from approximately RMB0.9 million for the year ended 31 December 2020 to approximately RMB2.7 million for the year ended 31 December 2021, primarily resulted from the penalty income received from those customers who were ordered by the court to settle their long outstanding account receivables during 2021. The amount of others decreased from approximately RMB1.0 million for the nine months ended 30 September 2021 to approximately RMB618,000 for the nine months ended 30 September 2022, primarily due to the decrease in penalty income by approximately RMB420,000.

Selling expenses

Our selling expenses mainly consists of staff cost and travelling expenses for the sales personnel. We incurred selling expenses of approximately RMB969,000, RMB35,000, nil, nil and nil for the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, respectively.

Administrative expenses

Our administrative expenses mainly consists of staff cost, depreciation and amortisation, service fees, tax and surcharges, penalty fees and others. We incurred administrative expenses of approximately RMB12.3 million, RMB12.6 million, RMB18.2 million, RMB12.2 million and RMB15.7 million for the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, respectively.

	For the year ended 31 December						For the nine months ended 30 September			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Staff cost	6,025	48.9	6,075	47.9	7,767	42.7	4,968	40.6	6,873	43.8
Depreciation and amortisation	3,449	28.0	3,540	28.0	3,808	20.9	2,875	23.5	2,600	16.6
Service fees	1,234	10.0	593	4.7	3,025	16.6	2,020	16.5	991	6.3
Tax and surcharges	724	5.9	1,769	14.0	2,291	12.6	1,562	12.8	4,667	29.8
Penalty fees	2	0.0	–	–	100	0.5	–	–	–	–
Listing expense	–	–	–	–	160	0.9	160	1.3	–	–
Others*(Note)*	876	7.2	663	5.4	1,042	5.8	640	5.3	544	3.5
Total	12,310	100	12,640	100	18,193	100	12,225	100	15,675	100

Note: Others primarily included travelling expenses, business development fees and office expenses.

Staff cost primarily represented the salaries and benefits for our administrative staff.

Depreciation and amortisation primarily represented (i) the depreciation charged in relation to our office premises and fixed assets; and (ii) the amortisation charged in relation to our office software and other intangible assets.

Services fees primarily represented the legal and professional fees for, for example, environmental assessment, resource explorations, feasibility studies and assessment.

Tax and surcharges primarily represented the payment of property tax and stamp duty.

Penalty fees represented the fines we paid in respect of administrative penalties, including environmental-related fines and traffic related fines.

Listing expense represents the fees we incurred in relation to the Listing.

Impairment losses/reversal on trade receivables

Our impairment losses on trade receivables represented the provision for loss allowance during the period for our trade receivables balance, while our reversal of trade receivables represented the gains on reversal of impairment losses on the trade receivables. We recognised a loss allowance for expected credit loss on trade receivables of approximately RMB18.9 million and RMB33.0 million for the year ended 31 December 2019 and 2020, respectively. For the year ended 31 December 2021, we recorded gain on reversal of impairment losses for trade receivables of approximately RMB6.1 million. For the nine months ended 30 September 2021 and 2022, we recognised an impairment losses on trade receivables of approximately RMB11.0 million and impairment reversal on trade receivables of approximately RMB7.6 million respectively.

We measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Individual credit evaluations are performed on all customers requiring credit over a certain amount based on our historical credit loss and adjusted for factors that are specific to the debtors, for example the customer's past history of making payments when due and current ability to pay.

Finance costs

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest expenses on:					
– Bank and other borrowings	3,445	4,439	37,166	27,420	30,444
– Long-term payables	–	–	16,455	8,277	23,355
Unwinding interest of provisions	640	675	726	491	562
	4,085	5,114	54,347	36,188	54,361

Finance costs represented primarily interest expenses from our borrowings and long-term payables of our mining rights of the Phase II Gaoloushan Mine. We incurred finance costs of approximately RMB4.1 million, RMB5.1 million, RMB54.3 million, RMB36.2 million and RMB54.4 million for the three years ended 31 December 2021 and for the nine months ended 30 September 2021 and 2022, respectively. The borrowings were primarily utilised for general working capital and acquisition cost of the mining right in respect of our Phase II Gaoloushan Mine. The interest expenses incurred from long-term payables of our mining rights of the Phase II Gaoloushan Mine were recognised in accordance with the relevant accounting standards. As the purchase of our mining rights is of financing nature which the purchase price was settled by down payment of approximately RMB 683.9 million and the remaining balances will be settled by instalments in five years, the cost of the mining rights would be recognised based on the present value of the purchase price. Therefore, the difference between the actual payment and the purchase price of the mining rights would be recognised as finance cost during the instalment periods.

Income tax

Our income tax comprises corporate income tax for the entities comprising our Group. For the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, our income tax were approximately RMB56.5 million, RMB61.1 million, RMB33.9 million, RMB27.0 million and RMB26.2 million, respectively and our effective tax rate for the same period were approximately 25.1%, 25.1%, 25.5%, 25.4% and 25.2%, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF THE OPERATION

The following set forth the management's discussion and analysis of the results of the operation during the Track Record Period. The following discussion should be read in conjunction with the audited consolidated financial information on the Group as at and for the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022 in the accountants' report, the text of which is set forth in Appendix I to this prospectus.

Review of historical results of operations

Nine months ended 30 September 2022 as compared to nine months ended 30 September 2021

Revenue

Our revenue increased by approximately RMB32.6 million, or 11.6%, from approximately RMB280.7 million for the nine months ended 30 September 2021 to approximately RMB313.3 million for the nine months ended 30 September 2022. The increase was primarily due to (i) the increase in revenue generated from the sale of aggregate products and others from approximately RMB202.2 million for the nine months ended 30 September 2021 to approximately RMB227.0 million for the nine months ended 30 September 2022, which was mainly attributable to the increase in sales volume of our aggregate products and others. Such increase was primarily attributable to (a) the lower sales volume for the nine months ended 30 September 2021 resulted from the repair and maintenance of the road connecting the Anhui Provincial Highway S101 during the first half of 2021. Upon completion of the repair and maintenance of the connecting road, the affected transportation condition has improved since late May 2021; and (b) the delivery of the products during the beginning of 2022 for those prepayments made in 2021 as a result of the adjustment of production volume of our aggregate product near the end of 2021 due to our permitted annual production capacity, and (ii) the increase in revenue from the sale of concrete products from approximately RMB78.5 million for the nine months ended 30 September 2021 to approximately RMB86.3 million for the nine months ended 30 September 2022. Such increase was mainly due to the increase in sales volume of our ready-mixed concrete to Huaibei Investment Trading and Huaihai Construction for their construction projects.

Cost of sales

Our cost of sales increased by approximately RMB21.5 million, or 16.1%, from approximately RMB133.7 million for the nine months ended 30 September 2021 to approximately RMB155.2 million for the nine months ended 30 September 2022, which was primarily attributable to (i) the increase in our depreciation and amortisation charge in relation to our mining rights and assets; (ii) the increase in our blasting fees and vehicle expenses, which were both in line with the increase in our revenue from aggregate products and others, and (iii) the increase in raw material costs with the increase in sales of our concrete products.

Gross profit and gross profit margin

Our gross profit increased slightly by approximately RMB1.1 million, or 7.5%, from approximately RMB147.1 million for the nine months ended 30 September 2021 to approximately RMB158.1 million for the nine months ended 30 September 2022. Such increase was resulted from the increase in gross profit of our aggregate products and others from approximately RMB135.6 million for the nine months ended 30 September 2021 to approximately RMB147.7 million for the nine months ended 30 September 2022, which was resulted from the increase in revenue from the same segment for the reasons stated above in the paragraph headed "Description of certain items from the consolidated statements of profit or loss and other comprehensive income – Revenue", as partially offset by the slight decrease in gross profit of our concrete products from approximately RMB11.5 million for the nine months ended 30 September 2021 to approximately RMB10.4 million for the nine months ended 30 September 2022.

Our gross profit margin decreased slightly by approximately 1.9 percentage points from approximately 52.4% for the nine months ended 30 September 2021 to approximately 50.5% for the nine months ended 30 September 2022. Such decrease was mainly resulted from the decrease in gross profit margin of our aggregate products and others (which accounted for approximately 72.0% of our total revenue during the nine months ended 30 September 2021 and 72.5% of our total revenue during the nine months ended 30 September 2022) from approximately 67.1% for the nine months ended 30 September 2021 to approximately 65.0% for the nine months ended 30 September 2022, which in turn was mainly attributable to the decrease in average selling price of the same products during the COVID-19 pandemic.

Other income

Our other income decreased by approximately RMB10.5 million, or 56.5%, from approximately RMB18.6 million for the nine months ended 30 September 2021 to approximately RMB8.1 million for the nine months ended 30 September 2022. Such decrease was primarily resulted from the decrease in our interest income from approximately RMB17.4 million for the nine months ended 30 September 2021 to approximately RMB3.8 million for the nine months ended 30 September 2022 as our loans to Huaibei Construction Investment Group were settled in 2021, as partially offset by the increase in government grant from approximately RMB164,000 for the nine months ended 30 September 2021 to approximately RMB3.6 million for the nine months ended 30 September 2022 primarily because (i) our Company received a progressive listing bonus (上市掛牌獎勵金) from the Huaibei City Lieshan District Finance Bureau (淮北市烈山區財政局) in the sum of approximately RMB2.3 million; and (ii) Liantong Municipal received the 2021 High-quality Development Award and Subsidy Fund (2021年高質量發展獎補助資金) from Huaibei Economic and Information Bureau (淮北市經濟和信息化局) in the sum of approximately RMB1.3 million.

Selling expenses

We did not record selling expenses during the nine months ended 30 September 2021 and 2022 as we closed down our sales department in order to reduce costs and we no longer had as separate sale team to perform sales work since January 2020. The sales function of our Group was allocated to other personnel, including the management of our Group.

Administrative expenses

Our administrative expenses increased by approximately RMB3.5 million, or 28.7%, from approximately RMB12.2 million for the nine months ended 30 September 2021 to approximately RMB15.7 million for the nine months ended 30 September 2022. Such significant increase was primarily attributable to (i) the increase in tax and surcharge due to the substantial increase in our land use tax resulted from the mining rights in relation to our Phase II Gaoloushan Mine; and (ii) the increase in staff cost resulted from the increase in number of administrative staff in Liantong Municipal and distribution of bonus to our Company's administrative staff.

Impairment losses/reversal on trade receivables

We recognised a loss allowance for expected credit loss on trade receivables of approximately RMB11.0 million for the nine months ended 30 September 2021 while we recorded a gain on reversal of impairment losses for trade receivables of approximately RMB7.6 million for the nine months ended 30 September 2022. The reversal was mainly (i) due to our escalated effort to collect the long outstanding trade receivables; and (ii) because we sold our ready-mixed concrete products to Huaibei Investment Trading and other customers who would made prepayment to us.

Finance cost

Our finance cost increased by approximately RMB18.2 million, or 50.3%, from approximately RMB36.2 million for the nine months ended 30 September 2021 to approximately RMB54.4 million for the nine months ended 30 September 2022. The significant increase was primarily due to (i) the increase in interest expenses of our interest-bearing borrowings for the purpose of settling the premium for the mining rights of the Phase II Gaoloushan Mine which were borrowed in February 2021; and (ii) the interest expenses incurred from long-term payables of our mining rights of the Phase II Gaoloushan Mine recognised in accordance with the relevant accounting standards.

Profit before taxation

As a result of the foregoing, our profit before taxation decreased by approximately RMB2.5 million, or 2.4%, from approximately RMB106.3 million for the nine months ended 30 September 2021 to approximately RMB103.8 million for the nine months ended 30 September 2022.

Income tax

Our income tax decreased by approximately RMB0.8 million, or 3.0%, from approximately RMB27.0 million for the nine months ended 30 September 2021 to approximately RMB26.2 million for the nine months ended 30 September 2022. Such decrease was generally in line with our decrease in profit before taxation.

Profit for the period

As a result of the foregoing, our profit for the period decreased slightly by approximately RMB1.6 million, or 2.0%, from approximately RMB79.2 million for the nine months ended 30 September 2021 to approximately RMB77.6 million for the nine months ended 30 September 2022.

Year ended 31 December 2021 as compared to year ended 31 December 2020

Revenue

Our revenue decreased by approximately RMB136.1 million, or 26.9%, from approximately RMB506.4 million for the year ended 31 December 2020 to approximately RMB370.3 million for the year ended 31 December 2021. The significant decrease was primarily due to the combined effect of:

(i) the decrease in revenue from sales of aggregate products and others from approximately RMB369.6 million for the year ended 31 December 2020 to approximately RMB255.9 million for the year ended 31 December 2021 due to (a) the decrease in sales volume of our aggregate products and others which our Directors believe was due to our adjustment on the production volume of our aggregate products and others in accordance with our permitted production volume of 3.5 million tonnes per year from the historical higher production volume in 2020 which was not considered as a non-compliance as confirmed by the Natural Resources and Planning; and the repair and maintenance of the road connecting to Anhui Provincial Highway S101 in the first half of 2021 which affected the transportation condition and led to the detour of some of our customers; (b) the decrease in the average selling price we offered for our aggregate products in order to attract and retain the customers who might be affected by the repair and maintenance of the road connecting to Anhui Provincial Highway S101; (c) the decrease in average selling price due to the continued remediation process of abandoned quarries (山體整治) and (d) the decrease in average selling price due to the temporary shrinking of demand on construction aggregates resulted from (1) the measures imposed by government of PRC in order to stabilise the real estate sector in China. Therefore, the growth rate of real estate development investment in Huaibei City has slowed down in the second half of 2021 and many real estate companies paused their construction projects, and thus resulted in a decrease in demand in construction aggregates; and (2) in light of the regional outbreak of

COVID-19 in Eastern China, the government of Huaibei City issued regulations to eliminate gathering of people and reduce personnel movement in construction sites which resulted in delay of some construction projects, according to the CIC Report; and

(ii) the decrease in revenue from sales of concrete products from approximately RMB136.8 million for the year ended 31 December 2020 to approximately RMB114.4 million for the year ended 31 December 2021 due to the decrease in sales volume of our cement stabilised macadam and asphalt concrete as we have reduced our sales of concrete products to certain customers with long outstanding receivables and the decrease in average selling price of our ready-mixed concrete products as we offered a lower average selling price to Huaibei Investment Trading who was willing to make prepayment.

Cost of sales

Our cost of sales decreased by approximately RMB25.9 million, or 11.9%, from approximately RMB217.9 million for the year ended 31 December 2020 to RMB192.0 million for the year ended 31 December 2021. The decrease was primarily due to the decrease in (i) our cost of raw materials for our concrete products; and (ii) subcontracting fees for blasting services in relation to the mining of aggregate products and the transportation and paving service of concrete products to our customers, which were generally in line with the decrease in sales volume of both aggregate products and concrete products during the same period.

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB110.2 million, or 38.2%, from approximately RMB288.5 million for the year ended 31 December 2020 to RMB178.3 million for the year ended 31 December 2021. The significant decrease was primarily due to the combined effect of (i) the decrease in gross profit from sale of aggregate products and others by approximately RMB102.9 million from approximately RMB267.4 million for the year ended 31 December 2020 to approximately RMB164.5 million for the year ended 31 December 2021, which were resulted from the substantial decrease in revenue from the same segment which our Directors believe was primarily resulted from the reasons stated above in the paragraph headed "Description of certain items from the consolidated statements of profit or loss and other comprehensive income – Revenue"; and (ii) the decrease in gross profit from the sale of concrete products by approximately RMB7.3 million from approximately RMB21.1 million for the year ended 31 December 2020 to approximately RMB13.8 million for the year ended 31 December 2021.

Our gross profit margin decreased by approximately 8.8 percentage points from approximately 57.0% for the year ended 31 December 2020 to 48.2% for the year ended 31 December 2021. The decrease was primarily due to the combined effect of (i) the decrease in gross profit margin from sale of aggregate products and others from approximately 72.3% for the year ended 31 December 2020 to approximately 64.3% for year ended 31 December 2021 due to the decrease in the average unit selling price resulted from the reasons stated in the paragraph headed "Description of certain items from the consolidated statements of profit or loss and other comprehensive income – Average selling prices – Aggregate products and others" above; (ii) the decrease in gross profit margin from sale of ready-mixed concrete of approximately 16.3% for the year ended 31 December 2020 to approximately 11.6% for the year ended 31 December 2021 resulted from the decrease in average selling price as we offered a lower average selling price to Huaibei Investment Trading who was willing to make prepayment.

Other income

Our other income increase by approximately RMB15.0 million, or 254.2%, from approximately RMB5.9 million for the year ended 31 December 2020 to approximately RMB20.9 million for the year ended 31 December 2021. The increase was primarily due to (i) the increase in interest income by approximately RMB15.3 million generated from a loan to Huaibei Construction Investment Group on a continuous basis which was repayable upon request at interest rates of 0.3% per annum in 2020 and 6.95% per annum in 2021.

Selling expenses

Our selling expenses were approximately RMB35,000 for the year ended 31 December 2020 but we did not incur selling expenses for the year ended 31 December 2021 as we closed down our sales department in order to reduce costs and we no longer had a separate sale team to perform sales work since January 2020. The sales function of our Group was allocated to other personnel, including the management of our Group.

Administrative expenses

Our administrative expense increased by approximately RMB5.6 million, or 44.4%, from approximately RMB12.6 million for the year ended 31 December 2020 to approximately RMB18.2 million for the year ended 31 December 2021. The increase was primarily due to (i) the increase in our service fees of approximately RMB2.6 million for the resources exploration, feasibility studies and assessments in relation to our Gaoloushan Project (Phase II); and (ii) the increase in staff cost of approximately RMB1.7 million mainly due to the increase in the number of administrative staff and senior management in our Company.

Impairment losses/reversal on trade receivables

We recognised a loss allowance for expected credit loss on trade receivables of approximately RMB33.0 million for the year ended 31 December 2020 while we recorded a gain on reversal of impairment losses for trade receivables of approximately RMB6.1 million for the year ended 31 December 2021. The reversal was mainly (i) due to our escalated effort to collect the long outstanding trade receivables; and (ii) because we sold our ready-mixed concrete products to Huaibei Investment Trading who would make prepayment to us.

Finance costs

Our finance cost increased by approximately RMB49.2 million, or 964.7%, from approximately RMB5.1 million for the year ended 31 December 2020 to approximately RMB54.3 million for the year ended 31 December 2021. The significant increase was primarily due to the increase in the balance of our interest-bearing borrowings for the purpose of settling the premium for the mining rights of the Phase II Gaoloushan Mine and the interest expenses incurred from long-term payables of our mining rights of the Phase II Gaoloushan Mine recognised in accordance with the relevant accounting standards.

Profit before taxation

As a result of the foregoing, our profit before taxation decreased by approximately RMB110.8 million, or 45.5%, from approximately RMB243.6 million for the year ended 31 December 2020 to approximately RMB132.8 million for the year ended 31 December 2021.

Income tax

Our income tax decreased by approximately RMB27.2 million, or 44.5%, from approximately RMB61.1 million for the year ended 31 December 2020 to approximately RMB33.9 million for the year ended 31 December 2021. The decrease was generally in line with our decrease in profit before taxation.

Profit for the year

As a result of the foregoing, our profit for the period decreased by approximately RMB83.6 million, or 45.8%, from approximately RMB182.5 million for the 2020 to approximately RMB98.9 million for the year ended 31 December 2021.

Year ended 31 December 2020 as compared to year ended 31 December 2019

Revenue

Our revenue increased by approximately RMB13.9 million, or 2.8%, from approximately RMB492.5 million for the year ended 31 December 2019 to approximately RMB506.4 million for the year ended 31 December 2020. The slight increase was primarily due to the increase in revenue from sales of aggregate products and others from approximately RMB323.8 million for the year ended December 2019 to approximately RMB369.6 million for the year ended December 2020 resulted from the increase in sales volume of aggregate products and others, which was driven by the development of infrastructure encouraged by the local government policies, as partially offset by the decrease in average selling price of aggregate products and others resulted from (i) the remediation process of abandoned quarries (山體整治) encouraged by the local government in 2020 which led to the increased supply of construction aggregates;

and (ii) and the expansion of production capacities by existing suppliers to fill up the shortage resulted from the strict implementation of policies in 2019. The increase in revenue was also partially offset by the decrease in revenue from sales of concrete products from approximately RMB168.7 million for the year ended December 2019 to approximately RMB136.8 million for the year ended December 2020 as we reduced our sales to certain customers with long outstanding receivables during the year.

Cost of sales

Our cost of sales decreased by approximately RMB15.3 million, or 6.6%, from approximately RMB233.2 million for the year ended 31 December 2019 to approximately RMB217.9 million for the year ended 31 December 2020. The decrease was primarily due to the decrease in raw material cost of approximately RMB26.6 million for the production of our concrete products which was in line with the decrease in sales of concrete products, as partially offset by the increase in depreciation and amortisation expenses of RMB9.8 million.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB29.2 million, or 11.3% million from approximately RMB259.3 million for the year ended 31 December 2019 to approximately RMB288.5 million for the year ended 31 December 2020. Such increase was primarily due to the combined effect of (i) the increase in gross profit from sale of aggregate products by approximately RMB27.5 million from approximately RMB239.9 million for the year ended 31 December 2019 to approximately RMB267.4 million for the year ended 31 December 2020 resulted from the increase in revenue from the same segment driven by the development of infrastructure encouraged by the local government policies; and (ii) the increase in gross profit from the sale of concrete products by approximately RMB1.7 million from approximately RMB19.4 million for the year ended 31 December 2019 to approximately RMB21.1 million for the year ended 31 December 2020.

Our gross profit margin increased by approximately 4.4 percentage points from approximately 52.6% for the year ended 31 December 2019 to approximately 57.0% for the year ended 31 December 2020. Such increase was primarily attributable to (i) the increase in the proportion of sales of aggregate products and others (which accounted for approximately 65.8% of our total revenue in 2019 and increased to approximately 73.0% of our total revenue in 2020), which generated higher gross profit margin when compared to that of concrete products; and (ii) the increase in gross profit margin from sale of concrete products from approximately 11.5% for the year ended 31 December 2019 to approximately 15.5% for the year ended 31 December 2020, in particular ready-mixed concrete and asphalt concrete, due to the significant decrease in cost of raw material, primarily aggregates and asphalt, which were the largest cost component of our concrete products.

Other income

Our other income increased by approximately RMB3.6 million, or 156.5%, from approximately RMB2.3 million for the year ended 31 December 2019 to approximately RMB5.9 million for the year ended 31 December 2020. The significant increase was primarily attributable to (i) the increase in interest income of approximately RMB1.6 million generated from our bank deposit; and (ii) the increase in one-off government grants of approximately RMB2.0 million. The one-off government grants are primarily related to (i) government subsidies to support the entity's operation; and (ii) partial exemption of payment of social insurance during COVID-19 pandemic.

Selling expenses

Selling expenses decreased by approximately RMB934,000, or 96.4% from approximately RMB969,000 for the year ended 31 December 2019 to approximately RMB35,000 for the year ended 31 December 2020. The decrease was primarily attributable to the substantial decrease in staff cost for sales personnel as we gradually closed down our sales department in order to reduce the cost and we no longer had a separate sale team to perform sales work since January 2020. The sales function of our Group was allocated to other personnel, including the management of our Group.

Administrative expenses

Administrative expenses increased by approximately RMB0.3 million, or 2.4%, from approximately RMB12.3 million for the year ended 31 December 2019 to approximately RMB12.6 million for the year ended 31 December 2020. The increase was primarily attributable to the increase in tax and surcharges of RMB1.0 million, in particular property taxes as Tongming Mining began to pay such taxes since late 2019 after the construction of its office building, as partially offset by the decrease in service fees paid of RMB0.6 million in 2020.

Impairment losses on trade receivables

Our impairment losses on trade receivables increased from approximately RMB18.9 million for the year ended 31 December 2019 to approximately RMB33.0 million for the year ended 31 December 2020. This was principally attributable to the increase in loss allowance made to our long aged trade receivables from certain customers in relation to our concrete business.

Finance costs

Our finance costs increased by approximately RMB1.0 million, or 24.4%, from approximately RMB4.1 million for the year ended 31 December 2019 to approximately RMB5.1 million for the year ended 31 December 2020 due to the increase in interest-bearing bank borrowings.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by approximately RMB18.3 million, or 8.1%, from approximately RMB225.3 million for the year ended 31 December 2019 to approximately RMB243.6 million for the year ended 31 December 2020.

Income tax

Our income tax increased by approximately RMB4.6 million, or 8.1%, from approximately RMB56.5 million for the year ended 31 December 2019 to approximately RMB61.1 million for the year ended 31 December 2020. The increase was primarily due to the corresponding increase in our profit before taxation.

Profit for the year

As a result of the foregoing factors, our profit for the year increased by approximately RMB13.6 million, or 8.1% from approximately RMB168.9 million for the year ended 31 December 2019 to approximately RMB182.5 million for the year ended 31 December 2020.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out a summary of our consolidated statements of financial position as at the dates indicated. This information should be read together with our Consolidated Financial Information included in the accountants' report in Appendix I to this prospectus.

Consolidated statements of financial position of our Group as at the dates indicated below

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	476,376	429,524	1,689,208	1,657,761
Deferred tax assets	6,990	16,039	14,185	12,378
Non-current portion of other receivables	8,333	8,809	9,312	46,891
	491,699	454,372	1,712,705	1,717,030

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Deposits with original maturities over three months	–	–	–	184,000
Inventories	6,971	4,977	4,733	4,100
Current tax assets	–	–	2,397	19,514
Trade and other receivables	116,945	76,162	38,834	72,294
Other financial assets	–	105,000	–	–
Cash and cash equivalents	180,773	61,504	581,670	277,171
	304,689	247,643	627,634	557,079
Current liabilities				
Trade and other payables	37,861	32,963	395,171	425,960
Contract liabilities	16,278	6,671	58,954	5,712
Interest-bearing borrowings	67,760	68,000	34,500	34,500
Current taxation	57,735	70,721	2,271	2,136
	179,634	178,355	490,896	468,308
Net current assets	125,055	69,288	136,738	88,771
Total assets less current liabilities	616,754	523,660	1,849,443	1,805,801
Non-current liabilities				
Interest-bearing borrowings	–	–	900,369	899,369
Long-term payables	–	–	464,345	352,847
Deferred tax liabilities	5,657	4,058	11,978	22,476
Accrual for reclamation costs	11,855	12,530	15,262	15,824
	17,512	16,588	1,391,954	1,290,516
NET ASSETS	599,242	507,072	457,489	515,285

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES				
Share capital	–	198,000	198,000	198,000
Reserves	390,522	136,506	106,124	156,974
Total equity attributable to equity shareholders of the Company	390,522	334,506	304,124	354,974
Non-controlling interests	208,720	172,566	153,365	160,311
TOTAL EQUITY	599,242	507,072	457,489	515,285

Property, plant and equipment

Our property, plant and equipment, which mainly consisted of building and machinery, mining rights and assets, and right-of-use assets, amounted to approximately RMB476.4 million, RMB429.5 million, RMB1,689.2 million and RMB1,657.8 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively.

Our property, plant and equipment decreased from approximately RMB476.4 million as at 31 December 2019 to approximately RMB429.5 million as at 31 December 2020, which was primarily resulted from the depreciation and amortisation recognised during the relevant year.

Our property, plant and equipment increased to approximately RMB1,689.2 million as at 31 December 2021, primarily attributable to the acquisition of the mining rights in respect of the Phase II Gaoloushan Mine with the total acquisition price of approximately RMB1,367.7 million in January 2021.

Our property, plant and equipment decreased slightly to approximately RMB1,657.8 million as at 30 September 2022 primarily as a result of the combined effect of (i) the increase in our construction in progress in relation to our Phase II Gaoloushan Mine; and (ii) depreciation recognised during the period.

Deferred tax assets

Our deferred tax assets arise from (i) deductible temporary differences, being the differences between the carrying amounts of assets and its tax bases; (ii) unused tax losses; and (iii) unused tax credits. Our deferred tax assets amounted to approximately RMB7.0 million, RMB16.0 million, RMB14.2 million and RMB12.4 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. The fluctuation was primarily due to the credit loss allowance made to our trade receivables.

Non-current portion of other receivables

Our non-current portion of other receivables amounted to approximately RMB8.3 million, RMB8.8 million, RMB9.3 million and RMB46.9 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, which mainly represented the mine reclamation deposit for our Gaoloushan Project (Phase I) paid to Lieshan District Finance Bureau in 2017 of approximately RMB11.0 million, which is recognised at the present value over the expected life of the mine by using discount rate of 5.7% and expected to be returned after the completion of mine reclamation.

Our non-current portion of other receivables increased significantly from approximately RMB9.3 million as at 31 December 2021 to approximately RMB46.9 million as at 30 September 2022, primarily resulted from the Land Use Reservation Fee paid to Lieshan District People's Government in relation to the use of land for Phase II Processing Plant in the sum of approximately RMB37.2 million, which included approximately RMB33.2 million paid in June 2022 and approximately RMB4.0 million paid in August 2022. For further details in relation to the Land Use Reservation Fee, please refer to the paragraph headed "Our production schedule and development plan – Implementation Plan of our Development Plan – Acquisition of land for our Phase II Processing Plant" in the section headed "Business".

Accrual for reclamation costs

Our accrual for reclamation costs is mainly recognised for the present value of estimated costs to be incurred in complying with our Group's obligations for the restoration of damages caused to the geological environment during our exploration of mine resources. These costs are expected to be incurred on mine closure, based on the estimated reclamation expenses at the Gaoloushan Mine when the Phase II Mining Licence expires.

The accrual amount for reclamation is based on estimates of future expenditures to be incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the accrual for reclamation costs as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The accrual at the end of the reporting period represents our management's best estimate of the present value of the future reclamation costs required. Changes to estimated future costs are recognised in the consolidated statements of financial position by adjusting the mining asset and the relevant liability.

According to the geological protection and land reclamation plan (the "**Land Rehabilitation Plan**") in relation to our operation of Gaoloushan Project (Phase I) and existing production facilities prepared by Xuzhou Wanyuan Geological and Mineral Research Company Limited and approved by Huaibei Land and Resources Bureau in January 2017, the total static investment of geological protection and land reclamation for our Gaoloushan Project (Phase I) is estimated to be approximately RMB11.0 million. In June 2021, an updated Land Rehabilitation Plan (the "**Updated Plan**") prepared by No. 325 geological team Bureau of Geology and Mineral Resources of Anhui Province (安徽省地質礦產局第325地質隊) covering our Gaoloushan Project (Phase II) and new production plant was approved by Natural Resources and Planning Bureau of Huaibei City. According to the Updated Plan, the total static investment of geological protection and land reclamation for our Gaoloushan Project (Phase II) is estimated to be approximately RMB19.8 million. With reference to the Land Rehabilitation Plan, the Updated Plan and the significant factors, the management estimates the carrying amounts of accrual for reclamation cost amounted to approximately RMB11.9 million, RMB12.5 million, RMB15.3 million and RMB15.8 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. During the Track Record Period, our accrual for reclamation cost recorded an increasing trend as a result of the unwinding of discount which is the addition of the interest element to the present value. The expansion for the Gaoloushan Project (Phase II) further increased our accrual for land reclamation cost from approximately RMB12.5 million as at 31 December 2020 to approximately RMB15.3 million as at 31 December 2021.

Our Directors confirmed and considered that based on the total static investment of stated in the Land Rehabilitation Plan and the then Updated Plan approved by the relevant government authorities, and taking into account the adjusting factors, the accrual for reclamation costs is adequate for all reclamation works.

Please also refer to the paragraph headed "Business – Environmental protection, land rehabilitation and other social matters – Land rehabilitation" in this prospectus for further information.

Long-term payables

We recognised long-term payables of approximately RMB464.3 million and RMB352.8 million as at 31 December 2021 and 30 September 2022, which represented the present value of payables to Natural Resources and Planning Bureau of Huaibei City (淮北市自然資源和規劃局) for purchase of mining rights of Phase II Gaoloushan Mine of approximately RMB1,367.7 million in 2021, of which approximately RMB820.7 million was already paid as at the Latest Practicable Date and the remaining balance is repayable in four equal instalments of RMB136.8 million per annum from 2023 to 2026.

NET CURRENT ASSETS/LIABILITIES

The table below sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 October
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current assets					
Deposits with original maturities over three months	–	–	–	184,000	–
Inventories	6,971	4,977	4,733	4,100	4,166
Current tax assets	–	–	2,397	19,514	29,180
Trade and other receivables	116,945	76,162	38,834	72,294	74,840
Other financial assets	–	105,000	–	–	–
Cash and cash equivalents	180,773	61,504	581,670	277,171	461,709
	304,689	247,643	627,634	557,079	569,895
Current liabilities					
Trade and other payables	37,861	32,963	395,171	425,960	427,751
Contract liabilities	16,278	6,671	58,954	5,712	3,213
Interest-bearing borrowings	67,760	68,000	34,500	34,500	34,500
Current taxation	57,735	70,721	2,271	2,136	299
	179,634	178,355	490,896	468,308	465,763
Net current assets	125,055	69,288	136,738	88,771	104,132

Our net current asset decreased from approximately RMB125.1 million as at 31 December 2019 to approximately RMB69.3 million as at 31 December 2020 primarily as a result of (i) significant decrease in cash and cash equivalent resulted from the payment of dividend as partially offset by the cash generated from operation for the year; and (ii) decrease in trade and other receivables as a result of the increase in provision of allowance for trade receivables.

Our net current asset increased from approximately RMB69.3 million as at 31 December 2020 to approximately RMB136.7 million as at 31 December 2021 primarily as a result of (i) the significant increase in our cash and cash equivalent from the proceeds from two bank loans which will be repaid fully in 2024 and 2031 respectively; and (ii) the decrease in payable for our current taxation, as partially offset by increase in our trade and other payables, including payable for capital expenditure for the acquisition of the mining rights in relation to our Phase II Gaoloushan Mine.

Our net current asset decreased from approximately RMB136.7 million as at 31 December 2021 to approximately RMB88.8 million as at 30 September 2022 primarily as a result of (i) the decrease in our cash and cash equivalents from approximately RMB581.7 million as at 31 December 2021 to approximately RMB277.2 million as at 30 September 2022, primarily due to our repayment for long-term payables of approximately RMB136.8 million in relation to the purchase of mining rights of Phase II Gaoloushan Mine; and (ii) the increase in trade and other payables from approximately RMB395.2 million as at 31 December 2021 to approximately RMB426.0 million as at 30 September 2022, primarily arouse from the purchase of raw material and blasting fees payable to Leiming Blasting; as partially offset by (i) the increase in our deposits with original maturities over three months from nil as at 31 December 2021 to RMB184.0 million as at 30 September 2022; (ii) the decrease in contract liabilities from approximately RMB59.0 million as at 31 December 2021 to approximately RMB5.7 million as at 30 September 2022; (iii) the increase in current tax assets from approximately RMB2.4 million as at 31 December 2021 to approximately RMB19.5 million as at 30 September 2022 for the reasons mentioned in the paragraph headed "Current tax assets" in this section below; and (iv) the increase in trade and other receivables from approximately RMB38.8 million as at 31 December 2021 to approximately RMB72.3 million as at 30 September 2022 which arose from the corresponding credit sales.

Our net current assets increased from approximately RMB88.8 million as at 30 September 2022 to approximately RMB104.1 million as at 31 October 2022, primarily as a result of (i) the increase in current tax assets by approximately RMB9.7 million for the same reasons as mentioned in the paragraph headed "Current tax assets" in this section below; and (ii) decrease in contract liabilities by approximately RMB2.5 million due to recognition of the corresponding revenue; and (iii) the decrease in current taxation by approximately RMB1.8 million because of payment of tax.

Deposits with original maturities over three months

Our deposits with original maturities over three months amounted to RMB184.0 million as at 30 September 2022, which represented the fixed deposit we made with the bank with maturity of one year.

Inventories

As at 31 December 2019, 2020 and 2021 and 30 September 2022, we had inventories of approximately RMB7.0 million, RMB5.0 million, RMB4.7 million and RMB4.1 million, respectively, accounting for 2.3%, 2.0%, 0.8% and 0.7% of our total current assets.

Our inventories mainly represented our raw materials for the production of our concrete products.

Our inventories decreased by approximately RMB2.0 million, or 28.6% from approximately RMB7.0 million as at 31 December 2019 to RMB5.0 million as at 31 December 2020 as we adjusted the inventory level in response to the decrease in sale of concrete products during the year. Our inventories remained relatively stable at approximately RMB4.7 million as at 31 December 2021. Our inventories decreased by approximately RMB0.6 million, or 12.8%, from approximately RMB4.7 million as at 31 December 2021 to approximately RMB4.1 million as at 30 September 2022 as we adjusted our inventory level in response to the fluctuation in our sale of concrete products.

As at the Latest Practicable Date, the inventories having been utilised or sold amounted to approximately RMB3.5 million, representing approximately 84.4% of inventories in stock as at 30 September 2022.

The table below sets forth the average inventory turnover days[(1)] for the periods indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
Average inventory turnover days	9.4	10.0	9.2	7.8

(1) The average inventory turnover days for a year/period is calculated as the average balances of inventories at the beginning and end of the year/period divided by cost of sales for the year/period and multiplied by 365 days for the years ended 31 December 2019, 2020 and 2021 and 273 days for the nine months ended 30 September 2022.

Our inventory turnover days remained stable at approximately 9.4 days, 10.0 days, 9.2 days for the year ended 31 December 2019, 2020 and 2021, respectively. Our average inventory turnover days decreased from approximately 9.2 days for the year ended 31 December 2021 to approximately 7.8 days for the nine months ended 30 September 2022 as a result of the low inventory level we recorded as at 30 September 2022 because we adjust our inventory level in response to the fluctuation of sales of concrete products as mentioned above. We monitor our inventory level including the purchase of raw material throughout the periods according to our internal inventory management policy, which is based on our planned production and consumption schedule, so as to maintain adequate inventory level.

Current tax assets

We recognised current tax assets of approximately RMB2.4 million as at 31 December 2021, which arose as a result of previously over-paid current taxation during the year. Our current tax assets increased to approximately RMB19.5 million as at 30 September 2022, primarily because our tax paid exceeded the tax payable during the nine months ended 30 September 2022 resulted from the amortisation of our mining rights in relation to our Phase II Gaoloushan Mine, current tax assets are recognised according to the relevant accounting policies. We measured amortisation charged of, among others, our mining rights in relation to our Phase II Gaoloushan Mine in our management accounts under the units-of-production method. However, for tax filing purpose, amortisation charged is measured under the straight-line method for tax deduction according to relevant tax regulations of the PRC. In estimating our withholding taxes payable, we have based on the amortisation charged in our management accounts and did not employ the straight-line method. As a result, the withholding tax paid exceeded the tax payable due to different amortisation methods. The difference could be adjusted for future tax payable when filing tax returns in accordance with PRC tax laws, according to State Administration of Taxation, Huaibei City Lieshan District Taxation Bureau* (國家稅務總局淮北市烈山區稅務局) (the "**Tax Bureau**"). As advised by our PRC Legal Adviser, the Tax Bureau is a competent authority in relation to tax-related matters of Tongming Mining.

Trade and other receivables

Our trade and other receivables mainly represented the receivables from our customers for the sales of our concrete products during the ordinary course of our business, amount due from a related party, VAT recoverables and deposits and prepayments.

The following table sets forth the breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Trade and bills receivables, net of loss allowance	104,251	59,865	13,608	34,029
Other receivables	527	778	738	321
Financial assets measured at amortised cost	104,778	60,643	14,346	34,350
VAT recoverables	8,711	10,020	7,154	8,843
Deposits and prepayments	3,456	5,499	17,334	29,101
	116,945	76,162	38,834	72,294
Non-current				
Reclamation deposit	8,333	8,809	9,312	9,706
Prepayment for land use rights	–	–	–	37,185
	8,333	8,809	9,312	46,891
	125,278	84,971	48,146	119,185

Regarding the aggregate products and others segment, we generally do not grant credit period to our customer as we normally require our customers to make prepayment before taking delivery our aggregate products. Regarding the concrete products segment, we granted credit period to our customers during Track Record Period, which was generally from 10 to 90 days. As such, our trade and bills receivables were all generated from the sales of concrete products. When granting credit to our customers, we generally take into consideration, among others customer's past history of making payments when due and information specific to the customer. In order to reduce the risk of non-payment, our Directors are more inclined to collect prepayment over granting credit period to our customers. In November 2020, Huaibei Investment Trading agreed to settle the sales of our concrete products by prepayment.

Our trade and bills receivables, net of loss allowance, decreased by approximately RMB44.4 million, or 42.6%, from approximately RMB104.3 million as at 31 December 2019 to approximately RMB59.9 million as at 31 December 2020, primarily due to (i) the increase in impairment losses recognised for our trade receivables; and (ii) our escalated effort on collecting trade receivables.

Our trade and bills receivables, net of loss allowance, decreased by approximately RMB46.3 million, or 77.3%, from approximately RMB59.9 million as at 31 December 2020 to approximately RMB13.6 million as at 31 December 2021, primarily due to (i) our escalated effort on collecting receivables; and (ii) the sales arrangement in relation to our ready-mixed concrete products with Huaibei Investment Trading, under which Huaibei Investment Trading would make prepayment to us, resulting in the recognition of smaller balance of trade receivables.

Our trade and bills receivables, net of loss allowance increased from approximately RMB13.6 million as at 31 December 2021 to approximately RMB34.0 million as at 30 September 2022, respectively, primarily due to the increase in sales of ready-mixed concrete to Huaihai Construction which required us to grant credit period. We have increased our sales to Huaihai Construction during the nine months ended 30 September 2022 as compared to the nine months ended 30 September 2021 taking into account (i) the improved liquidity and financial conditions of Liantong Municipal from 2021 onwards as compared to the previous years; (ii) the credit worthiness of Huaihai Construction; and (ii) the well-established position of Huaihai Construction as a state-owned construction company in Huaibei City. For further details regarding our business relationship with Huaihai Construction, please refer to the paragraph headed "Business – Customers – Relationship with Huaibei Construction Investment Group".

The table below sets forth the ageing analysis of our trade and bills receivables based on the invoice date (or date of revenue recognition, if earlier) and the balance net of loss allowance, as at the dates indicated:

	As at 31 December									As at 30 September		
	2019			2020			2021			2022		
	Gross carrying amount	Loss allowance	Net amount	Gross carrying amount	Loss allowance	Net amount	Gross carrying amount	Loss allowance	Net amount	Gross carrying amount	Loss allowance	Net amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	61,399	4,983	56,416	21,044	1,787	19,257	10,337	496	9,841	25,720	769	24,951
3 to 6 months	34,536	6,603	27,933	19,879	3,720	16,159	3,648	515	3,133	9,952	947	9,005
6 to 12 months	30,229	10,327	19,902	38,849	14,400	24,449	881	247	634	131	58	73
Over 12 months	1,211	1,211	–	36,233	36,233	–	48,807	48,807	–	40,651	40,651	–
	127,375	23,124	104,251	116,005	56,140	59,865	63,673	50,065	13,608	76,454	42,425	34,029

Our trade and bills receivables, net of loss allowance which were aged over three months amounted to approximately RMB47.8 million, RMB40.6 million, RMB3.8 million and RMB9.1 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, representing approximately 45.9%, 67.8%, 27.7% and 26.7% of our total trade and bills receivables, net of loss allowance as at the same dates, respectively. We recorded a proportional increasing trend of trade and bills receivables, net of loss allowance which were aged over three months as at 31 December 2019 and 2020 because loss allowance was made for long-aged receivables. The proportion of trade and bills receivables, net of loss allowance which are aged over three months significantly decreased to approximately 27.7% as at 31 December 2021 due to our prepayment arrangement with Huaibei Investment Trading for the sale of our ready-mixed concrete and our escalated effort in collecting receivables. The proportion of our trade and bills receivables over three months remained stable at approximately 26.7% as at 30 September 2022 when compared with the balance as at 31 December 2022.

We have policies in place to minimise potential credit risks and to monitor receivables and outstanding invoices. As a measure to strengthen our capability to collect these overdue trade receivables, our management takes appropriate follow-up actions such as active communications with the customers and legal actions, depending on the specific circumstances, after regularly reviewing the receivables ageing analysis from the finance staff. As at 30 September 2022, we provided a full amount of loss allowance of approximately RMB40.7 million for the trade and bills receivables aged over 12 months. Among the trade and bills receivables aged within 12 months, approximately RMB30.2 million were generated by the Huaibei Construction Investment Group, representing approximately 84.4% of the total trade and bills receivables aged within 12 months. As Huaibei Construction Investment Group is our connected person which also has a state-owned background, and taking into consideration of the above, our Directors are of the view that the default risk of our trade receivables are relatively low and sufficient provision has been made to our trade receivables.

As at the Latest Practicable Date, the gross carrying amount of trade and bills receivable having been subsequently settled amounted to approximately RMB25.4 million, representing approximately 33.3% of gross carrying amount of trade and bills receivables as at 30 September 2022. The relatively low level of subsequent settlement of our trade and bills receivables was primarily because approximately 31.1% of the gross carrying amount of our trade receivables were attributable to legal proceedings not yet ruled by the courts. In addition, loss allowance has been made in accordance with our accounting policies. The subsequent settlement amount of approximately RMB25.4 million represents approximately 74.7% of the trade and bills receivables, net of loss allowance, as at 30 September 2022.

The following table sets forth the movements in the our allowance for impairment of trade receivables as at the dates indicated:

	Years ended at 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Balance at 1 January	4,222	23,124	56,140	56,140	50,065
Impairment losses/(reversal) recognised during the year *(Note (i))*	18,902	33,016	(6,075)	10,991	(7,640)
Balance at years ended/periods ended	23,124	56,140	50,065	67,131	42,425

Note:

(i) The impairment losses recognised are contributed to the origination of new trade receivables net of those settled and the increase in days past due.

In determining the recoverability of trade receivables from our customers, we generally take into consideration a number of indicators, including historical recoverability and any change in the credit quality of the trade receivable from the date on which the credit was initially granted up to the reporting date. Having taken into account the aforementioned factors and a reversal of impairment loss recorded for the year ended 31 December 2021 and the nine months ended 30 September 2022, our Directors are of the view that there is no material recoverability issue with respect to trade receivables from our customers.

During the Track Record Period. Liantong Municipal initiated legal actions against customers who had overdue trade receivables to recover overdue payments for the concrete products provided to its customers. A breakdown of our trade receivables attributable to each of the relevant circumstances as at the dates indicated is set forth below:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Legal proceedings ruled by the courts but the claims were not yet received	–	–	19,898	17,506
Legal proceedings not yet ruled by the courts	–	–	24,368	23,755
Subtotal	–	–	44,266	41,251

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount unrelated to legal proceedings	127,375	116,005	19,408	35,172
Total gross carrying amount of trade receivables	127,375	116,005	63,673	76,454
Loss allowance	23,124	56,140	50,065	42,425
Trade receivables, net	104,251	59,865	13,608	34,029

The table below sets forth the average trade and bills receivable turnover days(1) for the periods indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
Average trade and bills receivable turnover days	49.4	59.1	36.2	20.8

(1) The average turnover days of trade and bills receivables is calculated as the relevant average balances at the beginning and end of the year/period divided by the corresponding revenue for the year/period and multiplied by 365 days for the years ended 31 December 2019, 2020 and 2021 and 273 days for the nine months ended 30 September 2022.

Our average trade and bills receivable turnover days increased from approximately 49.4 days for the year ended 31 December 2019 to approximately 59.1 days for the year ended 31 December 2020 as the opening balance of our trade and bills receivable was relatively low for 2019. Our trade and bills receivable turnover days decreased to approximately 36.2 days for the year ended 31 December 2021 attributable to the decrease in trade and bills receivable balance as at 31 December 2021 due to our prepayment arrangement with Huaibei Investment Trading in relation to the sale of our ready-mixed concrete, such that less receivables were recognised during the year and we have been more inclined to receive prepayment for concrete products over granting credit terms to our customers. Our average trade and bills receivable turnover days further decreased to approximately 20.8 days for the nine months ended 30 September 2022 as a result of the increase in our revenue during the nine months ended 30 September 2022 as compared to the nine months ended 30 September 2021, while the average balance of our trade and bills receivable remains relatively stable as compared to the previous period. We believe that this is because of our continuous effort in collecting trade receivables, in particular for customers with long-outstanding receivable.

Our other receivables remained relatively stable during the Track Record Period, which primarily represented, our petty cash paid to employees in advance for daily operation.

Our VAT recoverable represented value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables, which amounted to approximately RMB8.7 million, RMB10.0 million, RMB7.2 million and RMB8.8 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. The increase in our VAT recoverable in 2020 was mainly attributable to the increase in purchase of raw materials and property, plant and equipment during our business expansion. Our VAT recoverable decreased from approximately RMB10.0 million as at 31 December 2020 to approximately RMB7.2 million as at 31 December 2021 because we purchased less raw materials in response to our lowered sales of concrete products in 2021.

Our deposits and prepayments amounted to approximately RMB3.5 million, RMB5.5 million, RMB17.3 million and RMB29.1 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, which primarily represented (i) the prepayments paid to our suppliers during our ordinary course of business; and (ii) the prepaid listing expenses in relation to our Listing which amount to approximately RMB2.3 million, RMB4.8 million, RMB16.7 million and RMB26.7 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. After excluding prepaid listing expenses, our deposits and prepayments amounted to approximately RMB1.2 million, RMB0.7 million, RMB0.6 million and RMB2.4 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. With our business growth and development, we were granted credit term by our suppliers, which led to the subsequent decrease in balance of our deposits and prepayments (excluding prepaid Listing expenses) from 2019 to 2020. Our deposits and prepayments (excluding prepaid Listing expenses) remained stable at approximately RMB0.6 million as at 31 December 2021. Our deposits and prepayments (after excluded prepaid listing expenses) increased to approximately RMB2.4 million as at 30 September 2022 because we have resumed the purchase of cement from Xiangshan Cement Group since March 2022 who required us to make prepayment.

For the details in relation to the non-current portion of other receivables, please refer to the paragraph headed "Discussion of selected items from the consolidated statements of financial position – Non-current portion of other receivables" in this section above.

Other financial assets

We recorded other financial assets of approximately RMB105.0 million as at 31 December 2020 representing (i) our loan to Huaibei Construction Investment, which was on a continuous basis payable upon request at the interest rate of 0.3% per annum (subsequently adjusted to 6.95% per annum in 2021) in December 2020 which has been fully settled in August 2021; and (ii) the construction loan to Huaihai Construction of approximately RMB22.4 million in 2020 at interest rate of 3.85% per annum and was subsequently re-classified to amount due from related parties in 2021 when the loan was no longer interest-bearing.

Trade and other payables

Our trade and other payables mainly represented amounts due to suppliers for the purchase of raw material for our products, payables for leasehold land, capital expenditure and dividend payables.

The following table sets forth the components of our trade and other payables as at the date indicated.

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills payable	–	–	9,917	–
Trade payables to				
– related parties	298	1,819	6,452	5,541
– third parties	17,598	11,869	9,748	24,489
	17,896	13,688	26,117	30,030
Interest payables	1,322	420	719	721
Payables for staff related costs	5,563	5,492	5,409	5,747
Payables for other taxes	7,464	5,576	7,478	19,125
Payables for capital expenditure	3,448	13	135,089	131,076
Dividends payables	–	3,238	–	19,800
Other accruals and payables	2,168	4,536	8,259	7,361
Financial liabilities measured at amortised cost	37,861	32,963	183,071	213,860
Cash advances from a related party	–	–	212,100	212,100
	37,861	32,963	395,171	425,960

Our trade and bills payables to related parties primarily represented our blasting fees payable to Leiming Blasting and payables arose from our purchase of cement from Huaibei Investment Trading which were settled by us according to the credit period granted while our trade and bills payables to third parties primarily represented the payables to suppliers in respect of the purchase of raw material and fees to subcontractors.

Our trade and bills payables decreased by approximately RMB4.2 million, or 23.5%, from approximately RMB17.9 million as at 31 December 2019 to approximately RMB13.7 million as at 31 December 2020. Such decrease was primarily due to the settlement of such payables due near the year end. Our trade and bills payables increased by RMB12.4 million, or 90.5%, from approximately RMB13.7 million as at 31 December 2020 to approximately RMB26.1 million as at 31 December 2021. Such increase was mainly because we were granted credit period by some of our suppliers instead of making prepayments. Our trade and bills payables further increased by approximately RMB3.9 million, or 14.9%, from approximately RMB26.1 million as at 31 December 2021 to approximately RMB30.0 million as at 30 September 2022 due to (i) the increase in trade payables to third party suppliers for the purchase of raw materials for the production of ready-mixed concrete; and (ii) the increase in blasting fees payable to Leiming Blasting which was in line with our increase in sales of aggregate products and others during the nine months ended 30 September 2022 and fees payable to Huaibei Construction in relation to the construction of a concrete production line for Liantong Municipal.

The table below sets forth the ageing analysis of our trade payables based on the invoice date, as at the dates indicated:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
within 12 months	17,891	13,688	25,796	29,704
over 12 months	5	–	321	326
	17,896	**13,688**	**26,117**	**30,030**

Our trade payables which are aged over 12 months amounted to approximately RMB5,000, nil, RMB321,000 and RMB326,000 as at 31 December 2019, 2020 and 2021 and 30 September 2022, represented approximately less than 0.1%, nil, 1.2% and 1.1% of our total trade payables as at the same dates, respectively.

As at the Latest Practicable Date, the trade payables having been subsequently settled amounted to approximately RMB15.4 million, representing approximately 51.4% of trade payables as at 30 September 2022.

The table below sets forth the average trade and bills payable turnover days[(1)] for the periods indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2019	**2020**	**2021**	**2022**
Average trade and bills payable turnover days	28.5	26.5	37.8	49.4

(1) The average turnover days of trade payables is calculated as their average balances at the beginning and end of the year/period divided by cost of sales for the year/period and multiplied by 365 days for the years ended 31 December 2019, 2020 and 2021 and 273 days for the nine months ended 30 September 2022.

Our trade and bills payable turnover days remained relatively stable approximately 28.5 days and 26.5 days for the year ended 31 December 2019 and 2020, respectively. Our trade and bills payable turnover days increased from approximately 26.5 days for the year ended 31 December 2020 to approximately 37.8 days for the year ended 31 December 2021. This increase was primarily due to (i) the increase in our trade and bills payable balance because we were granted credit terms by our suppliers; and (ii) the decrease in cost of sales which is in line with the decrease in our sales for the year ended 31 December 2021. Our trade and bills payable turnover days increased to approximately 49.4 days for the nine months ended 30 September 2022, which was primarily due to the increase in our trade payables balance as (i) we purchased more raw materials for our production of concrete products during the nine months ended 30 September 2022; and (ii) certain suppliers granted us a longer credit period.

Our other payables decreased by approximately RMB0.7 million, or approximately 3.5%, from approximately RMB20.0 million as at 31 December 2019 to approximately RMB19.3 million as at 31 December 2020, primarily attributable to the decrease in payables for capital expenditure. The decrease was primarily because we recorded a payables for capital expenditure of approximately RMB3.4 million primarily from the acquisition of an aggregate product production line for Tongming Mining in 2019. Such amount was subsequently settled and we did not incur significant amount of capital expenditure in 2020. The above decrease was partially offset by the increase in dividends payable of approximately RMB3.2 million.

Our other payables increased by approximately RMB349.8 million, or approximately 1,812.4% from approximately RMB19.3 million as at 31 December 2020 to approximately RMB369.1 million as at 31 December 2021, primarily attributable to (i) the significant increase in payables for capital expenditure of approximately RMB135.1 million from (a) the short-term payable for the acquisition of the mining rights in relation to our Phase II Gaoloushan Mine of approximately RMB133.0 million; and (b) the construction of pipeline network for our aggregate products production plant of approximately RMB2.1 million; (ii) the occurrence of cash received in advance of approximately RMB212.1 million, which represented the proposed capital contribution made in advance by Leiming Kehua to Tongming Mining pursuant to a framework capital injection agreement dated 17 August 2021 and such amount shall be credited to the registered capital of Tongming Mining should the capital contribution materialises after obtaining the approval from Huaibei SASAC and passing of the relevant shareholders' resolution. As at 31 December 2021, the capital injection was not completed as the relevant regulatory approval was not obtained. For further details in relation to the capital injection, please refer to "History, Reorganisation and Corporate Structure – Our Corporate Development – Our subsidiaries – Tongming Mining"; and (iii) the increase in our other accruals and payables by approximately RMB3.7 million which was primarily attributable to our Listing expenses payable in preparation for our Listing.

Our other payables increased by RMB26.8 million, or 7.3%, from approximately RMB369.1 million as at 31 December 2021 to approximately RMB395.9 million as at 30 September 2022, primarily attributable to the incurrence of dividends payable of approximately RMB19.8 million in relation to the dividends payable to Leiming Blasting by Tongming Mining.

Contract liabilities

Our contract liabilities mainly represented the prepayment received from our customers before we fulfil our obligation to transfer our products to the customers, which decreased from approximately RMB16.3 million as at 31 December 2019 to approximately RMB6.7 million as at 31 December 2020 as a result of fulfilment of our contractual obligations in relation to our sales of aggregate products and concrete products. In 2020, in response to the surge in demand of construction aggregate due to resumption of the key construction project after COVID-19 pandemic (which is not considered as a non-compliance), we produced and delivered most of the aggregate products to our customers in relation to the prepayment they made. As a result, less contract liabilities was recognised as at 31 December 2020. For further details of the over-production, please refer to the paragraph headed "Business – Utilisation Rate – Historical Production Volume of Gaoloushan Project (Phase I)".

Our contract liabilities significantly increased to approximately RMB59.0 million as at 31 December 2021 as we adjusted our production volume of aggregate products and others within the permitted production volume of 3.5 million tonnes per annum. As a result, some of our aggregate products were delivered to customers in January 2022 while our customers had made the payment in 2021. Therefore a substantial amount of contract liabilities was recognised as at 31 December 2021 resulted from the prepayment made by our aggregate products customers.

Our contract liabilities decreased by approximately RMB55.3 million, or 93.7%, from approximately RMB59.0 million as at 31 December 2021 to approximately RMB5.7 million as at 30 September 2022, primarily due to (i) the adjustment of production volume of our aggregate products near the end of 2021 due to our annual maximum capacity; and (ii) subsequent recognition of revenue of our aggregate products in 2022.

As at the Latest Practicable Date, the contract liabilities having been recognised as revenue amounted to approximately RMB5.2 million, represented approximately 88.5% of contract liabilities as at 30 September 2022.

Comprehensive losses/income of Liantong Municipal

For the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, Liantong Municipal recorded comprehensive losses of approximately RMB7.2 million, RMB16.0 million and comprehensive income of RMB6.9 million, comprehensive losses of RMB6.8 million and comprehensive income of RMB10.9 million, respectively.

The comprehensive losses of Liantong Municipal of approximately RMB7.2 million for the year ended 31 December 2019 was primarily due to the significant amount of impairment loss of trade receivables of approximately RMB18.9 million during the year resulted from the impairment of trade receivable due from certain customers who were unable to settle their purchase price within the credit period we offered.

The comprehensive loss of Liantong Municipal further increased by approximately RMB8.8 million, or 122.2%, from approximately RMB7.2 million for the year ended 31 December 2019 to approximately RMB16.0 million for the year ended 31 December 2020, which was primarily attributable to the combined effect of (i) the decrease in revenue from sale of concrete from approximately RMB168.7 million for the year ended 31 December 2019 to approximately RMB136.8 million for the year ended 31 December 2020; and (ii) the significant increase in impairment losses on trade receivables from approximately RMB18.9 million for the year ended 31 December 2019 to approximately RMB33.0 million for the year ended 31 December 2020 resulted from long outstanding trade receivables from certain customers.

Liantong Municipal has managed to turnaround and recorded a comprehensive income of approximately RMB6.9 million for the year ended 31 December 2021 (i) as Liantong Municipal has reduced the sales to certain customers with long outstanding trade receivables since 2020; (ii) we are more inclined to sell our concrete products to companies with good credit history and/or companies agreeing to make prepayment; and (iii) our continuous effort to collect the long outstanding trade receivables. These resulted in the change from the impairment losses on trade receivables of approximately RMB33.0 million for the year ended 31 December 2020 to the reversal on trade receivables of approximately RMB6.1 million for the year ended 31 December 2021. Going forward, we will continue to adhere to such strategy to sell our concrete products to companies with good credit history and/or companies agreeing to make prepayment in order to sustain our profit.

The comprehensive income of Liantong Municipal turned from a comprehensive loss of approximately RMB6.8 million for the nine months ended 30 September 2021 to a comprehensive income RMB10.9 million for the nine months ended 30 September 2022, primarily because of the change of an impairment losses on trade receivables of approximately RMB11.0 million for the nine months ended 30 September 2021 to the reversal on trade receivables of approximately RMB7.6 million for the nine months ended 30 September 2022 due to the reasons mentioned above.

SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(A) Significant Related Party Transactions

During the Track Record Period, we entered into transactions with our related parties as stated in Note 26 of the Accountants' Report in Appendix I to this Prospectus. The following table sets forth the significant related party transactions for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Sales to					
(i) Huaibei Mining Group	35,429	7,059	–	–	–
(ii) Huaibei Construction Investment Group	3,112	62,387	114,037	79,427	91,380
Receiving services from					
(i) Huaibei Mining Group	14,860	19,318	15,770	12,338	14,355
(ii) Huaibei Construction Investment Group	1,519	1,290	48,319	6,651	4,402
Purchasing goods from					
(i) Huaibei Mining Group	1,443	–	–	–	–
(ii) Huaibei Construction Investment Group	–	–	25,628	14,164	8,347
Borrowings from Huaibei Construction Investment Group	53,800	20,000	17,000	17,000	–
Borrowing costs to Huaibei Construction Investment Group	1,217	1,275	471	471	–
Loans to Huaibei Construction Investment Group	–	105,000	390,971	390,971	–
Interest income from Huaibei Construction Investment Group	–	29	15,373	15,373	–
Guarantees provided by Huaibei Construction Investment Group	52,360	58,000	934,869	982,869	933,869
Cash received in advance from Huaibei Mining Group	–	–	212,100	212,100	–

For the list of parties that had transactions or balances with our Group as of and during the Track Record Period, please refer to note 26(b) of the Accountant's Report in Appendix I to this prospectus.

1. Sales to Huaibei Mining Group

Our sales to Huaibei Mining Group represented our sale of ready-mixed concrete to Huaibei Mining (Group) Engineering Construction Co., Ltd. for its construction projects, which amounted to approximately RMB35.4 million, RMB7.1 million, nil, nil and nil for each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022. Our sales to Huaibei Mining Group demonstrated a decreasing trend due to the decrease in sale of ready-mixed concrete to Huaibei Mining (Group) Engineering Construction Co., Ltd., which in turn was mainly because we generally requested our customers to make prepayment for the sale of our ready-mixed concrete.

2. Sales to Huaibei Construction Investment Group

Our sales to Huaibei Construction Investment Group represented our sale of aggregate products and concrete products to Huaibei Construction Investment Group (mainly to Huaibei Investment Trading and Huaihai Construction), which amounted to approximately RMB3.1 million, RMB62.4 million, RMB114.0 million, RMB79.4 million and RMB91.4 million for each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022 respectively.

The increasing trend in our sales to Huaibei Construction Investment Group was mainly attributable to the increase in sale of our ready-mixed concrete to Huaibei Investment Trading. For further details, please refer to "Business – Customers – Relationship with Huaibei Construction Investment Group – Sale of aggregate products and ready-mixed concrete to Huaibei Investment Trading and Huaihai Construction by our Group" in this prospectus.

3. Receiving services from Huaibei Mining Group

Our services received from Huaibei Mining Group included, among others, blasting services and rescue services. The blasting services were provided by Leiming Blasting which amounted to approximately RMB14.9 million, RMB19.3 million, RMB15.8 million, RMB12.3 million and RMB14.4 million for each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022 respectively. The fluctuation during the years was in line with the sales volume of our aggregate products while the blasting services was charged at a fixed rate of RMB4.5 per tonne of aggregate products we sold. For further details on blasting services, please refer to "Business – Suppliers and subcontractors – Arrangements with subcontractors – Blasting operations" in this prospectus. The rescue services were provided by Huaibei Mining Share and the amounts were relatively stable at approximately RMB10,000, RMB20,000, RMB20,000, nil and nil for each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022.

4. Receiving services from Huaibei Construction Investment Group

Our services received from Huaibei Construction Investment Group primarily represented the purchase of labour subcontract services, transportation services, security services, construction services and advertising services from Huaibei Construction Investment Group, which in aggregate amounted to approximately RMB1.5 million, RMB1.3 million, RMB48.3 million, RMB6.7 million and RMB4.4 million for each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022 respectively. For further details of our purchase from Huaibei Construction Investment Group, please refer to the paragraph headed "Business – Customers – Relationship with Huaibei Construction Investment Group".

The service received from Huaibei Construction Investment Group remained relatively stable at approximately RMB1.5 million and RMB1.3 million during the year ended 31 December 2019 and 2020, respectively and substantially increased to approximately RMB48.3 million for the year ended 31 December 2021 which was attributable to the one-off construction services provided by Huaibei Construction Investment Group including, improvement of road connecting to the access road to our Gaoloushan Project, construction of our second ready-mixed concrete production line and greening construction. The service received from Huaibei Construction Investment Group decreased from approximately RMB6.7 million for the nine months ended 30 September 2021 to approximately RMB4.4 million for the nine months ended 30 September 2022.

5. Purchasing goods from Huaibei Mining Group

The goods purchased from Huaibei Mining Group represented the aggregate products purchased by Liantong Municipal from Huaibei Mining Group, which amounted to approximately RMB1.4 million for the year ended 31 December 2019 and was one-off in nature.

6. Purchasing goods from Huaibei Construction Investment Group

The goods purchased from Huaibei Construction Investment Group mainly represented the cement purchased from Huaibei Investment Trading, which amounted to nil, nil, approximately RMB25.6 million, RMB14.2 million and RMB8.3 million for each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022. During the nine months ended 30 September 2022, we also purchased diesel from Huaibei Construction Investment Oil Product Sales Co., Ltd.* (淮北建投油品銷售有限公司), which amounted to approximately RMB3.1 million.

For the reasons for our purchase of cement from Huaibei Investment Trading, please refer to the paragraph headed "Business – Customers – Relationship with Huaibei Construction Investment Group – Purchase of cement from Huaibei Investment Trading by our Group".

7. Borrowings from Huaibei Construction Investment Group

Our borrowings from Huaibei Construction Investment Group amounted to approximately RMB53.8 million, RMB20.0 million, RMB17.0 million, RMB17.0 million and nil for each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, respectively. Such borrowings represented (i) borrowings from Huaibei Transportation Investment with interest rate ranged from 7.50% to 8.50% per annum for general working capital purposes during the year ended 31 December 2019 and 2020, of which approximately RMB38.4 million and RMB10.0 million were repaid during 2019 and 2020, respectively; and (ii) a bridging loan in 2021 offered by Huaibei Tongchuang Financing Guarantee Group Co., Ltd.* (淮北市同創融資擔保集團有限公司) (a direct non-wholly owned subsidiary of Huaibei Construction Investment) with interest rate of 4.35% per annum to repay the loan due to an independent bank. All borrowings from related parties during the Track Record Period were unsecured and have been fully settled by end of May 2021.

Our Directors confirm that going forward, our Group will not borrow from Huaibei Construction Investment Group.

8. Borrowing costs to Huaibei Construction Investment Group

Our borrowing cost represented the interest paid to Huaibei Construction Investment Group, which amounted to approximately RMB1.2 million, RMB1.3 million, RMB0.5 million, RMB0.5 million and nil for each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, respectively. For further details of our borrowings from Huaibei Construction Investment Group, please refer to the paragraph headed "7. Borrowings from Huaibei Construction Investment Group" above in this section.

9. Loans to Huaibei Construction Investment Group

Our loans to Huaibei Construction Investment Group amounted to nil, RMB105.0 million, RMB391.0 million, RMB391.0 million and nil for the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, respectively, which represented (i) a loan on a continuous basis which was repayable upon request at interest rates of 0.3% per annum in 2020 and 6.95% in 2021 per annum granted in December 2020 and was fully settled in August 2021; and (ii) a construction loan granted to Huaihai Construction in December 2020 of approximately RMB22.4 million with an interest rate of 3.85% per annum. In 2020, our Group engaged Huaihai Construction to provide construction services for improvement of the road connecting to the access road to our Gaoloushan Project. We provided such loan to Huaihai Construction for their payment of construction fee. The loan was no longer interest-bearing due to the completion of the aforesaid construction in January 2021 and was fully settled in October 2021.

Our Directors confirm that going forward, our Group will not lend to Huaibei Construction Investment Group.

10. Interest income from Huaibei Construction Investment Group

Our interest income represented our interests received from our loans to Huaibei Construction Investment Group, which amounted to nil, RMB29,000, approximately RMB15.4 million, RMB15.4 million and nil for each of the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022, respectively. For further details of our loans to Huaibei Construction Investment Group, please refer to the paragraph headed "9. Loans to Huaibei Construction Investment Group" above in this section.

11. Guarantees provided by Huaibei Construction Investment Group

The amount of guarantees provided by Huaibei Construction Investment Group were in line with the amount of our outstanding borrowings from banks which amounted to approximately RMB52.4 million, RMB58.0 million, RMB934.9 million, RMB982.9 million and RMB933.9 million for the three years ended 31 December 2021 and the nine months ended 30 September 2021 and 2022 respectively. The guarantees provided by Huaibei Construction Investment Group will be released prior to Listing. For the details of the bank borrowings guaranteed by Huaibei Construction Investment Group, please refer to "Financial Information – Indebtedness" in this prospectus.

12. Cash advances from Huaibei Mining Group

The cash advances from Huaibei Mining Group represented the cash advances received from Leiming Kehua for capital injection to Tongming Mining as at 30 September 2021, which amounted to RMB212.1 million. For further details of the capital injection, please refer to paragraph headed "History, Reorganisation and Corporate Structure – Our Corporate Development – Our subsidiaries – Tongming Mining" in this prospectus.

Our sales to Huaibei Construction Investment Group and procurement of blasting services from Huaibei Mining Group are expected to continue after Listing. For further details, please refer to the section headed "Continuing Connected Transactions" in this prospectus.

(B) Balances With Related Parties

The table below sets forth the balances with related parties as at 31 December 2019, 2020 and 2021, respectively:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature				
Trade and other receivables				
Huaibei Construction Investment Group	2,045	7,830	11,609	30,338
Huaibei Mining Group	20,246	–	–	–

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables				
Huaibei Construction Investment Group	–	1,635	6,934	3,247
Huaibei Mining Group	298	184	400	2,326
Contract liabilities				
Huaibei Construction Investment Group	–	–	11,011	1,721
Non-trade in nature				
Trade and other payables				
Huaibei Construction Investment Group	212	1,337	–	–
Huaibei Mining Group	–	–	212,104	212,104
Interest-bearing borrowing				
Huaibei Construction Investment Group	15,400	10,000	–	–
Other financial assets				
Huaibei Construction Investment Group	–	105,000	–	–

During the Track Record Period, our balances with related parties are both trade and non-trade nature and mainly represented (i) the trade receivables arose from our sales to Huaibei Construction Investment Group and Huaibei Mining Group; (ii) the trade payables and other payables arose from our purchase from Huaibei Construction Investment Group; (iii) contract liabilities arose from the prepayment received in relation to the sale of concrete products to Huaibei Construction Investment Group; (iv) cash received in advance in 2021 from Leiming Kehua in relation to a proposed capital injection to Tongming Mining; (v) our interest-bearing borrowings from Huaibei Construction Investment Group; and (vi) our interest-bearing loan to Huaibei Construction Investment Group. As at the Latest Practicable Date, our interest-bearing borrowings from and loans to Huaibei Construction Investment Group have been fully settled. The outstanding non-trade balance of approximately RMB212.1 million as at 31 December 2021 and 30 September 2022 represented the cash receipts in advance made by Leiming Kehua to Tongming Mining in relation to the proposed capital contribution pursuant to a framework capital injection agreement dated 17 August 2021. It is expected that such balance will not be settled prior to Listing as the capital injection is still under negotiation as at the Latest Practicable Date and is not expected to be completed prior to Listing. Our Directors confirmed, and the Sole Sponsor concurs, that the non-settlement of the non-trade balance of approximately RMB212.1 million as at 30 September 2022 will not affect our Company's financial independence and our Company is able to carry on our ordinary course of business independently from the Leiming Kehua given that (i) outstanding non-trade balances are not intended for financing or supporting our operations, and unrelated to nor originated from any ordinary business dealing between Leiming Kehua and us; (ii) such balances will only be used as consideration for the capital injection by Leiming Kehua in the future and will not be used for any other purposes; and (ii) the only reason that such balances will not be settled before the Listing is that the capital injection is still under negotiation, and our Directors estimate that the capital injection is targeted to complete around early to mid-2023. Please refer to the subsection headed "History, Reorganisation and Corporate Structure – Our Corporate Development – Our subsidiaries – Tongming Mining" in this prospectus for further details.

For further details of the transaction leading to the balances with our related parties, please refer to the sub-paragraph headed "(A) Significant Related Party Transactions" above.

The interest rates we obtained from and offered to Huaibei Construction Investment Group were determined taking into account, among others, the prevailing market interest rate and borrowing costs of our Group. In respect of the pricing for our sales to and purchase from Huaibei Construction Investment Group and Huaibei Mining Group, the terms are determined, taking into account, among others, the prices and terms we offered to or obtained from Independent Third Parties.

The terms of our related party transactions or the comparison of the terms of our related party transactions with that those conducted with Independent Third Parties are set out below:

(i) *Sale of aggregate products*: In respect of the sale of aggregate products, (i) the price of aggregate products offered to related parties are generally no less favourable to our Group than the price offered to our independent customers; and (ii) all related parties were required to make prepayment when they purchased aggregate products from our Group and such payment arrangement was generally in line with the other independent customers during the Track Record Period.

For the three years ended 31 December 2021 and the nine months ended 30 September 2022, the sale of aggregate products to related parties amounted to approximately RMB1.1 million, RMB2.4 million, RMB2.4 million and RMB6.4 million, respectively. For illustrative purpose, had our Group sold aggregate products to related parties by applying the average selling price of aggregate products offered to independent customers, the revenue for the sale of aggregate products to related parties would have decreased by approximately RMB0.1 million, RMB0.2 million, RMB0.3 million and RMB0.6 million, respectively, during the Track Record Period.

(ii) *Sale of ready-mixed concrete*: In respect of the sale of ready-mixed concrete, the pricing basis and payment terms of ready-mixed concrete offered to related parties are generally comparable to or no less favourable to our Group than the pricing basis and payment terms offered to our independent customers during the Track Record Period. However, owing to the following factors: (i) different strength levels of ready-mixed concrete; (ii) different quantities purchased by our related parties and independent customers; (iii) different payment terms (i.e. prepayment and credit period), which led to different pricing basis for ready-mixed concrete at same strength level; (iv) the provision of add-on services such as pumping (泵送) and/or additional admixture such as antifreeze admixture and penetration-resistance admixture required by our customers; and (v) different monthly market indicative price in each month, the average selling price of ready-mixed concrete during the three years ended 31 December 2021 and the nine months ended 30 September 2022 are not comparable to that of our independent customers. For further details of the sale of ready-mixed concrete to Huaibei Construction Investment Group, please refer to "Business – Customers – Relationship with Huaibei Construction Investment Group" in this prospectus.

(iii) *Sale of cement stabilised macadam*: In respect of the sale of cement stabilised macadam, the price and payment terms offered to Huaihai Construction are generally comparable to or no less favourable to our Group than the price and payment terms offered to our independent customers for the year ended 31 December 2019. Owing to the discount offered to Huaihai Construction for its procurement of cement stabilised macadam due to (i) its purchase of all types of our concrete products for the financial year ended 31 December 2020 and (ii) its relatively large purchase volume of our concrete products in the same year as compared to the previous years, the price offered to Huaihai Construction are not comparable to the price offered to our independent customers for the financial year ended 31 December 2020 while the payment terms offered to both Huaihai Construction and independent customers are comparable in the same year. For the financial year ended 31 December 2021 and the nine months ended 30 September 2022, no independent customers procured cement stabilised macadam from our Group.

For the financial year ended 31 December 2019, the sale of cement stabilised macadam to Huaihai Construction amounted to approximately RMB550,000. For illustrative purpose, had our Group sold cement stabilised macadam to Huaihai Construction by applying the average selling price of cement stabilised macadam offered to independent customers, the revenue for the sale of cement stabilised macadam would have decreased by approximately RMB31,000 for the same period.

(iv) *Sale of asphalt concrete*: In respect of the sale of asphalt concrete, the price and payment terms offered to Huaibei Construction Investment Group are generally comparable to or no less favourable to our Group than the price and payment terms offered to our independent customers for the year ended 31 December 2019. Owing to the discount offered to Huaihai Construction for its procurement of ordinary asphalt concrete due to (i) its purchase of all types of our concrete products for the financial year ended 31 December 2020 and (ii) its relatively large purchase volume of our concrete products in the same year as compared to the previous years, the price offered to Huaibei Construction Investment Group are not comparable to the price offered to our independent customers for the financial year ended 31 December 2020 while the payment terms offered to both Huaibei Construction Investment Group and independent customers are comparable in the same year. For the financial year ended 31 December 2021, Huaibei Construction Investment Group procured ordinary asphalt concrete from our Group only and the independent customers procured emulsified asphalt concrete from our Group only. For the nine months ended 30 September 2022, no independent customers procured asphalt concrete from our Group.

For the financial year ended 31 December 2019, the sale of asphalt concrete (AC 10) to Huaibei Construction Investment Group amounted to approximately RMB93,000. For illustrative purpose, had our Group sold the same product to Huaibei Construction Investment Group by applying the average selling price of the same product offered to independent customers, the revenue for the sale of asphalt concrete (AC 10) would have decreased by approximately RMB19,000 for the same period.

(v) *Procurement of services and goods*: The range of prices payable by our Group to Huaibei Construction Investment Group, Huaibei Mining Group and Shanghai Hanglong for the procurement of blasting-related services, labour subcontract services, transportation services, security services, construction services, rescue services, natural gas, women's welfare services and products, truck examination services and installation of GPS devices and diesel were no less favourable to our Group as compared to (i) the prices offered by our independent suppliers, (ii) the range of quotations obtained from the independent suppliers or (iii) the range of market price as confirmed by CIC and the payment terms offered to our Group were comparable to those offered by the independent suppliers during the Track Record Period.

For the three years ended 31 December 2021 and the nine months ended 30 September 2022, the purchase of the abovementioned services and goods from our related parties were approximately RMB17.8 million, RMB20.6 million, RMB64.1 million and RMB21.9 million, respectively. For illustrative purpose only, had our Group purchased the relevant services and goods from independent suppliers, the cost of purchase would have increased by approximately RMB1.8 million, RMB2.2 million, RMB2.2 million and RMB1.7 million, respectively, for the same period.

(vi) *Procurement of cement*: Our Group did not procure cement from Huaibei Construction Investment Group for the two financial years ended 31 December 2020. The range of prices payable by our Group to Huaibei Construction Investment Group and the payment terms offered by Huaibei Construction Investment Group for the procurement of cement were generally comparable to or no less favourable to our Group than the prices and payment terms offered by our independent suppliers for the financial year ended 31 December 2021 and the nine months ended 30 September 2022.

For the financial year ended 31 December 2021, the purchase of cement from Huaibei Construction Investment Group was approximately RMB25.6 million. For illustrative purpose only, had our Group purchased cement from independent suppliers, the cost of purchase would have increased by approximately RMB0.9 million for the same period.

(vii) *Borrowings from/interest expenses paid to related parties*: In respect of the borrowings from related parties, the interest rates charged by Huaibei Construction Investment Group ranged from approximately 4.35% to 8.5% during the Track Record Period, whereas the fixed interest rate charged by the independent banks ranged from 4.0% to 6.65% during the Track Record Period. The borrowings from Huaibei Construction Investment Group were charged at a higher interest rates as compared to the independent banks as no pledges and/or guarantee was required from the related parties and the borrowings were short-term in nature. To the best knowledge of our Directors having made reasonable enquiries, banks generally will not accept our Group's application for loan without guarantors and/or assets pledged while money lenders may accept our Group's application for loan without guarantors and/or assets pledged on a condition that our Group is willing to pay at an interest rate of 15% per annum and the maximum borrowing amount will only be RMB1 million.

(viii) *Loans to/Interest income from related parties*: In respect of the loans to Huaibei Construction Investment, as Huaibei Construction Investment had short-term financing needs during the period between 2020 and 2021, our Group lent out its idle cash for a generally short period of time and charged each short-term loan at an interest rate of 0.3% in 2020, which was similar to the interest rate from bank deposit. Subsequently, having taken into account our Group's financial needs for future expansion and the interest rate of 4.00% to 6.05% charged by the independent banks of our Group's borrowings in 2021, our Group negotiated with Huaibei Construction Investment and lifted up the interest rate from 0.3% to 6.95% in 2021. For the loan to Huaihai Construction in 2020, our Group charged Huaihai Construction at an interest rate of 3.85%, which was close to the range of interest rate of 4.35% to 6.65% charged by the independent banks of our Group's borrowings in 2020. As Huaihai Construction was engaged by our Group to provide construction works in relation to the improvement of the road connecting to the access road to our Gaoloushan Project at the relevant time, our Group lent its idle cash to Huaihai Construction in order to avoid any delay of such construction works due to its funding needs. Such arrangement was one-off in nature.

For illustrative purpose, taking into consideration the financial impacts of items (i) to (vi) above, the net profit of the Group would be adjusted downward by approximately RMB2.0 million, RMB2.4 million, RMB3.4 million and RMB2.3 million during the Track Record Period. Hence, the favourable pricing of certain transactions as mentioned above has no material impact on our Group's financial performance.

Based on the above, our Directors believe that the above transactions were conducted on normal commercial terms and such terms were generally no less favourable to our Group than terms available to Independent Third Parties and were in the interests of our Shareholders as a whole.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of liquidity have been investment in development of our mine and to fund our working capital. As at the Latest Practicable Date, we financed our cash requirements through a combination of operating income, bank loans and capital contribution by the Shareholders.

Our bank borrowing contains certain standard covenants that are commonly found in lending arrangements with commercial banks. Our Directors have confirmed that we had not defaulted or delayed in any payment or breached any of the material covenants pertaining to our bank borrowing during the Track Record Period and up to the Latest Practicable Date.

We are able to manage liquidity risks by maintaining adequate reserves, banking facilities, continuously monitoring forecasted and actual cash flows and matching the maturity profiles of assets and liabilities. In the event that additional working capital is required for business expansion, we may approach other banks to obtain additional banking facilities and/or negotiate with our existing lenders for an increase in banking facilities. We do not foresee any deterioration of the credit markets or tightened monetary policies in the PRC, which may result in an adverse impact on the banking facilities available to us. In the future, we expect that our working capital and other liquidity requirements will be satisfied through a combination of cash generated from our operating activities, banking facilities made available to us and the proceeds from the Global Offering.

Cash flows

The following table sets forth a summary of our cash flows information for the periods indicated:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash and cash equivalents at beginning of year	155,668	180,773	61,504	61,504	581,670
Net cash generated from operating activities	164,832	291,717	244,843	175,972	112,271
Net cash (used in) investing activities	(166,751)	(133,430)	(620,385)	(611,366)	(238,970)
Net cash (used in)/generated from financing activities	27,024	(277,556)	895,708	954,423	(177,800)
Net increase/(decrease) in cash and cash equivalents	25,105	(119,269)	520,166	519,029	(304,499)
Cash and cash equivalents at end of year	180,773	61,504	581,670	580,533	277,171

Cash flows from operating activities

Net cash generated from operating activities mainly consists of profit before income tax adjusted for non-cash items, such as depreciation of property, plant and equipment, amortisation of intangible assets, finance costs and interest income, and the effects of changes in working capital, such as the increase or decrease in trade and bill receivables, inventories and trade and other payables, and the effects of income tax paid.

Net cash generated from operating activities for the year ended 31 December 2019 were approximately RMB164.8 million. The cash inflow was primarily attributable to our profit before taxation of approximately RMB225.3 million, as adjusted primarily by depreciation and amortisation of approximately RMB47.8 million and impairment losses of trade receivables of approximately RMB18.9 million, as partially offset by the increase in trade and bill receivables of approximately RMB94.0 million which was in line with the increase in sales of our concrete products.

Net cash generated from operating activities for the year ended 31 December 2020 were approximately RMB291.7 million. The cash inflow was primarily attributable to our profit before taxation of approximately RMB243.6 million, as adjusted primarily by (i) depreciation and amortisation of approximately RMB57.6 million and impairment losses of trade receivables of approximately RMB33.0 million; and (ii) decrease in trade and bill receivables of approximately RMB11.4 million, resulted from our effort on collection of trade receivables.

Net cash generated from operating activities for the year ended 31 December 2021 were approximately RMB244.8 million. The cash inflow was primarily attributable to our profit before taxation of approximately RMB132.8 million, as adjusted primarily by (i) depreciation and amortisation of approximately RMB51.7 million and finance cost of approximately RMB54.3 million; (ii) decrease in trade and bill receivables of approximately RMB52.3 million resulted from our effort on collection of trade receivables; and (iii) the increase in trade and other payables of approximately RMB67.7 million due to the increase in bill payables as we commenced to settle our purchase of cement from Huaibei Investment Trading by bills payable in the second half of 2021.

Net cash generated from operating activities for the nine months ended 30 September 2021 were approximately RMB176.0 million. The cash inflow was primarily attributable to our profit before taxation of approximately RMB106.3 million, as adjusted primarily by (i) depreciation and amortisation of approximately RMB39.7 million and finance costs of approximately RMB36.2 million; (ii) decrease in trade and bills receivables of approximately RMB28.4 million; and (iii) increase in trade and other payables of approximately RMB56.6 million.

Net cash generated from operating activities for the nine months ended 30 September 2022 were approximately RMB112.3 million. The cash inflow was primarily attributable to our profit before taxation of approximately RMB103.8 million, as adjusted primarily by depreciation and amortisation of approximately RMB47.1 million and finance costs of approximately RMB54.4 million, as partially offset by the decrease in trade and other payables by approximately RMB38.5 million.

Cash flows from investing activities

Net cash used in investing activities for the year ended 31 December 2019 were approximately RMB166.8 million, which was attributable to the payments for purchase of property, plant and equipment and land use right of approximately RMB166.8 million.

Net cash used in investing activities for the year ended 31 December 2020 were approximately RMB133.4 million which was primarily attributable to the (i) payments for purchase of property, plant and equipment and land use right of approximately RMB28.5 million; and (ii) loans to related parties of approximately RMB105.0 million.

Net cash used in investing activities for the year ended 31 December 2021 were approximately RMB620.4 million, which was primarily attributable to (i) the payments for purchase of property, plant and equipment and land use right of approximately RMB725.4 million; and (ii) loans to related parties of approximately RMB391.0 million, as partially offset by the loans repaid by related parties of approximately RMB496.0 million.

Net cash used in investing activities for the nine months ended 30 September 2021 were approximately RMB611.4 million, which was attributable to (i) the payments for purchase of property, plant and equipment and land use right of approximately RMB716.4 million; and (ii) loans to related parties of approximately RMB391.0 million, as partially offset by the loans repaid by related parties of approximately RMB496.0 million.

Net cash used in investing activities for the nine months ended 30 September 2022 were approximately RMB239.0 million, which represented (i) the payments for purchase of property, plant and equipment and land use right of approximately RMB55.0 million; and (ii) the increase in deposits with maturities of over three months of RMB184.0 million.

Cash flows from financing activities

Net cash generated from financing activities for the year ended 31 December 2019 were approximately RMB27.0 million, which was primarily attributable to (i) capital contributions to the subsidiaries of our Group of approximately RMB78.0 million; (ii) proceeds from bank loan of approximately RMB52.4 million; and (iii) proceeds of borrowings from a related party of approximately RMB53.8 million, as partially offset by (i) repayment of interest-bearing borrowing of approximately RMB100.0 million; (ii) repayment of borrowings from a related party of approximately RMB50.4 million; and (iii) interest payment of approximately RMB5.9 million.

Net cash used in financing activities for the year ended 31 December 2020 were approximately RMB277.6 million, which was primarily attributable to (i) repayment of bank loans of approximately RMB63.4 million; (ii) repayment of borrowings from a related party of approximately RMB25.4 million; (iii) interest paid of approximately RMB5.3 million; and (iv) distributions paid to Shareholders of approximately RMB280.4 million, as partially offset by (i) the capital contributions to the subsidiaries of our Group of approximately RMB9.0 million; (ii) proceeds from bank loans of approximately RMB69.0 million; and (iii) proceeds from borrowings from a related party of approximately RMB20.0 million.

Net cash generated from financing activities for the year ended 31 December 2021 were approximately RMB895.7 million, which were primarily attributable to (i) the proceeds from bank loans of approximately RMB1,520.7 million; and (ii) cash advances from a related party of approximately RMB212.1 million, as partially offset by (i) repayment of bank loans of approximately RMB643.9 million; (ii) repayment of borrowings from a related party of approximately RMB27.0 million; and (iii) distributions paid to Huaibei Construction Investment and the non-controlling shareholder of our subsidiaries of approximately RMB153.5 million.

Net cash generated from financing activities for the nine months ended 30 September 2021 were approximately RMB954.4 million, which were primarily attributable to (i) the proceeds from bank loans of approximately RMB1,520.7 million; and (ii) cash advances from a related party of approximately RMB212.1 million.

Net cash used in financing activities for the nine months ended 30 September 2022 were approximately RMB177.8 million, which represented (i) interest paid for our bank loans of approximately RMB30.4 million; (ii) payment of listing expense of approximately RMB9.6 million; and (iii) repayment of long-term payables in relation to our mining rights of the Phase II Gaoloushan Mine of approximately RMB136.8 million.

Working capital sufficiency

During the Track Record Period, we relied on our cash flows generated from operations and bank borrowings to meet our capital requirements. We expect to finance our working capital requirements for the 12 months from the date of this prospectus as required under the Listing Rules with the following sources of funding:

(i) cash flows generated from our operating activities;

(ii) proceeds from bank loans. As at 31 October 2022, we had total banking facilities of approximately RMB1,067.0 million, of which approximately RMB933.9 million had been drawn down and about approximately RMB34.5 million is repayable within one year;

(iii) the cash and cash equivalents on hand, which were approximately RMB461.7 million as at 31 October 2022; and

(iv) estimated net proceeds of approximately HK$95.8 million to be received by the Group from the Global Offering (assuming an Offer Price of approximately HK$2.11 per Share, being the mid-point of the estimated price range).

Taking into account current cash and cash equivalents, cash from operating activities and the estimated proceeds from the Global Offering, our Directors confirm that we have sufficient working capital to meet 125% of our present working capital requirements for at least the next 12 months from the date of this prospectus as required by the Listing Rules.

Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

INDEBTEDNESS

The following table below sets out our indebtedness position as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 October
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current					
Bank loans guaranteed and/or pledge of assets provided by related parties	52,360	58,000	34,500	34,500	34,500
Borrowings from a related party	15,400	10,000	–	–	–
Current portion of long-term payables	–	–	132,984	131,063	131,686
Sub-total	67,760	68,000	167,484	165,563	166,186
Non-current					
Bank loans guaranteed and/or pledge of assets provided by a related party	–	–	900,369	899,369	899,369
Non-current portion of long-term payables	–	–	464,345	352,847	354,591
Sub-total	–	–	1,364,714	1,252,216	1,253,960
Total	67,760	68,000	1,532,198	1,417,779	1,420,146

Our indebtedness arises from (i) interest-bearing borrowings; and (ii) long-term payables. The interest-bearing borrowings were repayable as follows:

	At 31 December			As at 30 September	As at 31 October
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Within 1 year or on demand	67,760	68,000	34,500	34,500	34,500
After 1 year but within 2 years	–	–	36,600	583,469	583,469
After 2 years but within 5 years	–	–	683,069	136,200	136,200
More than 5 years	–	–	180,700	179,700	179,700
	67,760	68,000	934,869	933,869	933,869

Our bank loans amounted to approximately RMB52.4 million as at 31 December 2019, which represented (i) fixed rate borrowings which were charged at 4.35% to 5.66% per annum; and (ii) variable-rate borrowings which were charged at 1-year LPR + 0.002575% to 1-year LPR + 1.19%, all of which were guaranteed by Huaibei Construction Investment. Among such loans, (i) a loan with principal amount of approximately RMB8.4 million was secured by bank deposit of Huaibei Construction Investment; and (ii) a loan of approximately RMB5.0 million guaranteed by a related party of our Group which is a state-owned enterprise engaging in, among others, provision of financial guarantee and counter-guaranteed by Huaibei Transportation Investment.

Our bank loans amounted to approximately RMB58.0 million as at 31 December 2020, which represented (i) fixed rate borrowings which were charged at 4.35% to 6.65% per annum; and (ii) variable-rate borrowings which were charged at 1-year LPR + 1.19%, all of which were guaranteed by Huaibei Construction Investment and a loan with RMB10.0 million was secured by bank deposit of Huaibei Construction Investment

Our bank loans amounted to approximately RMB934.9 million and RMB933.9 million as at 31 December 2021 and 30 September 2022, respectively, which represented fixed rate borrowings which were charged at 4.00% to 4.60% and were guaranteed by related parties, all of which were loans for the purpose of obtaining our Phase II Mining Licence. One loan with outstanding amount of approximately RMB546.9 million was guaranteed by Huaibei Construction Investment while another with outstanding amount of approximately RMB388.0 million was guaranteed by Huaibei Construction Investment with a land provided by Huaibei

Construction Investment Real Estate Development Co., Ltd.* (淮北市建投房地產開發有限公司) ("**Huaibei Construction Investment Real Estate**"), our related party, as the security. The guarantees by Huaibei Construction Investment and Huaibei Construction Investment Real Estate will be released prior to the Listing.

Our indebtedness slightly increased from approximately RMB1,417.8 million to approximately RMB1,420.1 million, which was due to the slight increase in our long-term payables.

As at 31 October 2022, we had aggregate banking facilities of approximately RMB1,067.0 million and had utilised approximately RMB933.9 million, leaving approximately RMB133.1 million of our banking facilities unutilised.

Our borrowings from a related party, namely Huaibei Transportation Investment, amounted to approximately RMB15.4 million, RMB10.0 million, nil and nil as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. The interest rates for such borrowings were charged at fixed rate ranging from 7.90% to 8.50% per annum.

There are no material covenants relating to our outstanding bank borrowings which would impact or restrict our ability to undertake additional debt or equity financing. Our Directors confirm that our Group had not had any material default with regard to our trade or other payables or any bank borrowings, and had not breached any covenants in our bank borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in obtaining credit facilities or withdrawal of facilities, request for early repayment, default in payments or breach of financial covenants of bank borrowings. Our Directors further confirm that we did not have any plan to raise material external debt financing as at the date of this prospectus.

The long-term payables represented the present value of payables to Natural Resources and Planning Bureau of Huaibei City (淮北市自然資源和規劃局) for purchase of mining rights of Phase II Gaoloushan Mine of approximately RMB1,367.7 million in 2021, of which approximately RMB820.7 million was already paid as at the Latest Practicable Date and the remaining balance is repayable in four equal instalments of RMB136.8 million per annum from 2023 to 2026.

Save as disclosed above, as at 31 October 2022, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees.

KEY FINANCIAL RATIOS

The following table sets forth our certain key financial ratios during and as at the dates indicated:

	As at 31 December/ For the year ended 31 December			As at 30 September/ For the nine months ended 30 September
	2019	2020	2021	2022
Current ratio(1)	1.7 times	1.4 times	1.3 times	1.2 times
Quick ratio(2)	1.7 times	1.4 times	1.3 times	1.2 times
Gearing ratio(3)	11.3%	13.4%	204.3%	181.2%
Interest coverage ratio(4)	56.2 times	48.6 times	3.4 times	2.9 times
Return on total assets(5)	21.2%	26.0%	4.2%	N/A(7)
Return on equity(6)	28.2%	36.0%	21.6%	N/A(7)

(1) Current assets divided by current liabilities.

(2) Current assets less inventories and divided by current liabilities.

(3) Gearing ratio equals to total interest-bearing debts divided by total equity as at the ended of the year/period and multiplied by 100%.

(4) Interest coverage ratio equals to profit for the year/period before finance costs and income tax expense divided by finance cost.

(5) Return on total assets equals to profits for the year/period divided by total assets as at the end of the year/period and multiplied by 100%.

(6) Return on equity equals to profits for the year divided by total equity as at the end of the year/period and multiplied by 100%.

(7) Such ratios for the nine months ended 30 September 2022 are not meaningful and potentially misleading as such ratios do not reflect a full year of operations.

Current ratio and quick ratio

Our current ratio and quick ratio decreased from approximately 1.7 times as at 31 December 2019 to approximately 1.4 times as at 31 December 2020, primarily because of the significant decrease of cash and cash equivalent of approximately RMB119.3 million resulted from the payment of dividends to our equity shareholders which was partially offset by the increase in other financial assets of RMB105.0 million.

Our current ratio and quick ratio remained relatively stable at approximately 1.3 times and 1.2 times as at 31 December 2021 and 30 September 2022.

Gearing ratio

Our gearing ratio increased from approximately 11.3% as at 31 December 2019 to approximately 13.4% as at 31 December 2020. The increase in our gearing ratio was mainly due to the decrease in our total equity as at 31 December 2020 resulting from the distribution of approximately RMB283.7 million declared by Tongming Mining to Huaibei Construction Investment and non-controlling shareholder.

Our gearing ratio increased significantly from approximately 13.4% for the year ended 31 December 2020 to approximately 204.3% for the year ended 31 December 2021. The increase in our gearing ratio was mainly due to the increase in two interest bearing borrowings during year ended 31 December 2021 of approximately RMB946.9 million in total for the purpose of settling the premium of Phase II Mining Licence.

Our gearing ratio decreased from approximately 204.3% as at 31 December 2021 to approximately 181.2% as at 30 September 2022 due to (i) the increase in total equity arose from the profit for the period of approximately RMB77.6 million; and (ii) repayment of bank loan of RMB1.0 million.

Interest coverage ratio

Our interest coverage ratio decreased from approximately 56.2 times for the year ended 31 December 2019 to approximately 48.6 times for the year ended 31 December 2020. The decrease in our interest coverage ratio was mainly due to the increase in profit before finance costs and taxation to a lesser extent than the increase in finance cost.

Our interest coverage ratio decreased from approximately 48.6 times for the year ended 31 December 2020 to approximately 3.4 times for the year ended 31 December 2021. The decrease in our interest coverage ratio was mainly due to increase in finance cost resulted from (i) the interest-bearing borrowings for the acquisition of Phase II Mining Licence; and (ii) the interest expenses incurred from the long-term payables of our mining rights of the Phase II Gaoloushan Mine according to the relevant accounting standards.

Our interest coverage further decreased to approximately 2.9 times for the nine months ended 30 September 2022 which was mainly due to the increase in finance costs incurred from the long-term payables of our mining rights of Phase II Gaoloushan Mine in accordance with the relevant accounting standards.

Return on total assets

Our return on total assets increased from approximately 21.2% for the year ended 31 December 2019 to approximately 26.0% for the year ended 31 December 2020. The increase in our return on total assets was mainly due to the increase in our profit for the relevant years.

Our return on total assets substantially decreased to approximately 4.2% for the year ended 31 December 2021, which was primarily attributable to (i) our substantial decrease in profit for the year from approximately RMB182.5 million for the year ended 31 December 2020 to approximately RMB98.9 million for the year ended 31 December 2021 as a result of the factors discussed in the paragraphs headed "Management's discussion and analysis of the results of the operation – Review of historical results of operations" above in this section; and (ii) the significant increase in our total assets from approximately RMB702.0 million as at 31 December 2020 to approximately RMB2,340.3 million as at 31 December 2021 as a result of (a) the increase in property, plant and equipment of approximately RMB1,260.0 million from the acquisition of the mining rights in respect of the Phase II Gaoloushan Mine; and (b) the increase in cash and cash equivalents of approximately RMB520.2 million in 2021 from the cash advance from Leiming Kehua and bank borrowings.

Return on equity

Our return on equity increased from approximately 28.2% for the year ended 31 December 2019 to approximately 36.0% for the year ended 31 December 2020. The increase in our return on equity was mainly due to the decrease in our total equity for the year ended 31 December 2020 resulting from the distribution of approximately RMB283.7 million declared by our Group to Huaibei Construction Investment and non-controlling shareholder.

Our return on equity decreased from approximately 36.0% for the year ended 31 December 2020 to approximately 21.6% for the year ended 31 December 2021. The decrease in our return on equity was mainly due to our substantial decrease in profit for the year from approximately RMB182.5 million for the year ended 31 December 2020 to approximately RMB98.9 million for the year ended 31 December 2021 as a result of the factors discussed in the paragraphs headed "Management's discussion and analysis of the results of the operation – Review of historical results of operations" above in this section, as partially offset by the decrease in equity as a result of the distribution declared by Tongming Mining and dividend declared by our Company.

COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

Our capital commitments primarily relate to the construction of our Gaoloushan Project. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	224	47,712	2,987	298,291
Authorised but not contracted for	3,847	5,362	–	–
	4,071	53,074	2,987	298,291

Contingent liabilities

As at 31 December 2019, 2020 and 2021 and 30 September 2022, we did not have any material contingent liabilities. We confirm that as at the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

Capital expenditures

We incurred capital expenditures primarily for purchase of property, plant and equipment, land use right and mining right. Our capital expenditures were approximately RMB166.8 million, RMB28.5 million, RMB725.4 million, RMB716.4 million and RMB55.0 million for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, respectively. As at the Latest Practicable Date, we financed our capital expenditure through a combination of bank loans and capital contribution by the then Shareholders.

For the year ending 31 December 2022, our estimated total capital expenditure is expected to be approximately RMB163.0 million, primarily relating to our land acquisition fee for the Phase II Processing Plant, cost for processing plant equipment and cost for the construction of roads and other infrastructure of our Phase II Processing Plant. For a detailed breakdown of our expected capital cost, please refer to the subsection headed "Capital Costs" in this section below.

RISK MANAGEMENT

In the normal course of business, we are exposed to various types of risks from changes in market rate and prices, including the interest rate, credit and liquidity.

Details of the risk to which we are exposed are set out in note 24 of the Accountants' Report as contained in Appendix I to this prospectus.

CAPITAL COSTS

With reference to the Independent Technical Report, our Directors confirmed that the estimated aggregate capital costs for the development of our Gaoloushan Project (Phase II) with an annual production volume of 8 million tonnes is approximately RMB1,674.5 million (excluding sustaining) and the capital unit cost over the life of mine is estimated at RMB12.7 per tonne.

The Independent Technical Consultant has reviewed the breakdown of the estimated capital costs forecast and considered appropriate capital has been allocated to support the development of our Gaoloushan Project (Phase II) and the basis of the capital cost estimation is considered reasonable. The following table sets forth a breakdown of the historical capital costs incurred during the Track Record Period and projected capital costs for the development of our Gaoloushan Project (Phase II) for the period between October 2022 and 2030, which is based on the Independent Technical Report and confirmed by our Directors.

	Historical capital costs					Projected capital costs									
	2019	2020	2021	Jan-Sep 2022	Total	Oct-Dec 2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
	(million) (RMB)					*(million) (RMB)*									
Land-related fee[(1)]	63.8	–	–	37.2	101.0	14.9	(5.3)[(12)]	–	–	–	–	–	–	–	9.6
Mining equipment[(2)]	–	–	–	3.9	3.9	2.3	–	2.3	–	4.8	–	4.4	–	2.3	16.0
Mine road, drainage and others	1.4	23.8	10.6	1.1	36.9	2.6	4.5	–	0.3	–	–	–	–	–	7.4
Processing plant equipment[(4)]	2.3	0.4	2.2	–	4.9	28.9	14.5	–	4.8	–	–	–	–	–	48.2
Processing plant foundation and structure[(5)]	0.1	–	–	–	0.1	20.3	71.1	10.2	–	–	–	–	–	–	101.5
Supporting facilities (power and water supplies and dust removal facility)[(6)]	0.3	–	–	–	0.3	–	34.0	–	3.8	–	–	–	–	–	37.8
Processing plant roads and other infrastructure[(7)]	–	–	–	–	0.0	6.7	13.3	2.2	–	–	–	–	–	–	22.2
Detailed design, construction supervision[(8)]	0.3	0.0	1.2	3.5	5.0	1.1	4.1	–	–	–	–	–	–	–	5.1
Contingency[(9)]	–	–	–	–	–	3.8	7.7	0.7	0.4	0.2	0.0	0.2	0.0	0.1	13.3
Subtotal	68.1	24.3	14.0	45.7	152.1	80.5	143.8	15.4	9.4	5.0	0.0	4.6	0.0	2.4	261.2
Mining licence fee[(10)]	–	–	683.9	136.8	820.6	–	136.8	136.8	136.8	136.8	–	–	–	–	547.1
Sustaining[(11)]	–	–	–	–	–	0.3	1.4	1.5	1.7	1.9	17.9	2.2	6.0	2.5	35.3
Total	68.1	24.3	697.9	182.4	972.7	80.8	282.0	153.7	147.8	143.6	17.9	6.8	6.0	4.9	843.6

Notes:

(1) Land-related fee represents the cost for acquiring the land for our processing facilities for the production of our aggregate product and the compensation for the use of certain land within the Phase II Gaoloushan Mine.

(2) Mining equipment cost refers to the purchase cost of the mining machinery and equipment.

(3) Cost for mine roads, drainage and others includes the cost for constructing of on-site roads, drainage and other infrastructure including temporary soil pump and digital mine management system at our Gaoloushan Mine.

(4) Cost for processing plant equipment refers to the purchase cost and installation cost of the equipment at our processing facilities for the production of our aggregate products.

(5) Cost for production plant foundation and structure refers to the cost for construction of the foundation and steel structure of our processing facilities for the production of our aggregate products.

(6) Cost for supporting facilities includes cost for supporting facilities of our processing facilities for the production of our aggregate products such as utilities including power and water supplies and dust removal facility.

(7) Cost for processing plant roads and other infrastructure refers to the cost for the construction of roads and other infrastructure of our processing facilities for the production of our aggregate products.

(8) Cost for detailed design, construction administration and supervision refers to the cost for detailed design of our Gaoloushan Project and administration and supervision cost during the construction.

(9) Contingency fee of approximately 5% of the capital costs (excluding mining licence fee) has been reserved in case of any unforeseen events which may occur during the course of development of our Phase II Gaoloushan Mine and Phase II Processing Plant.

(10) Mining licence fee represents the fee payable for the acquisition of the mining rights in respect of Phase II Mining Licence.

(11) Sustaining equals to 1.5% of the estimated annual operation costs.

(12) The projected cash inflow is mainly attributable to the refund of Land Use Reservation Fee from the Finance Bureau of Lieshan District of Huaibei City (淮北市烈山區財政局) in respect of the acquisition of Subject Site.

OPERATING COSTS

Historical operating cost

Over the period 2019 to September 2022, annual cash operating cost spanned RMB/t 24.1 in 2019, RMB/t 21.0 in 2020 and RMB/t 26.0 in 2021. The cash operating unit cost decreased to RMB/t 19.4 for the nine months ended 30 September 2022.

The following table sets out the historical cash operating cost for the period 2019 to September 2022:

Cash operating cost		**2019**	**2020**	**2021**	**Jan-Sep 2022**
Blasting	RMB million	14.9	19.3	15.8	14.4
Diesel	RMB million	6.5	7.1	7.4	5.9
Environmental and safety	RMB million	3.8	4.4	6.8	1.4
Water and electricity	RMB million	5.5	5.2	5.4	3.6
Consumables	RMB million	5.1	5.8	4.3	3.1
Employment	RMB million	13.6	14.7	14.0	10.2
Administrative	RMB million	5.6	5.6	8.0	5.4
Other	RMB million	1.4	0.8	2.0	1.4
Royalty and government charges	RMB million	22.4	25.4	27.6	18.2
Total	RMB million	78.8	88.3	91.3	63.5
Operating cash unit cost	RMB/t	24.1	21.0	26.0	19.4

Forecast operating cost

Between October 2022 and 2031 (when our Gaoloushan Project (Phase II) reaches its target production capacity of 8 million tonnes per year) the average operating unit cash cost per tonne of ore over the life of mine is estimated at RMB22.7 per tonne, with a minimum of RMB22.4 per tonne and a maximum of RMB24.5 per tonne. The operating unit cash cost will gradually lower when the production gradually ramps up. The following table sets forth a breakdown of the projected operating costs for the development of our Phase II Gaoloushan Mine and Phase II Processing Plant for the period between October 2022 and 2031:

Production Profile	Unit	Oct-Dec 2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Limestone	Mt	0.8	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0
Waste	Mt	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.8
Total materials moved	Mt	0.8	4.1	4.6	5.1	5.6	6.1	6.7	7.2	7.8	8.8
Cash operating cost											
Blasting	RMB million	3.6	18.6	20.9	23.2	25.5	27.8	30.5	32.8	35.4	39.8
Diesel	RMB million	2.3	10.8	12.2	12.8	14.4	15.7	17.2	18.5	19.9	22.4
Environmental and safety	RMB million	0.7	3.8	4.3	4.7	5.2	5.7	6.2	6.7	7.2	7.9
Water and electricity	RMB million	1.7	8.7	9.8	10.9	11.9	13.0	14.1	15.2	16.3	17.4
Consumables	RMB million	1.4	7.0	7.9	8.8	9.7	10.5	11.5	12.4	13.3	14.7
Transportation of workforce	RMB million	–	–	–	–	–	–	–	–	–	–
Employment cost	RMB million	1.8	9.1	9.8	10.4	11.1	11.6	12.2	12.8	13.3	13.8
Product marketing and transport	RMB million	–	–	–	–	–	–	–	–	–	–
Administrative	RMB million	2.1	9.4	10.6	11.8	13.0	14.1	15.3	16.5	17.7	18.9
Other	RMB million	0.6	3.1	3.3	3.5	3.7	3.9	4.1	4.3	4.5	4.7
Royalty and government charges	RMB million	4.9	20.3	23.0	25.8	29.0	32.4	35.1	37.7	40.3	43.5
Contingency allowances	RMB million	–	–	–	–	–	–	–	–	–	–
Total	RMB million	19.1	90.8	101.8	112.0	123.4	134.9	146.2	156.8	168.0	183.0
Operating cash unit cost	RMB/t	24.5	22.7	22.6	22.4	22.4	22.5	22.5	22.4	22.4	22.9

The forecasted operating cost between October 2022 and 2031 is based on:

- the contracts entered into between us and contractors and suppliers;
- the actual operating cost between 2018 and September 2022;
- royalty and government charges include resource tax, city maintenance and construction levy, education levy, stamp duty, environmental tax and property tax; and
- the preliminary construction plan prepared by Hebei Building Materials Industry Design and Research Institute Co., Ltd. (河北省建築材料工業設計研究院有限公司).

The Independent Technical Consultant has reviewed the breakdown of the operating cost forecast disclosed above and considered the forecast is reasonable and supported by historical costs. However, the projected operating costs are estimate only and are subject to change. Our actual operating costs may deviate from the estimate disclosed above due to various reasons, including the factors described in the section headed "Risk Factors" in this prospectus. Please also refer to the section headed "Forward-looking Statements" in this prospectus for the risks of placing undue reliance on any forward-looking information.

Although our Directors believe that the development plan for our Gaoloushan Project (Phase II) is viable, we may not be able to ultimately extract the Resources and process these Resources at a profit due to various factors. Please refer to the section headed "Risk factors – Risks relating to our business – We are subject to the uncertainty surrounding our Resources and Reserves estimates which are based on a number of assumptions. The volume and grade of the aggregate products we produce may not conform to the estimated amounts." in this prospectus for more details about the risks associated with our development plan in respect of our Gaoloushan Project (Phase II).

In the event that an upside market development occurs, we will increase our production volume of Gaoloushan Project (Phase II) to reach the maximum annual production capacity of 8 million tonnes earlier than originally scheduled. On the other hand, in the event that a downside market development occurs, we will implement costs-cutting strategies such as reducing the number of workers, conduct less mining activities, lowering our production volume, and postponing the capital expenditure schedule.

SENSITIVITY ANALYSIS

The Independent Technical Consultant has conducted a sensitivity analysis for our post-tax NPV with respect to the capital costs, operating costs and sales revenue. In this analysis, the Independent Technical Consultant adopted a discount rate of 10%, which is based on the considerations of the real, risk-free, long-term interest rate (2.8% for the ten year PRC Government Bond Rate), mining project risk (2% to 4%) and country risk (2% to 4%). Finance costs or company debt have not been taken into account in this analysis. The analysis shows that the post-tax NPV at a discount rate of 10%, returned a positive NPV as of 30 September 2022. For the basis of the 10% discount rate for post-tax NPV, please refer to the section "Independent Technical Report – 12. Capital and Operating Costs – 12.3 Economic analysis" in Appendix VII to this prospectus.

The analysis reveals the following changes:

- A 1% increase in operating cost will result in a decrease of 0.46% in NPV;
- A 1% increase in capital cost will result in a decrease of 0.37% in NPV; and
- A 1% increase in sales revenue will result in an increase of 1.62% in NPV.

According to the Independent Technical Report, the breakeven analysis shows that the NPV will become zero when the weighted average sales price of all products reach RMB30.3 per tonne and the estimated payback period is 7.3 year.

The tables below set forth the post-tax NPV twin-sensitivity analysis of (i) capital cost against operating cost, (ii) operating cost against sales revenue, and (iii) capital cost against sales revenue:

(i) Capital cost against operating cost

		Operating cost sensitivity										
	0	**25%**	**20%**	**15%**	**10%**	**5%**	**0%**	**-5%**	**-10%**	**-15%**	**-20%**	**-25%**
Capital cost sensitivity	25%	1,867	1,922	1,977	2,032	2,086	2,141	2,196	2,251	2,306	2,361	2,416
	20%	1,911	1,966	2,021	2,076	2,131	2,186	2,240	2,295	2,350	2,405	2,460
	15%	1,956	2,011	2,065	2,120	2,175	2,230	2,285	2,339	2,394	2,449	2,504
	10%	2,000	2,055	2,110	2,165	2,219	2,274	2,329	2,383	2,438	2,493	2,548
	5%	2,045	2,100	2,154	2,209	2,264	2,318	2,373	2,428	2,482	2,537	2,592
	0%	2,089	2,144	2,199	2,253	2,308	2,362	2,417	2,472	2,526	2,581	2,636
	-5%	2,134	2,188	2,243	2,298	2,352	2,407	2,461	2,516	2,570	2,625	2,680
	-10%	2,178	2,233	2,287	2,342	2,396	2,451	2,505	2,560	2,614	2,669	2,724
	-15%	2,223	2,277	2,332	2,386	2,441	2,495	2,550	2,604	2,659	2,713	2,768
	-20%	2,267	2,322	2,376	2,430	2,485	2,539	2,594	2,648	2,703	2,757	2,811
	-25%	2,312	2,366	2,420	2,475	2,529	2,584	2,638	2,692	2,747	2,801	2,855

As illustrated in the above table, our post-tax NPV reaches approximately RMB1,867 million if there is a 25% increase in both of our operating cost and capital cost. Our post-tax NPV reaches approximately RMB2,312 million if there is a 25% increase in our operating cost and a 25% decrease in our capital cost. Our post-tax NPV reaches approximately RMB2,416 million if there is a 25% decrease in our operating cost and a 25% increase in our capital cost. Our post-tax NPV reaches approximately RMB2,855 million if there is a 25% decrease in both of our operating cost and capital cost.

(ii) Operating cost against sales price

		Sales price sensitivity										
	0	**25%**	**20%**	**15%**	**10%**	**5%**	**0%**	**-5%**	**-10%**	**-15%**	**-20%**	**-25%**
Operating cost sensitivity	25%	3,033	2,844	2,655	2,467	2,278	2,089	1,901	1,712	1,523	1,334	1,146
	20%	3,091	2,901	2,712	2,523	2,333	2,144	1,955	1,765	1,576	1,387	1,197
	15%	3,148	2,958	2,768	2,578	2,389	2,199	2,009	1,819	1,629	1,439	1,249
	10%	3,206	3,015	2,825	2,634	2,444	2,253	2,063	1,872	1,682	1,491	1,300
	5%	3,264	3,073	2,881	2,690	2,499	2,308	2,117	1,925	1,734	1,543	1,352
	0%	3,321	3,130	2,938	2,746	2,554	2,362	2,171	1,979	1,787	1,595	1,403
	-5%	3,379	3,187	2,994	2,802	2,609	2,417	2,225	2,032	1,840	1,647	1,455
	-10%	3,437	3,244	3,051	2,858	2,665	2,472	2,279	2,086	1,893	1,700	1,507
	-15%	3,495	3,301	3,107	2,914	2,720	2,526	2,333	2,139	1,945	1,752	1,558
	-20%	3,552	3,358	3,164	2,969	2,775	2,581	2,387	2,192	1,998	1,804	1,610
	-25%	3,610	3,415	3,220	3,025	2,830	2,636	2,441	2,246	2,051	1,856	1,661

As illustrated in the above table, our post-tax NPV reaches approximately RMB3,033 million if there is a 25% increase in both of our operating cost and sales price. Our post-tax NPV reaches approximately RMB1,146 million if there is a 25% increase in our operating cost and a 25% decrease in our sales price. Our post-tax NPV reaches approximately RMB3,610 million if there is a 25% decrease in our operating cost and a 25% increase in our sales price. Our post-tax NPV reaches approximately RMB1,661 million if there is a 25% decrease in both of our operating cost and sales price.

(iii) Capital cost against sales price

		Sales price sensitivity										
	0	**25%**	**20%**	**15%**	**10%**	**5%**	**0%**	**-5%**	**-10%**	**-15%**	**-20%**	**-25%**
Capital cost sensitivity	25%	3,100	2,908	2,717	2,525	2,333	2,141	1,950	1,758	1,566	1,374	1,183
	20%	3,144	2,953	2,761	2,569	2,377	2,186	1,994	1,802	1,610	1,419	1,227
	15%	3,189	2,997	2,805	2,613	2,422	2,230	2,038	1,846	1,655	1,463	1,271
	10%	3,233	3,041	2,849	2,658	2,466	2,274	2,082	1,890	1,699	1,507	1,315
	5%	3,277	3,085	2,894	2,702	2,510	2,318	2,126	1,935	1,743	1,551	1,359
	0%	3,321	3,130	2,938	2,746	2,554	2,362	2,171	1,979	1,787	1,595	1,403
	-5%	3,366	3,174	2,982	2,790	2,598	2,407	2,215	2,023	1,831	1,639	1,448
	-10%	3,410	3,218	3,026	2,835	2,643	2,451	2,259	2,067	1,875	1,684	1,492
	-15%	3,454	3,262	3,071	2,879	2,687	2,495	2,303	2,111	1,920	1,728	1,536
	-20%	3,499	3,307	3,115	2,923	2,731	2,539	2,347	2,156	1,964	1,772	1,580
	-25%	3,543	3,351	3,159	2,967	2,775	2,584	2,392	2,200	2,008	1,816	1,624

As illustrated in the above table, our post-tax NPV reaches approximately RMB3,100 million if there is a 25% increase in both of our capital cost and sales price. Our post-tax NPV reaches approximately RMB1,183 million if there is a 25% increase in our capital cost and a 25% decrease in our sales price. Our post-tax NPV reaches approximately RMB3,543 million if there is a 25% decrease in our capital cost and a 25% increase in our sales price. Our post-tax NPV reaches approximately RMB1,624 million if there is a 25% decrease in both of our capital cost and sales price.

The table below sets forth the NPV of the post-tax cash flows for our Gaoloushan Project (Phase II) and production facilities at different discount rates.

	4.0%	**6.0%**	**8.0%**	**10.0%**	**12.0%**	**14.0%**	**16.0%**
NPV of the post-tax cash flows *(RMB)* *(in million)*	4,253	3,469	2,853	2,362	1,969	1,651	1,391

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Roma Appraisals Limited, an independent qualified professional valuer, valued the property interests for our industrial developments in Huaibei City as at 31 October 2022 at RMB175.2 million. Details of the valuation are summarised in Appendix VI to this prospectus.

The following table sets out the reconciliation between the net book value of our Huaibei owned industrial developments as at 30 September 2022 as extracted from the Accountants' Report in Appendix I to this prospectus and the property valuation report as set forth in Appendix VI to this prospectus as at 31 October 2022:

	RMB'000
Net book value of our industrial developments as at 30 September 2022	161,068
Less: depreciation during the period from 1 October 2022 to 31 October 2022	(1,421)
Net book value of our industrial developments as at 31 October 2022	159,647
Net valuation surplus	15,503
Valuation of our industrial developments as at 31 October 2022 as set out in the property valuation report in Appendix VI to this prospectus	175,150

OFF-BALANCE SHEET COMMITMENTS ARRANGEMENTS

As at the Latest Practicable Date, we have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third-parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

DIVIDEND

On 30 June 2021, our Company declared dividend to Huaibei Construction Investment and Cultural Tourism Investment, in the sum of approximately RMB95,920,000 and approximately RMB968,000, respectively. Between 1 October 2022 and the Latest Practicable Date, we did not declare nor distribute any dividend.

Following completion of the Global Offering, our Shareholders will be entitled to receive any dividends we declare. The payment and amount of any dividends will be at the discretion of the Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our Shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Pursuant to the PRC laws, dividends may only be paid out of distributable profits, defined as the retained earnings after-tax profit as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiaries. In general, we will not declare dividends in a year where we do not have any distributable earnings. Other distributions, if any, will be paid to our Shareholders in compliance with relevant laws and regulations.

DISTRIBUTABLE RESERVES

As at 30 September 2022, we did not have any reserves available for distribution to the equity holders of our Company.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 September 2022 as if the Global Offering had taken place on 30 September 2022.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 September 2022 or at any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 September 2022[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share[3]	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$1.91 per H Share	354,974	75,233	430,207	1.63	1.80
Based on an Offer Price of HK$2.31 per H Share	354,974	98,440	453,414	1.72	1.90

Notes:

(1) The consolidated net tangible assets of the Group attributable to equity shareholders of our Company as at 30 September 2022 is based on the consolidated total equity attributable to the equity shareholders of the Company of RMB354,974,000 as at 30 September 2022, as shown in the Accountants' Report as set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the expected issuance of 66,000,000 H Shares at the indicative Offer Prices of HK$1.91 and HK$2.31 per H Share, after deduction of the underwriting fees and other related expenses (excluding listing expenses which have already been charged to the consolidated statements of profit or loss and other comprehensive income of RMB160,000 during the Track Record Period) and does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates to issue or repurchase Shares and any Shares that may be issued upon exercise of Over-allotment Option. The estimated net proceeds of the Global Offering have been converted to Renminbi at the PBOC rate of HK$1.11 to RMB1 prevailing 30 September 2022. No representation is made that Renminbi have been, could have been or be converted to Hong Kong dollars, or vice versa, at that rate.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company per Share is arrived at after adjustments as described in notes (1) and (2) above and on the basis that 264,000,000 Shares (including 66,000,000 H Shares to be issued under the Global Offering and 198,000,000 Domestic Shares) were in issue, being the number of Shares expected to be in issue following the completion of the Global Offering, and does not take into account any Share which may be issued or repurchased by our Company pursuant to the general mandates to issue or repurchase Shares and any Shares that may be issued upon exercise of Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company per Share amounts in RMB are converted to Hong Kong dollar with the PBOC rate of RMB1 to HK$1.11 prevailing 30 September 2022. No representation is made that Renminbi amount have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2022.

(6) The Group's property interests as at 31 October 2022 have been valued by Roma Appraisals Limited, an independent valuer. The relevant property valuation report is set out in Appendix VI to this prospectus. The above unaudited pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests. Revaluation surplus has not been recorded in the Historical Financial Information of the Group and will not be recorded in the consolidated financial statements of the Group in the future periods as the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. If the valuation surplus were recorded in the Group's financial statements, additional annual depreciation and amortisation of approximately RMB770,000 would be charged against the profit in the future periods.

LISTING EXPENSES

Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$2.11 per H Share, being the mid-point of the Offer Price range stated in this prospectus, the total estimated listing expenses (including underwriting commission) in connection with the Global Offering are expected to amount to approximately RMB39.3 million or approximately 31.2% of the gross proceeds from the Global Offering, among which, approximately RMB38.6 million is directly attributable to issuance of H Shares and will charged to equity upon completion of the listing, and approximately RMB0.7 million will be charged to our consolidated statement of profit and loss and other comprehensive income. During the Track Record Period, we incurred listing expenses of approximately RMB27.3 million of which approximately RMB27.1 million was included in prepayments and will be charged to equity upon completion of the listing and approximately RMB0.2 million was charged to consolidated statement of profit and loss and other comprehensive income.

The total Listing expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the Listing and the Global Offering which are non-underwriting related expenses, including fees for legal advisers and Reporting Accountant of approximately RMB21.2 million, and other non-underwriting-related fees and expenses of approximately RMB14.6 million, as well as the underwriting-related expenses (including SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of approximately RMB3.5 million, payable to the Underwriters in connection with the offering of H Shares under the Global Offering.

The above total listing expenses are the latest practicable estimates for reference only. The final amount to be recognised may differ from the estimates.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Save for the Listing expenses, our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 September 2022, the date of the latest audited financial statements of our Company, and there has been no events since 30 September 2022 which would materially affect the information shown in the accountants' report, the text of which is set out in Appendix I to this prospectus.

FUTURE PLANS

Please refer to the section headed "Business – Our Business Strategy" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds from the Global Offering which we will receive, assuming an Offer Price of HK$2.11 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$95.8 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK$2.11 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds from the Global Offering of approximately HK$20.3 million.

If the Offer Price is fixed at HK$2.31 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive (i) additional net proceeds from the Global Offering of approximately HK$12.8 million, assuming the Over-allotment Option is not exercised; and (ii) additional net proceeds from the Global Offering of approximately HK$22.2 million, assuming the Over-allotment Option is exercised in full.

If the Offer Price is fixed at HK$1.91 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds from the Global Offering we receive will be (i) reduced by approximately HK$12.8 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK$18.4 million, assuming the Over-allotment Option is exercised in full.

We intend to use the net proceeds from the Global Offering for the following purposes assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$2.11 per Share, being the mid-point of the Offer Price range stated in this prospectus:

(i) Approximately 90% of net proceeds from the Global Offering (HK$86.3 million, to settle the payment of the balance acquisition price of the mining right in respect of Phase II Gaoloushan Mine so as to expand the permitted extraction volume and our mining capacities); and

(ii) Approximately 10% of the net proceeds from the Global Offering (HK$9.5 million) for our Group's general working capital.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range.

The allocation of the net proceeds from the Global Offering is determined based on the projected cash outlay in 2022 and 2023 for the (i) payment of part of the mining licence fee of the Phase II Mining Licence, being approximately RMB 136.8 million and (ii) capital costs of the development of the Phase II Gaoloushan Mine and Phase II Processing Plant, being approximately RMB1,674.5 million (which excludes sustaining). For details of the breakdown of the projected capital costs for the period between 2022 and 2030, please refer to the subsection headed "Business – Our production schedule and development plan – Capital costs" in this prospectus.

In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds from the Global Offering to the above uses in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds from the Global Offering into short-term interest-bearing deposits with licenced commercial banks or other authorised financial institution (as defined under the SFO and/or applicable laws and regulations in relevant jurisdictions) to avoid investment risks to the net proceeds.

Subject to the compliance of relevant laws and regulations, the proceeds from the Global Offering are expected to be remitted to Tongming Mining and Liantong Municipal by way of, including but not limited to borrowings (including but not limited to entrusted loans (as the case may be)) (the "**Remittance Arrangements**"). Our Directors are of the view that such borrowing arrangements are in the interests of our Company and our Shareholders as a whole for the following reasons: (1) both of Tongming Mining and Liantong Municipal are owned as to more than 50% (being 67% and 55%, respectively as at the Latest Practicable Date) by our Company, and the majority of members of their respective board of directors were appointed by our Company, therefore, our Company is able to exercise effective control over Tongming Mining and Liantong Municipal, which, in the opinion of our Directors, can ensure that such proceeds will be used in the manner stated above, such that our Company's interests will be protected; (2) the implementation of projects to be funded by the borrowings will help Tongming Mining further expand its production capacities, which in turn will increase the business scale and revenue of our Group and bring long-term returns to our Shareholders; (3) the borrowings will bear interests with reference to the corresponding loan prime rate, which, is on normal commercial terms and is fair and reasonable to our Company; and (4) our Company will implement appropriate internal control measures to duly monitor the use of such borrowings.

Our PRC Legal Advisers advised that, notwithstanding the General Lending Provisions, which prohibits any financing arrangements or lending transactions between non-financial institutions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretations on Private Lending Cases**") which has been last amended on 29 December 2020 and implemented on 1 January 2021. The Supreme People's Court recognises the validity and enforceability of financing arrangements and lending transactions between non-financial institutions so long as such agreements are for business operation purposes and do not fall into certain situations stipulated in the Civil Code of the PRC and the Judicial Interpretations on Private Lending Cases, including, among others, (a) a juridical act (i) performed by an actor and the opposite party based on false declaration of will; (ii) violating the imperative provisions of any law or administrative regulation, unless the imperative provisions do not result in the nullity of the juridical act; (iii) contrary to public order and good morals; or (iv) by which an actor maliciously colludes with the opposite party to damage any other person's lawful rights and interests; (b) loan from lenders who without lending qualifications and provide loans to the public for the purpose of making profit; and (c) loan knowingly provided by lenders that such loan will be used for illegal and criminal activities. Our PRC Legal Advisers advised that providing funds by a holding company to its subsidiaries for the production and operation purposes do not fall within the situations as prohibited by the Civil Code of the PRC and Judicial Interpretations on Private Lending Cases, and therefore the proposed Remittance Arrangements are in compliance with the relevant PRC laws and regulations.

In case there is any material change in our use of the proceeds of the Global Offering from the purposes and/or allocation described above, we will issue a formal announcement accordingly.

REASONS FOR LISTING

Our Directors believe that our Group and our Shareholders will benefit as a whole from the Listing for the following reasons:

- **To implement our business strategies and development plan**

  We have a funding need for the implementation of our business strategy and development plan. According to the CIC Report, the gross output value of the construction industry in Anhui Province is expected to grow with a CAGR of 9.0% between 2021 and 2026, reaching RMB1,631.6 billion by 2026 and the total sales volume of construction aggregate in Huaibei City, Suzhou City and Bozhou City is expected to reach approximately 35.6 million tonnes in 2026 with a CAGR of approximately 5.8% from 2021 to 2026. Our Directors believe that for the benefit of our Group it is crucial for us to capture the market opportunities through implementation of our business strategy and development plan. We believe that the net proceeds from the Global Offering are necessary for the implementation of our development plan. As at 31 October 2022, we had cash and cash equivalents of approximately RMB461.7 million. According to the Independent Technical Report, our estimated capital costs for the development of our Gaoloushan Project (Phase II) is approximately RMB1,674.5 million (excluding sustaining), and our cash and cash equivalents alone are not sufficient to finance such plan.

- **To diversify our financing means**

  Our Directors believe that listing on the Stock Exchange allow us to diversity our financing means for our funding needs. We currently rely on our internal resources and bank borrowing for our existing business operations. As at 31 October 2022, we had an aggregate banking facilities of approximately RMB1,067 million (of which, approximately RMB933.9 million had been drawn down). Our Directors consider that the proceeds from Listing provide us with additional funds without increasing our gearing ratio, which would subject us to the risks if there is a fluctuation in the interest rate. In addition, debt financing may subject us to various covenants which may restrict its usage, our ability to obtain additional financing and payout dividend; while in contrast, funds raised through equity financing is a committed source of capital without interest expenses and maturity and may be applied for such uses as our Directors may determine for the benefit of our Group. In view of the above, our Directors believe that a combination of equity financing and debt financing is more beneficial to our Group then solely relying debt financing and facilitates the implementation of our business strategies by accessing the capital market for raising funds both at the time of the Listing and at the later stage.

- **To enhance our corporate image and creditworthiness**

  Our Directors believe that a listing status could have the following benefits to our Group: (i) enhancing our corporate image and brand awareness. We believe our potential and existing clients will have more confidence in our products after the Listing, and therefore help us to attract more customers as well as strengthening our business relationships with our existing customers; (ii) enhancing our creditworthiness. We believe that with a listing status, we are able to negotiating more favourable terms with our customers, suppliers and subcontractors, and banks, due to the improved corporate profile and brand image; and (iii) attracting experienced talents. We believe the Listing could help attract experienced personnel to join our Group, which is important for the implementation of our future plans and expansion.

HONG KONG UNDERWRITERS

China Everbright Securities (HK) Limited
ABCI Securities Company Limited
BOCI Asia Limited
BOCOM International Securities Limited
China Industrial Securities International Capital Limited
China PA Securities (Hong Kong) Company Limited
Citrus Securities Limited
CMBC Securities Company Limited
Huaan Securities (Hong Kong) Brokerage Limited
ICBC International Securities Limited
Livermore Holdings Limited
Maxa Capital Limited
Shenwan Hongyuan Securities (H.K.) Limited
SPDB International Capital Limited
Zhongtai International Securities Limited
ZMF Asset Management Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 6,600,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions as set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to, among others:

(a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in the H Shares in issue and to be issued as mentioned in this prospectus pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters)),

the Hong Kong Underwriters have agreed severally (and not jointly or jointly and severally) to subscribe or procure subscribers to subscribe for their respective applicable proportions of the Hong Kong Offer Shares now being offered for subscription under the Hong Kong Public

Offering which are not taken up under the Hong Kong Public Offering subject to the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms or otherwise.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) may terminate the Hong Kong Underwriting Agreement by giving written notice to our Company with immediate effect:

(1) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters:

(i) that any statement contained in offering documents (the "**Offer Documents**") including this prospectus, formal notice and the Green Application Form, and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the "**Relevant Documents**") was, when it was issued, or has become, untrue, incorrect, or misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom; or

(iii) any breach of any of the obligations imposed upon any party to this Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters) which has or may have or will have a Material adverse effect on the Global Offering; or

(iv) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading, any of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(v) any event, act or omission which gives or is likely to give rise to any material liability of any of the warrantors (being our Company and the executive Directors) (the "**Warrantors**") pursuant to the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

(vi) any event that has or may have or will have a material adverse effect on our Company or the Global Offering; or

(vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares (including any additional H Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Relevant Documents or the Global Offering; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(x) a portion of the orders in the book-building process, at the time the International Underwriting Agreement is entered into have been withdrawn, terminated or cancelled, and the Sole Global Coordinator, in its sole and absolute discretion, concludes that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(2) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances in the nature of force majeure (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, political change, economic sanctions, withdrawal of trading privileges, state of emergency, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, contagious coronavirus (COVID-19), Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), swine or avian influenza, H5N1, H1N1, H7N9, Ebola virus and such related or mutated forms), pandemics or epidemics or interruption or delay in transportation) in or affecting any of the US, the United Kingdom, the European Union, Hong Kong, the PRC, or any other jurisdictions relevant to any member of the Group (collectively, the "**Specific Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Specific Jurisdictions; or

(iii) any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange and the Shenzhen Stock Exchange and the Beijing Stock Exchange;

(iv) any new laws, or any change or development involving a prospective change in existing laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing laws by any court or other competent authority, in each case, in or affecting any Specific Jurisdictions; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union, or any of the Specific Jurisdictions, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, a material devaluation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions; or

(viii) any change or development involving a prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" in the Prospectus; or

(ix) any material litigation or claim of any third party or investigations or actions being announced, threatened or instigated against any members of the Group or any of the Warrantors; or

(x) any executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman of the Company or any of the executive Director vacating his or her office; or

(xii) the commencement by any governmental or regulatory body or organisation or self-regulatory organization of any action against any executive Director in his or her capacity as such or an announcement by any governmental, regulatory body or organization that it intends to take any such action; or

(xiii) save as disclosed in the Prospectus, a contravention by any Group Company of the Listing Rules or any other laws applicable to the Global Offering;

(xiv) a prohibition on the Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Global Offering; or

(xv) non-compliance of the Prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or

(xvi) the issue or requirement to issue by our Company of a supplement or amendment to the Prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange, the CSRC and/or SFC; or

(xvii) that a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xviii) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(xix) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person),

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of this Agreement or the Global Offering to proceed or to market the Global Offering; or

(d) has or will or may have the adverse effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Our Company undertakes to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, and each of the executive Directors undertakes to procure that:

(i) except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), the Company will not without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares), or deposit any Shares or any other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts, or repurchase any Shares or other securities of our Company, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce, or publicly disclose, any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period);

(ii) the Company will not enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that our Controlling Shareholder would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**");

(iii) in the event that, during the Second Six-Month Period, the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces, or publicly discloses, any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

"**Encumbrance**" means any pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect.

The Company has also undertaken to the Company, the Sole Sponsor, the Sole Global Coordinator and the other Hong Kong Underwriters under the Hong Kong Underwriting Agreement to procure each of our Controlling Shareholders to provide the undertaking in "– (B) Undertakings by our Controlling Shareholders" below.

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to our Company, each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) at any time during the First Six-Month Period, it shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it and the companies controlled by it (together, the "**Controlled Entities**") shall not, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly (including by way of altering the composition or classes of beneficiaries of any trust), conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities of the Company or any interest in any of the foregoing) beneficially owned by it directly or indirectly through its Controlled Entities (the "**Relevant Securities**"); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), or (c) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, it shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it would cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be "controlling shareholders" (as defined in the Listing Rules) of our Company;

(iii) in the event that it enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce or publicly disclose any intention to effect any such transaction within the Second Six-Month Period, it shall take all steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) it shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to our Company, each of the Sole Sponsor, the Sole Global Coordinator and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(i) when it pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that within six months from the Listing Date, no further Shares or securities convertible into shares of our Company (whether or not of a class already listed) shall be issued or form the subject of any agreement to such an issue (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except for Shares or securities issued pursuant to the Global Offering (including Shares which may be issued pursuant to the exercise of the Over-allotment Option) or any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), shall not and shall procure that the relevant registered holder(s) controlled by it shall not:

(a) in the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities in respect of which they are shown by this prospectus to be the beneficial owners (as defined in Rule 10.07(2) of the Listing Rules) (the "**Relevant Securities**"); or

(b) in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they as a group would cease to be our controlling shareholders (as defined in the Listing Rules) or a member of a group of the Controlling Shareholders of our Company, or would together with the other Controlling Shareholders ease to be the "Controlling Shareholders" (as defined in the "Listing Rules") of our Company.

In addition, in accordance with Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, during the First Six-month Period and the Second Six-month Period, it will:

(a) when it pledges or charges any of the securities of our Company beneficially owned by it in favour of any authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

(b) when it receives indications, either verbal or written, from any such pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and subject to the then requirement of the Listing Rules, disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Underwriters' interests in our Company

Save as disclosed in this section and save for its obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or purchase, or nominate persons to subscribe for or purchase, any Shares or any securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

International Offering

International Underwriting Agreement

In connection with the International Offering, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchaser for the International Offer Shares initially being offered pursuant to the International Offering. See "Structure of the Global Offering – The International Offering" in this prospectus for further details.

Over-allotment Option

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering (i.e. Sunday, 12 February 2023) to issue and allot up to an aggregate of 9,900,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Offering, if any.

Commissions and Expenses

Our Company will pay the Sole Global Coordinator (for itself and on behalf of the other Underwriters) an underwriting commission of 2.8% of the aggregate Offer Price of all Offer Shares (including proceeds from the exercise of the Over-allotment Option). The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may receive an additional incentive fee of 1.0% of the aggregate Offer Price of the Offer Shares from the Global Offering (including proceeds from the exercise of the Over-allotment Option).

Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$2.11 (being the mid-point of the indicative Offer Price range between HK$1.91 and HK$2.31), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, AFRC transaction levy, legal and other professional fees, printing and other fees and expenses relating to the

Global Offering, to be borne by us are estimated to amount in aggregate to approximately RMB38.2 million (equivalent to HK$45.9 million) in total, assuming full payment of the discretionary incentive fee to the Underwriters.

Indemnity

Each of our Company and our Controlling Shareholders has agreed to indemnify the Underwriters for certain losses that they may suffer, including certain losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and/or any of our Controlling Shareholders of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Activities by Syndicate Members

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 6,600,000 H Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the subsection headed "– The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of 59,400,000 H Shares (subject to the Over-allotment Option and adjustment as mentioned below) outside the United States (including professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

The 66,000,000 H Shares initially being offered in the Global Offering will represent approximately 25% of our enlarged total number of issued Shares immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not apply under both of these methods for the Hong Kong Offer Shares.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator, for itself and on behalf of the Underwriters, agreeing on the Offer Price. The Hong Kong Public Offering and the International Offering are subject to the conditions set forth in the subsection headed "Conditions of the Global Offering" in this section. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are expected to be conditional upon each other.

Number of Offer Shares Initially Offered

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set forth in the Hong Kong Underwriting Agreement and described in the subsection headed "Conditions of the Global Offering" in this section) for the subscription in Hong Kong of, initially 6,600,000 Offer Shares at the Offer Price (representing approximately 10% of the total number of the Offer Shares).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation) is to be divided equally into two pools for allocation purposes: Pool A and Pool B. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5.0 million (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable) or less. The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5.0 million and up to a total value of Pool B (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 3,300,000 Hong Kong Offer Shares (being 50% of the 6,600,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. According to the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange and paragraph 4.2 of Practice Note 18 of the Listing Rules, a clawback mechanism shall be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully or over-subscribed and certain prescribed total demand levels are reached as further described below:

(a) where the International Offering are fully subscribed or oversubscribed:

    (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 6,600,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 13,200,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then an additional 13,200,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 19,800,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option;

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then an additional 19,800,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 26,400,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option; and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then an additional 26,400,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 33,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option;

(b) where the International Offering are undersubscribed:

(i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 6,600,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 13,200,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option.

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering is in the circumstances where the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.91 per Offer Share) stated in this prospectus.

In addition, the Sole Global Coordinator may in its sole and absolute discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 13,200,000 Offer Shares), representing 20% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may in its sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit the is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$2.31 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the subsection headed "– Pricing and Allocation" below, is less than the maximum price of HK$2.31 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The International Offering is expected to be fully underwritten by the International Underwriters on a several basis. The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

Number of International Offer Shares Offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 59,400,000 International Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised). The International Offering will be offered by us outside of the United States in reliance on Regulation S.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the subsection headed "– Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

We expect to grant to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 9,900,000 Offer Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the Global Offering, to cover over-allocations in the International Offering, if any.

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the Price Determination Date up to the 30th day after the last day for lodging of applications under the Hong Kong Public Offering and from time to time, to require our Company to allot and issue up to an aggregate of 9,900,000 Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share at which Offer Shares were initially offered under the Global Offering, to cover over-allocations in the International Offering, if any, on the same terms and conditions as the Offer Shares that are subject to the Global Offering. The Sole Global Coordinator may, at its option, also cover such over-allocations by purchasing the H Shares in the secondary market or exercise of Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the additional Offer Shares will represent approximately 3.6% of the Company's enlarged total number of issued Shares immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring International Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Friday, 13 January 2023 and in any event no later than Wednesday, 18 January 2023.

The Offer Price will not be more than HK$2.31 per Offer Share and is expected to be not less than HK$1.91 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. We will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the websites of our Company at **www.ljgfjt.com** and the Stock Exchange at **www.hkexnews.hk** notices of the reduction.

As soon as practicable after such reduction of the number of Offer Shares and/or the Offer Price, our Company will also issue a supplemental prospectus updating investors of such reduction together with (a) an update of all financial and other information in connection with such change, among other things, the changes to the Global Offering, change in the Offer Price, offer period and the impact of such change on the sufficiency of working capital and use of proceeds; and (b) where appropriate, the period under which the Hong Kong Public Offering is open for acceptance, and give potential investors who have applied for the Offer Shares to confirm their applications. In the event that our Company has not obtain a confirmation from the potential investors confirming their desire to proceed with their applications, their applications will be rejected.

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares and the Offer Price will not be reduced.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of and results of allocations of Hong Kong Offer Shares under the Hong Kong Public Offering are expected to be announced on Thursday, 19 January 2023 on the websites of our Company at **www.ljgfjt.com** and the Stock Exchange at **www.hkexnews.hk**.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, as stabilising manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The Sole Global Coordinator has been appointed as the Stabilising Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the Hong Kong Securities and Futures Ordinance.

Any such stabilising activity will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the Hong Kong Securities and Futures Ordinance. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager (or its affiliates or any person acting for it) and in what the Stabilising Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering, being Sunday, 12 February 2023. The number of H Shares that may be over-allocated will not be greater than the number of H Shares which may be sold upon exercise of the Over-allotment Option, being 9,900,000 H Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Following any over-allotment of Shares in connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period to cover such over-allotment. The possible stabilising action which may be taken by the Stabilising Manager, its affiliates or any person acting for it in connection with the Global Offering may involve (i) purchases of Shares, (ii) establishing, hedging and liquidating positions in Shares, (iii) exercising the Over-allotment Option in whole or in part and/or (iv) offering or attempting to do any of (i), (ii) or (iii) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the H Shares;
- no stabilising action can be taken to support the price of the H Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the 30th day after the date of closing of the application lists under the Hong Kong Public Offering (i.e., Sunday, 12 February 2023). After this date, when no further stabilising action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

In order to effect stabilisation actions, the Stabilising Manager will arrange cover of up to an aggregate of 9,900,000 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid on the Listing Date. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Offering agrees to the delayed delivery arrangements, no stabilising actions will be undertaken by the Stabilising Manager and the Over-allotment Option will not be exercised.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period, i.e. on or before Sunday, 19 February 2023.

OVER-ALLOCATION

Following any over-allocation of Offer Shares in connection with the Global Offering, the Sole Global Coordinator, its affiliates or any person acting for it may cover such over-allocation by using Shares purchased by the Stabilising Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Offer Shares which can be over-allocated will not exceed the number of Offer Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 9,900,000 Offer Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or before the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times);

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Wednesday, 18 January 2023, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on the websites of our Company at **www.ljgfjt.com** and the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

We expect to issue H Share certificates for the Offer Shares on Thursday, 19 January 2023. Share certificates issued in respect of Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made for the H Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 20 January 2023, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 20 January 2023. The H Shares will be traded in board lots of 1,500 H Shares each.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of our Company at **www.ljgfjt.com** and the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar, Tricor Investor Services Limited, at +852 3907 7333 on the following dates:

Friday, 30 December 2022	–	9:00 a.m. to 6:00 p.m.
Tuesday, 3 January 2023	–	9:00 a.m. to 6:00 p.m.
Wednesday, 4 January 2023	–	9:00 a.m. to 6:00 p.m.
Thursday, 5 January 2023	–	9:00 a.m. to 6:00 p.m.
Friday, 6 January 2023	–	9:00 a.m. to 6:00 p.m.
Monday, 9 January 2023	–	9:00 a.m. to 6:00 p.m.
Tuesday, 10 January 2023	–	9:00 a.m. to 6:00 p.m.
Wednesday, 11 January 2023	–	9:00 a.m. to 6:00 p.m.
Thursday, 12 January 2023	–	9:00 a.m. to 6:00 p.m.
Friday, 13 January 2023	–	9:00 a.m. to 12:00 noon

The application for the Hong Kong Offer Shares will commence on Friday, 30 December 2022 through Friday, 13 January 2023. Such time period is longer than the normal market practice of 3.5 days. The application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) will be held by the receiving banks on behalf of our Company, and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 19 January 2023. Investors should be aware that the dealings in our H Shares on the Stock Exchange are expected to commence on Friday, 20 January 2023.

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a director, supervisor or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (both as defined in the Listing Rules) of any of the above;
- are a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or its agents or nominees), as agent of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Global Coordinator, the Underwriters, the **HK eIPO White Form** Service Provider, their respective directors, supervisor, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's H Share register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 1,500 Hong Kong Offer Shares and in one of the numbers set out in the table below. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected. You are required to pay the amount next to the number you select.

Huaibei GreenGold Industry Investment Co., Ltd.*
(Stock Code: 2450) (HK$2.31 per Hong Kong Offer Share)

Number of Hong Kong Offer Shares that may be Applied for and Payments

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
1,500	3,499.95	15,000	34,999.45	210,000	489,992.24	1,500,000	3,499,944.53
3,000	6,999.89	30,000	69,998.89	240,000	559,991.12	1,800,000	4,199,933.44
4,500	10,499.84	45,000	104,998.34	270,000	629,990.02	2,100,000	4,899,922.34
6,000	13,999.77	60,000	139,997.78	300,000	699,988.90	2,400,000	5,599,911.25
7,500	17,499.73	75,000	174,997.23	450,000	1,049,983.36	2,700,000	6,299,900.15
9,000	20,999.66	90,000	209,996.67	600,000	1,399,977.81	3,000,000	6,999,889.06
10,500	24,499.61	120,000	279,995.56	750,000	1,749,972.27	3,300,000*	7,699,877.95
12,000	27,999.56	150,000	349,994.46	900,000	2,099,966.71		
13,500	31,499.50	180,000	419,993.34	1,200,000	2,799,955.62		

* Maximum number of Hong Kong Offer Shares you may apply for

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply" in this section, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**. Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

If you have any questions on how to apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of our H Share Registrar, Tricor Investor Services Limited at +852 3907 7333 which is available on the following dates:

Friday, 30 December 2022 – 9:00 a.m. to 6:00 p.m.

Tuesday, 3 January 2023 – 9:00 a.m. to 6:00 p.m.

Wednesday, 4 January 2023 – 9:00 a.m. to 6:00 p.m.

Thursday, 5 January 2023 – 9:00 a.m. to 6:00 p.m.

Friday, 6 January 2023 – 9:00 a.m. to 6:00 p.m.

Monday, 9 January 2023 – 9:00 a.m. to 6:00 p.m.

Tuesday, 10 January 2023 – 9:00 a.m. to 6:00 p.m.

Wednesday, 11 January 2023 – 9:00 a.m. to 6:00 p.m.

Thursday, 12 January 2023 – 9:00 a.m. to 6:00 p.m.

Friday, 13 January 2023 – 9:00 a.m. to 12:00 noon

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** service through the **IPO App** or at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 30 December 2022 until 11:30 a.m. on Friday, 13 January 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 13 January 2023 or such later time under the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

If you are a nominee, in the box marked "For Nominees" you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our H Share Registrar.

Applying through the CCASS EIPO Service (either indirectly through a broker or a custodian or directly)

Where you have applying through the **CCASS EIPO** Service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's H Share register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, supervisor, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders; and

- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company.

Effect of Applying Through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 30 December 2022 – 9:00 a.m. to 8:30 p.m.
- Saturday, 31 December 2022 – 8:00 a.m. to 1:00 p.m.
- Tuesday, 3 January 2023 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 4 January 2023 – 8:00 a.m. to 8:30 p.m.
- Thursday, 5 January 2023 – 8:00 a.m. to 8:30 p.m.
- Friday, 6 January 2023 – 8:00 a.m. to 8:30 p.m.
- Saturday, 7 January 2023 – 8:00 a.m. to 1:00 p.m.

- Monday, 9 January 2023 – 8:00 a.m. to 8:30 p.m.
- Tuesday, 10 January 2023 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 11 January 2023 – 8:00 a.m. to 8:30 p.m.
- Thursday, 12 January 2023 – 8:00 a.m. to 8:30 p.m.
- Friday, 13 January 2023 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 30 December 2022 until 12:00 noon on Friday, 13 January 2023 (24 hours daily, except on Friday, 13 January 2023, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 13 January 2023, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service or the **HK eIPO White Form** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of the holders of the Shares;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to holders of the H Shares and/or regulators and/or any other purposes to which the holders of the Shares may from time to time agree.

Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving banks and share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares through the **CCASS EIPO** service is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors and the Sole Global Coordinator and Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **CCASS EIPO** service or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 13 January 2023, the last day for applications, or such later time as described in the subsection headed "– 10. Effect of Bad Weather on the Opening of the Application Lists" in this section below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

- "Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:
  - control the composition of the board of directors of the company;
  - control more than half of the voting power of the company; or
  - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$2.31 per Offer Share. You must pay the maximum Offer Price, brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% in full upon application for the Hong Kong Offer Shares under the terms set out in the paragraph "– 4. Minimum Application Amount and Permitted Numbers" in this section. This means that for one board lot of 1,500 Hong Kong Offer Shares, you will pay HK$3,499.95.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 1,500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,500 Hong Kong Offer Shares must be in one of the numbers set out in the table in "4. Minimum Application Amount and Permitted Numbers", or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy and AFRC transaction levy, collected by the Stock Exchange on behalf of the SFC and AFRC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering – Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 13 January 2023. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 13 January 2023 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made on the websites of our Company at **www.ljgfjt.com** and the Stock Exchange at **www.hkexnews.hk**.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 19 January 2023 on the websites of our Company at **www.ljgfjt.com** and the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the websites of our Company at **www.ljgfjt.com** and the Stock Exchange at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 19 January 2023;

- from the "IPO Results" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 am on Thursday, 19 January 2023 to 12:00 midnight on Friday, 27 January 2023;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 19 January 2023 to Friday, 27 January 2023 (excluding Saturday, Sunday & public holidays);

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the designated **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at **www.hkeipo.hk**;
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$2.31 per Offer Share (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 19 January 2023.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or about Thursday, 19 January 2023. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, 20 January 2023 provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the HK eIPO White Form service

If you apply for more than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your H Share certificate(s) from Company's H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 19 January 2023, or such other date as notified by the Company in the newspapers as the date of despatch/collection of H Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 19 January 2023 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) in your name (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

(ii) If you apply through the CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 19 January 2023, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of Results" in this section on Thursday, 19 January 2023. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 19 January 2023 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 19 January 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 19 January 2023.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I – 1 to I – 66, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUAIBEI GREENGOLD INDUSTRY INVESTMENT CO., LTD.* AND CHINA EVERBRIGHT CAPITAL LIMITED

Introduction

We report on the historical financial information of Huaibei GreenGold Industry Investment Co., Ltd.* (the "Company") and its subsidiaries (together, the "Group") set out on pages I – 4 to I – 66, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and 30 September 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I – 4 to I – 66 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 December 2022 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2019, 2020 and 2021 and 30 September 2022, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2021 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I – 4 have been made.

Dividends

We refer to Note 23(c) to the Historical Financial Information which contains information about dividends paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 December 2022

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

	Note	Years ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Nine months ended 30 September 2021 RMB'000 (unaudited)	2022 RMB'000
Revenue	4	492,542	506,382	370,327	280,741	313,289
Cost of sales		(233,234)	(217,858)	(191,978)	(133,663)	(155,192)
Gross profit		259,308	288,524	178,349	147,078	158,097
Other income	5	2,292	5,923	20,887	18,584	8,067
Selling expenses		(969)	(35)	–	–	–
Administrative expenses		(12,310)	(12,640)	(18,193)	(12,225)	(15,675)
Impairment (losses)/reversal on trade receivables		(18,902)	(33,016)	6,075	(10,991)	7,640
Profit from operations		229,419	248,756	187,118	142,446	158,129
Finance costs	6(a)	(4,085)	(5,114)	(54,347)	(36,188)	(54,361)
Profit before taxation	6	225,334	243,642	132,771	106,258	103,768
Income tax	7	(56,458)	(61,129)	(33,877)	(27,016)	(26,172)
Profit for the year/period		168,876	182,513	98,894	79,242	77,596
Attributable to:						
Equity shareholders of the Company		114,000	124,188	64,706	53,474	50,850
Non-controlling interests		54,876	58,325	34,188	25,768	26,746
Profit for the year/period		168,876	182,513	98,894	79,242	77,596
Other comprehensive income for the year/period		–	–	–	–	–
Total comprehensive income for the year/period		168,876	182,513	98,894	79,242	77,596
Attributable to:						
Equity shareholders of the Company		114,000	124,188	64,706	53,474	50,850
Non-controlling interests		54,876	58,325	34,188	25,768	26,746
Total comprehensive income for the year/period		168,876	182,513	98,894	79,242	77,596
Earnings per share	10					
Basic and diluted		N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 December 2021 RMB'000	As at 30 September 2022 RMB'000
Non-current assets					
Property, plant and equipment	11	476,376	429,524	1,689,208	1,657,761
Deferred tax assets	20(b)	6,990	16,039	14,185	12,378
Non-current portion of other receivables	14	8,333	8,809	9,312	46,891
		491,699	454,372	1,712,705	1,717,030
Current assets					
Inventories	13	6,971	4,977	4,733	4,100
Current tax assets	20(a)	–	–	2,397	19,514
Trade and other receivables	14	116,945	76,162	38,834	72,294
Other financial assets	15	–	105,000	–	–
Deposits with original maturities over three months		–	–	–	184,000
Cash and cash equivalents	16	180,773	61,504	581,670	277,171
		304,689	247,643	627,634	557,079
Current liabilities					
Trade and other payables	17	37,861	32,963	395,171	425,960
Contract liabilities	18	16,278	6,671	58,954	5,712
Interest-bearing borrowings	19	67,760	68,000	34,500	34,500
Current taxation	20(a)	57,735	70,721	2,271	2,136
		179,634	178,355	490,896	468,308
Net current assets		125,055	69,288	136,738	88,771
Total assets less current liabilities		616,754	523,660	1,849,443	1,805,801
Non-current liabilities					
Interest-bearing borrowings	19	–	–	900,369	899,369
Long-term payables	21	–	–	464,345	352,847
Deferred tax liabilities	20(b)	5,657	4,058	11,978	22,476
Accrual for reclamation costs	22	11,855	12,530	15,262	15,824
		17,512	16,588	1,391,954	1,290,516
NET ASSETS		599,242	507,072	457,489	515,285
CAPITAL AND RESERVES	23				
Share capital		–	198,000	198,000	198,000
Reserves		390,522	136,506	106,124	156,974
Total equity attributable to equity shareholders of the Company		390,522	334,506	304,124	354,974
Non-controlling interests		208,720	172,566	153,365	160,311
TOTAL EQUITY		599,242	507,072	457,489	515,285

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

		As at 31 December			As at 30 September
		2019	2020	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Investments in subsidiaries	*12*	–	226,793	226,793	226,793
Property, plant and equipment		–	–	26	22
		–	226,793	226,819	226,815
Current assets					
Trade and other receivables	*14*	1,562	3,264	17,036	67,120
Cash and cash equivalents	*16*	–	8,237	27,160	19,551
		1,562	11,501	44,196	86,671
Current liability					
Trade and other payables	*17*	1,582	2,567	24,168	25,913
		1,582	2,567	24,168	25,913
Net current (liabilities)/assets		(20)	8,934	20,028	60,758
Total assets less current liabilities		(20)	235,727	246,847	287,573
NET (LIABILITIES)/ASSETS		(20)	235,727	246,847	287,573
CAPITAL AND RESERVES	*23*				
Share capital		–	198,000	198,000	198,000
Reserves		(20)	37,727	48,847	89,573
TOTAL EQUITY		(20)	235,727	246,847	287,573

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in RMB)

		Attributable to equity shareholders of the Company						
		Share capital	**Capital reserve**	**Other reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 23(b))	*(Note 23(d)(i))*	*(Note 23(d)(ii))*				
At 1 January 2019		–	156,000	12,821	74,701	243,522	108,844	352,366
Changes in equity for 2019:								
Profit for the year		–	–	–	114,000	114,000	54,876	168,876
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	114,000	114,000	54,876	168,876
Capital contributions to subsidiaries	*23(d)(i)*	–	33,000	–	–	33,000	45,000	78,000
Appropriation of maintenance and production funds		–	–	4,297	(4,297)	–	–	–
Utilisation of maintenance and production funds		–	–	(806)	806	–	–	–
Appropriation to statutory reserve		–	–	11,875	(11,875)	–	–	–
		–	33,000	15,366	(15,366)	33,000	45,000	78,000
At 31 December 2019		–	189,000	28,187	173,335	390,522	208,720	599,242

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

(Expressed in RMB)

		Attributable to equity shareholders of the Company						
							Non-	
		Share capital	Capital reserve	Other reserve	Retained profits	Total	controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 23(b))	*(Note 23(d)(i))*	*(Note 23(d)(ii))*				
At 1 January 2020		–	189,000	28,187	173,335	390,522	208,720	599,242
Changes in equity for 2020:								
Profit for the year		–	–	–	124,188	124,188	58,325	182,513
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	124,188	124,188	58,325	182,513
Capital contributions		9,000	–	–	–	9,000	–	9,000
Effect on equity arising from the completion of a group reorganisation	*23(d)(i)*	189,000	(189,000)	–	–	–	–	–
Appropriation of maintenance and production funds		–	–	5,511	(5,511)	–	–	–
Utilisation of maintenance and production funds		–	–	(1,366)	1,366	–	–	–
Appropriation to statutory reserve		–	–	13,355	(13,355)	–	–	–
Distributions declared to then owners	*23(c)*	–	–	–	(189,204)	(189,204)	(94,479)	(283,683)
		198,000	(189,000)	17,500	(206,704)	(180,204)	(94,479)	(274,683)
At 31 December 2020		198,000	–	45,687	90,819	334,506	172,566	507,072

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	Share capital RMB'000 (Note 23(b))	Capital reserve RMB'000 (Note 23(d)(i))	Other reserve RMB'000 (Note 23(d)(ii))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021		198,000	–	45,687	90,819	334,506	172,566	507,072
Changes in equity for 2021:								
Profit for the year		–	–	–	64,706	64,706	34,188	98,894
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	64,706	64,706	34,188	98,894
Capital contributions		–	1,800	–	–	1,800	–	1,800
Appropriation of maintenance and production funds		–	–	4,550	(4,550)	–	–	–
Utilisation of maintenance and production funds		–	–	(224)	224	–	–	–
Appropriation to statutory reserve		–	–	17,792	(17,792)	–	–	–
Distribution declared by a subsidiary		–	–	–	–	–	(53,389)	(53,389)
Dividend declared by the Company	23(c)	–	–	–	(96,888)	(96,888)	–	(96,888)
		–	1,800	22,118	(119,006)	(95,088)	(53,389)	(148,477)
At 31 December 2021		198,000	1,800	67,805	36,519	304,124	153,365	457,489

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	Share capital RMB'000 (Note 23(b))	Capital reserve RMB'000 (Note 23(d)(i))	Other reserve RMB'000 (Note 23(d)(ii))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022		198,000	1,800	67,805	36,519	304,124	153,365	457,489
Changes in equity for nine months ended 30 September 2022:								
Profit for the period		–	–	–	50,850	50,850	26,746	77,596
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	50,850	50,850	26,746	77,596
Appropriation of maintenance and production funds		–	–	4,377	(4,377)	–	–	–
Utilisation of maintenance and production funds		–	–	(760)	760	–	–	–
Distribution declared by a subsidiary		–	–	–	–	–	(19,800)	(19,800)
		–	–	3,617	(3,617)	–	(19,800)	(19,800)
At 30 September 2022		198,000	1,800	71,422	83,752	354,974	160,311	515,285

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company						
		Share capital	Capital reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 23(b))	*(Note 23(d)(i))*	*(Note 23(d)(ii))*				
At 1 January 2021		198,000	–	45,687	90,819	334,506	172,566	507,072
Changes in equity for nine months ended 30 September 2021: (unaudited)								
Profit for the period (unaudited)		–	–	–	53,474	53,474	25,768	79,242
Other comprehensive income (unaudited)		–	–	–	–	–	–	–
Total comprehensive income (unaudited)		–	–	–	53,474	53,474	25,768	79,242
Capital contributions (unaudited)		–	1,800	–	–	1,800	–	1,800
Appropriation of maintenance and production funds (unaudited)		–	–	3,585	(3,585)	–	–	–
Utilisation of maintenance and production funds (unaudited)		–	–	(224)	224	–	–	–
Distribution declared by a subsidiary (unaudited)		–	–	–	–	–	(53,389)	(53,389)
Dividend declared by the Company (unaudited)		–	–	–	(96,888)	(96,888)	–	(96,888)
		–	1,800	3,361	(100,249)	(95,088)	(53,389)	(148,477)
At 30 September 2021 (unaudited)		198,000	1,800	49,048	44,044	292,892	144,945	437,837

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

		Years ended 31 December			Nine months ended 30 September	
		2019	**2020**	**2021**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cash flows from operating activities						
Profit before taxation		225,334	243,642	132,771	106,258	103,768
Adjustments for:						
Depreciation and amortisation		47,752	57,643	51,690	39,709	47,143
Impairment losses/(reversal) on trade receivables		18,902	33,016	(6,075)	10,991	(7,640)
Interest income		–	(29)	(15,373)	(15,373)	–
Finance costs	*6(a)*	4,085	5,114	54,347	36,188	54,361
Amortisation of unrealised financing income of non-current portion of other receivables		(449)	(476)	(502)	(373)	(394)
Changes in working capital:						
(Increase)/decrease in inventories		(1,968)	1,994	244	1,453	633
(Increase)/decrease in trade and bill receivables		(93,975)	11,370	52,332	28,429	(12,781)
Decrease/(increase) in prepayments, deposits and other receivables		5,973	(1,154)	2,657	(3,538)	(3,213)
Increase/(decrease) in trade and other payables		4,510	(612)	67,702	56,565	(38,487)
Cash generated from operations		210,164	350,508	339,793	260,309	143,390
Tax paid	*20(a)*	(45,332)	(58,791)	(94,950)	(84,337)	(31,119)
Net cash generated from operating activities		164,832	291,717	244,843	175,972	112,271
Cash flows from investing activities						
Increase in deposits with maturities of over three months		–	–	–	–	(184,000)
Payments for purchase of property, plant and equipment and land use right		(166,751)	(28,459)	(725,385)	(716,366)	(54,970)
Loans repaid by related parties		–	–	495,971	495,971	–
Loans to related parties		–	(105,000)	(390,971)	(390,971)	–
Interest received		–	29	–	–	–
Net cash used in investing activities		(166,751)	(133,430)	(620,385)	(611,366)	(238,970)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Expressed in RMB)

		Years ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from financing activities						
Capital contributions to subsidiaries of the Group		78,000	9,000	–	–	–
Capital contributions to the Company		–	–	1,800	1,800	–
Proceeds from bank loans	*16(b)*	52,360	69,000	1,520,738	1,520,738	–
Repayment of bank loans	*16(b)*	(100,000)	(63,360)	(643,869)	(595,869)	(1,000)
Proceeds of borrowings from a related party	*16(b)*	53,800	20,000	17,000	17,000	–
Net increase in amounts due to related parties	*16(b)*	–	–	15,373	15,373	–
Repayment of borrowings from a related party	*16(b)*	(50,400)	(25,400)	(27,000)	(27,000)	–
Repayment of long-term payables	*16(b)*	–	–	–	–	(136,774)
Interest paid	*16(b)*	(5,936)	(5,341)	(36,867)	(26,776)	(30,442)
Distributions/dividends paid	*16(b)*	–	(280,445)	(153,515)	(153,515)	–
Payment of listing expense		(800)	(1,010)	(10,052)	(9,428)	(9,584)
Cash advances from a related party	*16(b)*	–	–	212,100	212,100	–
Net cash generated from/(used in) financing activities		27,024	(277,556)	895,708	954,423	(177,800)
Net increase/(decrease) in cash and cash equivalents		25,105	(119,269)	520,166	519,029	(304,499)
Cash and cash equivalents at the beginning of the year/period	*16(a)*	155,668	180,773	61,504	61,504	581,670
Cash and cash equivalents at the end of the year/period	*16(a)*	180,773	61,504	581,670	580,533	277,171

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Huaibei GreenGold Industry Investment Co., Ltd. ("the Company") was incorporated in the People's Republic of China (the "PRC") on 21 December 2018, as a limited liability company.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation completed on 30 March 2020 (the "Reorganisation") mentioned below. The Company and its subsidiaries (together, the "Group") are principally engaged in stone production and engineering material processing and sales.

Prior to the completion of the reorganisation, the principal business of the Group has been operated under Huaibei Tongming Mining Co., Ltd. ("Huaibei Tongming Mining") and Huaibei Liantong Municipal Engineering Co., Ltd. ("Huaibei Liantong Municipal Engineering"), which were controlled by Huaibei Construction Investment Holding Group Co., Ltd. ("Huaibei Construction Investment"). Huaibei Tongming Mining and Huaibei Liantong Municipal Engineering are established as limited liability companies in PRC on 29 April 2016 and 29 February 2016, respectively.

To rationalise the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company and its subsidiaries underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 30 December 2022 (the "Prospectus").

Upon completion of the Reorganisation on 30 March 2020, the Company became the holding company of the companies now comprising the Group which are under common control of Huaibei Construction Investment before and after the Reorganisation. There has been a continuation of risks and benefits to the Controlling Shareholder that existed prior to the Reorganisation. Accordingly, the Reorganisation is considered to be a business combination under common control. The Historical Financial Information has been prepared as if the Group has always been in existence and the net assets of the companies now comprising the Group are combined using the existing book values from the Controlling Shareholder's perspective. No amount is recognised as consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Reorganisation to the extent of the continuation of the Controlling Shareholder's interests. Equity interests in entities held by parties other than the Controlling Shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Track Record Period as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period, or since their respective dates of incorporation or establishment, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 September 2022 as set out in this report have been prepared to present the financial position of the companies now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates taking into account the respective dates of incorporation or establishment, where applicable.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, the statutory financial statements of the Company and the subsidiaries of the Group were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The statutory auditors of the Company for the years ended 31 December 2019 and 2020 were Zhongxingcai Guanghua Certified Public Accountants LLP (中興財光華會計師事務所(特殊普通合夥)) and Reanda Certified Public Accountants LLP (利安達會計師事務所(特殊普通合夥)), respectively.

As at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of establishment	Particulars of registered and paid-up capital	Percentage of ownership interest Direct	Indirect	Principal activities	Name of statutory auditor 2019	2020
Huaibei Tongming Mining (淮北通鳴礦業有限公司) *(Note)*	The PRC 29 April 2016	RMB200,000,000	67%	–	the production and sale of aggregate products and others	Zhongxingcai Guanghua Certified Public Accountants LLP (中興財光華會計師事務所(特殊普通合夥))	Reanda Certified Public Accountants LLP (利安達會計師事務所(特殊普通合夥))
Huaibei Liantong Municipal Engineering (淮北連通市政有限公司) *(Note)*	The PRC 29 February 2016	RMB100,000,000	55%	–	the production and sale of concrete products	Zhongxingcai Guanghua Certified Public Accountants LLP (中興財光華會計師事務所(特殊普通合夥))	Reanda Certified Public Accountants LLP (利安達會計師事務所(特殊普通合夥))

Note: The official names of the entities are in Chinese. The English translation of the names are for identification only.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs throughout the Track Record Period. The Group has not adopted any revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2022, the details of which are set out in Note 29.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Business combinations under common control

Business combinations of entities under common control are accounted for using the principle of merger accounting, under which, the Historical Financial Information incorporate the financial statement items of the acquired entities or businesses in which the common control combination occurs from the date when the acquired entities or businesses first come under the control of the controlling party.

The net assets of the acquired entities or businesses are consolidated using the existing book values from the controlling party's perspective. The differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded (net of any reserves of the acquired entities) have been recognised directly in equity as other reserve. Acquisition costs are expensed as incurred.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(l) or (m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(g)(ii)).

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (see Note 2(g)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(r)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated on the straight-line basis to write off the cost of items of property, plant and equipment other than mining rights and mining assets to their estimated residual value over their estimated useful lives as follows:

	Useful life
Buildings and machinery	10 – 20 years
Office equipment and others	3 – 4 years
Right-of-use assets	Over the term of lease

Mining rights and mining assets are depreciated on the units-of-production ("UOP") method.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(f) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation/amortisation and impairment losses (see Note 2(g)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the end of each reporting period.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, deposits with original maturities over three months, other financial assets, trade and other receivables).

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables : effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 30-90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(q)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– intangible assets; and

– investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(q)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

For a single contract with the customer, either a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(g)(i)).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(g)(i).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(r)).

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(g)(i)).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(iii) The entity is controlled or jointly controlled by a person identified in (a).

(iv) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(v) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various service lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Sources of estimation uncertainty

(i) Expected credit losses for receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each of the Track Record Period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 24(a) to the Historical Financial Information.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of deductible temporary differences and unused tax losses are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the future operating performance of the Group and requires a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit or loss in future periods.

(iii) Obligations for land reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including the future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligations will be recognised at the appropriate discount rate.

(iv) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered as a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates calculated on the UOP basis and the time period for discounting the reclamation costs. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the production and sale of aggregate products and others and concrete products. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15					
– Revenue from sales of aggregate products and others	323,848	369,603	255,888	202,213	227,033
– Revenue from sales of concrete products	168,694	136,779	114,439	78,528	86,256
	492,542	506,382	370,327	280,741	313,289

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic information is disclosed in Notes 4(b)(i) and 4(b)(iii), respectively.

The Group customers base is diversified. Revenue from customers of each of the years ended 31 December 2019, 2020 and 2021 and nine months ended 30 September 2021 (unaudited) and 2022, respectively, contributing over 10% of the total revenue of the Group are as follows. Details of concentrations of credit risk arising from largest debtors are set out in Note 24(a).

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Customer A	51,345	#	#	#	#
Customer B	#	92,147	#	#	#
Customer C	#	62,387	114,037	79,427	91,380
Customer D	#	#	49,917	32,515	#

\# Transactions from these customers did not exceed 10% of the Group's revenue in the respective year/period.

The Group applies the practical expedient in paragraph 121 of IFRS 15 of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of substantially all the contracts of the Group are within one year or less.

(ii) Assets recognised from incremental costs to obtain a contract

During the Track Record Period, no significant incremental costs were incurred to obtain a contract.

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Aggregate products and others: this segment includes production and sale of aggregate products and others;

- Concrete products: this segment includes production and sale of concrete products to be used in building and road construction.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of deferred tax assets and unallocated head office and corporate assets. Segment liabilities include all liabilities with the exception of current taxation, deferred tax liabilities and unallocated head office and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segment and the expenses incurred by those segments.

Segment profit represents revenue less cost of sales, and includes selling expenses and administrative expenses directly attributable to the segment. Items that are not specifically attributable to individual segments, such as unallocated head office and corporate expenses, depreciation and amortisation, interest income and finance costs are not included in segment profit. In addition to receiving segment information concerning segment profit, management is also provided with segment information concerning depreciation, amortisation, interest income and finance costs.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019, 2020 and 2021 and nine months ended 30 September 2021 (unaudited) and 2022 is set out below.

	Year ended 31 December 2019		
	Aggregate products and others	**Concrete products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition			
Point in time	323,848	168,694	492,542
Revenue from external customers	323,848	168,694	492,542
Inter-segment revenue	5,793	83	5,876
Reportable segment revenue	329,641	168,777	498,418
Reportable segment profit/(loss) (adjusted EBITDA)	275,777	(458)	275,319
Depreciation and amortisation	(43,123)	(4,629)	(47,752)
Interest income	3,072	36	3,108
Amortisation of unrealised financing income of non-current portion of other receivables	449	–	449
Finance costs	(1,412)	(4,358)	(5,770)
Reportable segment assets	614,550	205,860	820,410
Reportable segment liabilities	47,638	117,108	164,746

	Year ended 31 December 2020		
	Aggregate products and others	**Concrete products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition			
Point in time	369,603	136,779	506,382
Revenue from external customers	369,603	136,779	506,382
Inter-segment revenue	4,043	98	4,141
Reportable segment revenue	373,646	136,877	510,523
Reportable segment profit/(loss) (adjusted EBITDA)	312,768	(9,797)	302,971
Depreciation and amortisation	(52,625)	(5,018)	(57,643)
Interest income	4,801	67	4,868
Amortisation of unrealised financing income of non-current portion of other receivables	476	–	476
Finance costs	(676)	(6,309)	(6,985)
Reportable segment assets	521,975	173,105	695,080
Reportable segment liabilities	23,057	115,145	138,202

	Year ended 31 December 2021		
	Aggregate products and others	**Concrete products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition			
Point in time	255,888	114,439	370,327
Revenue from external customers	255,888	114,439	370,327
Inter-segment revenue	3,659	–	3,659
Reportable segment revenue	259,547	114,439	373,986
Reportable segment profit (adjusted EBITDA)	203,630	19,076	222,706
Depreciation and amortisation	(44,830)	(6,859)	(51,689)
Interest income	18,187	103	18,290
Amortisation of unrealised financing income of non-current portion of other receivables	502	–	502
Finance costs	(51,938)	(2,914)	(54,852)
Reportable segment assets	2,202,077	122,454	2,324,531
Reportable segment liabilities	1,829,420	57,612	1,887,032

	Nine months ended 30 September 2022		
	Aggregate products and others	**Concrete products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition			
Point in time	227,033	86,256	313,289
Revenue from external customers	227,033	86,256	313,289
Inter-segment revenue	83	–	83
Reportable segment revenue	227,116	86,256	313,372
Reportable segment profit (adjusted EBITDA)	179,271	21,050	200,321
Depreciation and amortisation	(41,006)	(6,133)	(47,139)
Interest income	3,568	64	3,632
Amortisation of unrealised financing income of non-current portion of other receivables	394	–	394
Finance costs	(54,041)	(320)	(54,361)
Reportable segment assets	2,100,127	135,558	2,235,685
Reportable segment liabilities	1,686,135	57,986	1,744,121

	Nine months ended 30 September 2021		
	Aggregate products and others	**Concrete products**	**Total**
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Disaggregated by timing of revenue recognition			
Point in time	202,213	78,528	280,741
Revenue from external customers	202,213	78,528	280,741
Inter-segment revenue	3,322	–	3,322
Reportable segment revenue	205,535	78,528	284,063
Reportable segment profit (adjusted EBITDA)	167,741	(2,005)	165,736
Depreciation and amortisation	(35,468)	(4,241)	(39,709)
Interest income	17,321	58	17,379
Amortisation of unrealised financing income of non-current portion of other receivables	373	–	373
Finance costs	(33,375)	(2,813)	(36,188)
Reportable segment assets	2,151,859	140,205	2,292,064
Reportable segment liabilities	1,779,951	93,769	1,873,720

(ii) Reconciliation of reportable segment revenues and profit or loss, assets and liabilities

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue					
Reportable segment revenue	498,418	510,523	373,986	284,063	313,372
Elimination of inter-segment revenue	(5,876)	(4,141)	(3,659)	(3,322)	(83)
Consolidated revenue *(Note 4(a))*	492,542	506,382	370,327	280,741	313,289
Profit					
Total reportable segment profit	275,319	302,971	222,706	165,736	200,321
Depreciation and amortisation	(47,752)	(57,643)	(51,689)	(39,709)	(47,143)
Interest income	1,423	2,998	17,981	17,403	3,834
Amortisation of unrealised financing income of non-current portion of other receivables	449	476	502	373	394
Unallocated head office and corporate other income	–	–	–	–	2,274
Unallocated head office and corporate expenses	(20)	(46)	(2,382)	(1,357)	(1,551)
Finance costs	(4,085)	(5,114)	(54,347)	(36,188)	(54,361)
Consolidated profit before taxation	225,334	243,642	132,771	106,258	103,768

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Reportable segment assets	820,410	695,080	2,324,531	2,235,685
Elimination of inter-segment receivables	(32,574)	(20,605)	(21,793)	(20,449)
	787,836	674,475	2,302,738	2,215,236
Deferred tax assets	6,990	16,039	14,185	12,378
Unallocated head office and corporate assets	1,562	11,501	23,416	46,495
Consolidated total assets	796,388	702,015	2,340,339	2,274,109
Liabilities				
Reportable segment liabilities	164,746	138,202	1,887,032	1,744,121
Elimination of inter-segment payables	(32,574)	(20,605)	(21,793)	(20,449)
	132,172	117,597	1,865,239	1,723,672
Current taxation	57,735	70,721	2,271	2,136
Deferred tax liabilities	5,657	4,058	11,978	22,476
Unallocated head office and corporate liabilities	1,582	2,567	3,362	10,540
Consolidated total liabilities	197,146	194,943	1,882,850	1,758,824

(iii) Geographic information

During the Track Record Period, the Group's revenue is generated from sales of aggregate products and others and concrete products in the PRC. The Group does not have material assets or operations outside the PRC, no segment analysis based on geographical locations of the customers and assets is presented.

5 OTHER INCOME

	Years ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income	1,423	2,998	17,981	17,403	3,834
Government grants	20	2,050	164	164	3,615
Others	849	875	2,742	1,017	618
	2,292	5,923	20,887	18,584	8,067

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest expenses on:					
– Bank and other borrowings	3,445	4,439	37,166	27,420	30,444
– Long-term payables	–	–	16,455	8,277	23,355
Unwinding interest of provisions *(Note 22)*	640	675	726	491	562
	4,085	5,114	54,347	36,188	54,361

No borrowing costs have been capitalised during the Track Record Period.

(b) Staff costs

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, wages and other benefits	20,615	23,372	23,547	15,218	18,202
Contributions to defined contribution retirement scheme *(Note)*	1,739	887	1,921	1,340	1,464
	22,354	24,259	25,468	16,558	19,666

Note: The employees of the Group participate in a defined contribution retirement benefit plan managed by the local government authority in the PRC. Employees are entitled to retirement benefits, calculated based on a percentage of the defined salaries level in the PRC, from the above mentioned retirement plan at their normal retirement age.

In addition, the Company and its subsidiaries have implemented a supplementary defined contribution retirement scheme (the "PRC Schemes") for the certain staffs on the voluntary basis. Under the scheme, the Company and its PRC subsidiaries are required to make contribution to the PRC Schemes at 8% of average basic salaries of the certain employees in the cities where the Group operates.

The Group has no other material obligation for payment of other retirement benefits beyond the above contributions.

In 2020, in an effort to provide financial support to enterprises during the COVID-19 pandemic, the PRC government authorities have granted partial exemption on the Group's contributions to the defined contribution retirement plans. The total exempted amount was RMB1,072,000 in 2020.

(c) Other items

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation and amortisation charge					
– owned property, plant and equipment *(Note 11)*	45,574	55,466	49,513	38,077	45,511
– right-of-use assets *(Note 11)*	2,178	2,177	2,177	1,632	1,632
Listing expenses	–	–	160	160	–
Cost of inventories sold (i) *(Note 13)*	233,234	217,858	191,978	133,663	155,192

(i) Cost of inventories includes the following amounts, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Staff costs	17,337	18,130	17,701	11,590	12,793
Depreciation	42,989	52,344	46,358	35,717	43,181

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represent:

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current tax ***(Note 20(a))***					
Provision for the year/period	61,192	71,777	24,103	24,178	13,867
Deferred tax ***(Note 20(b))***					
Origination and reversal of temporary differences	(4,734)	(10,648)	9,774	2,838	12,305
	56,458	61,129	33,877	27,016	26,172

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before taxation	225,334	243,642	132,771	106,258	103,768
Notional tax on profit before taxation, calculated at the tax rate of 25%	56,334	60,911	33,193	26,565	25,942
Tax effect of non-deductible expenses	119	206	137	117	230
Tax effect of unused tax losses not recognised	5	12	547	334	–
Actual tax expense	56,458	61,129	33,877	27,016	26,172

The Company and the subsidiaries of the Group established in the PRC are subject to PRC Corporate Income tax rate of 25% during the Track Record Period.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments during the Track Record Period are as follows in their roles as key management personnel and employees before their appointment as directors:

	Year ended 31 December 2019				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Mr. Liu Yong	–	116	50	22	188
Executive directors					
Mr. Zhang Lizhe	–	408	52	45	505
Mr. Qin Jiapeng	–	108	–	22	130
Mr. Mao Hongxian	–	118	144	15	277
Ms. Zhao Li	–	107	48	20	175
	–	857	294	124	1,275

	Year ended 31 December 2020				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Mr. Liu Yong	–	118	32	12	162
Executive directors					
Mr. Zhang Lizhe	–	560	40	19	619
Mr. Qin Jiapeng	–	101	–	9	110
Mr. Mao Hongxian	–	103	126	17	246
Ms. Zhao Li	–	108	28	11	147
	–	990	226	68	1,284

	Year ended 31 December 2021				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Mr. Liu Yong	–	111	55	21	187
Executive directors					
Mr. Zhang Lizhe (ii)	–	–	–	–	–
Mr. Qin Jiapeng	–	105	–	27	132
Mr. Mao Hongxian	–	133	37	47	217
Ms. Zhao Li	–	101	46	21	168
Ms. Shi Yin Yan (iii)	–	125	56	36	217
Independent non-executive directors					
Mr. Gao Wei (iv)	2	–	–	–	2
Mr. Liu Zhaotian (iv)	2	–	–	–	2
Ms. Xing Mengwei (iv)	7	–	–	–	7
	11	575	194	152	932

	Nine months ended 30 September 2022				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Mr. Liu Yong	–	95	89	24	208
Executive directors					
Mr. Zhang Lizhe (ii)	–	–	–	–	–
Mr. Qin Jiapeng	–	88	–	23	111
Mr. Mao Hongxian	–	117	48	36	201
Ms. Zhao Li	–	92	55	22	169
Ms. Shi Yin Yan	–	98	85	28	211
Independent non-executive directors					
Mr. Gao Wei (iv)	–	–	–	–	–
Mr. Liu Zhaotian (iv)	–	–	–	–	–
Ms. Xing Mengwei (iv)	–	–	–	–	–
	–	490	277	133	900

	Nine months ended 30 September 2021 (unaudited)				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Mr. Liu Yong	–	81	55	16	152
Executive directors					
Mr. Zhang Lizhe (ii)	–	–	–	–	–
Mr. Qin Jiapeng	–	84	–	20	104
Mr. Mao Hongxian	–	109	24	38	171
Ms. Zhao Li	–	74	46	16	136
Ms. Shi Yin Yan	–	87	17	26	130
Independent non-executive directors					
Mr. Gao Wei (iv)	2	–	–	–	2
Mr. Liu Zhaotian (iv)	2	–	–	–	2
Ms. Xing Mengwei (iv)	7	–	–	–	7
	11	435	142	116	704

(i) On 20 December 2018, the Company appointed Mr. Liu Yong as the chairman and executive director; Mr. Zhang Lizhe, Mr. Qin Jiapeng, Mr. Mao Hongxian and Ms. Zhao Li were appointed as executive directors.

(ii) The emoluments of Mr. Zhang Lizhe, executive director, in relation to their services rendered for the Company during the year ended 31 December 2021 and nine months ended 30 September 2021 (unaudited) and 2022 were borne by Huaibei Construction Investment.

(iii) On 26 May 2021, the Company appointed Ms. Shi Yin Yan as the executive director.

(iv) On 16 June 2021, Mr. Gao Wei, Mr. Liu Zhaotian and Ms. Xing Mengwei were appointed as independent non-executive directors.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

The directors received emoluments from the subsidiaries now comprising the Group and Huaibei Construction Investment for their appointment as directors or key management personnel and employees of these subsidiaries and Huaibei Construction Investment. No emoluments were paid by the Company during the years ended 31 December 2019 and 2020. The emoluments during the year ended 31 December 2021 and nine months ended 30 September 2021 (unaudited) and 2022 represented the director's emoluments paid by the Company.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, one, one, one, one (unaudited) and one are directors, whose emoluments are disclosed in Note 8 for each of the years ended 31 December 2019, 2020 and 2021 and nine months ended 30 September 2021 (unaudited) and 2022. The aggregate of the emoluments in respect of the remaining four, four, four, four (unaudited) and four individuals for each of the years ended 31 December 2019, 2020 and 2021 and nine months ended 30 September 2021 (unaudited) and 2022, respectively, are as follows:

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	608	545	586	479	473
Discretionary bonuses	411	325	333	110	286
Retirement scheme contributions	75	68	149	119	118
	1,094	938	1,068	708	877

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals (unaudited)*	*Number of individuals*
Hong Kong Dollar ("HKD") Nil – HKD1,000,000	4	4	4	4	4

10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Track Record Period using the basis of preparation as disclosed in Note 1 above.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts

The Group

	Buildings and machinery *RMB'000*	Office equipment and others *RMB'000*	Mining rights *RMB'000*	Mining assets *RMB'000*	Construction in progress *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
Cost:							
At 1 January 2019	228,406	1,737	201,000	29,726	32	111,766	572,667
Additions	4,440	2,805	–	3,522	1,348	–	12,115
Transfer in/(out)	991	–	–	–	(991)	–	–
At 31 December 2019	233,837	4,542	201,000	33,248	389	111,766	584,782
Additions	2,065	9,331	–	2,233	3,327	–	16,956
Transfer in/(out)	393	–	–	(6,165)	(393)	–	(6,165)
At 31 December 2020	236,295	13,873	201,000	29,316	3,323	111,766	595,573
Additions *(Note)*	12,427	1,595	1,264,743	29,835	2,774	–	1,311,374
Transfer in/(out)	6,013	–	–	–	(6,013)	–	–
At 31 December 2021	254,735	15,468	1,465,743	59,151	84	111,766	1,906,947
Additions	1,489	3,955	–	1,410	8,842	–	15,696
At 30 September 2022	256,224	19,423	1,465,743	60,561	8,926	111,766	1,922,643
Accumulated depreciation:							
At 1 January 2019	(16,102)	(744)	(34,637)	(4,808)	–	(4,363)	(60,654)
Charge for the year	(14,111)	(765)	(26,844)	(3,854)	–	(2,178)	(47,752)
At 31 December 2019	(30,213)	(1,509)	(61,481)	(8,662)	–	(6,541)	(108,406)
Charge for the year	(14,359)	(1,106)	(34,884)	(5,117)	–	(2,177)	(57,643)
At 31 December 2020	(44,572)	(2,615)	(96,365)	(13,779)	–	(8,718)	(166,049)
Charge for the year	(14,575)	(2,859)	(29,032)	(3,047)	–	(2,177)	(51,690)
At 31 December 2021	(59,147)	(5,474)	(125,397)	(16,826)	–	(10,895)	(217,739)
Charge for the period	(11,478)	(2,086)	(27,669)	(4,278)	–	(1,632)	(47,143)
At 30 September 2022	(70,625)	(7,560)	(153,066)	(21,104)	–	(12,527)	(264,882)
Net book value:							
At 31 December 2019	203,624	3,033	139,519	24,586	389	105,225	476,376
At 31 December 2020	191,723	11,258	104,635	15,537	3,323	103,048	429,524
At 31 December 2021	195,588	9,994	1,340,346	42,325	84	100,871	1,689,208
At 30 September 2022	185,599	11,863	1,312,677	39,457	8,926	99,239	1,657,761

Note: At 21 January 2021, Huaibei Tongming Mining acquired the mining right of limestone reserves which is located in Gaoloushan, Lieshan District, Huaibei City, Anhui Province, the PRC. The mining licence was granted by the local government as at 30 June 2021. The grant period of mining rights is 19.7 years.

(b) Right-of-use assets

(i) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights *(Note 11(b)(iii))*	105,225	103,048	100,871	99,239

(ii) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset *(Note 6(c))*:					
– Land use rights	2,178	2,177	2,177	1,632	1,632

(iii) Land use rights represent premiums paid by the Group for land located in the PRC. These land use rights are with an initial period of 50 years.

12 INVESTMENTS IN SUBSIDIARIES

The Company

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	–	226,793	226,793	226,793

The following table lists out the information relating to subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any intercompany elimination.

Huaibei Tongming Mining

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NCI percentage	33%	33%	33%	33%
Current assets	209,417	172,802	591,766	532,181
Non-current assets	406,341	351,175	1,611,984	1,585,105
Current liabilities	(90,334)	(77,408)	(449,444)	(458,295)
Non-current liabilities	(17,512)	(16,588)	(1,391,953)	(1,290,515)
Net assets	507,912	429,981	362,353	368,476
Carrying amount of NCI	167,611	141,894	119,576	121,597

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
NCI percentage	33%	33%	33%	33%	33%
Revenue	329,641	373,642	259,547	205,535	227,116
Total comprehensive income	176,067	198,554	94,155	87,410	66,121
Profit allocated to NCI owners	58,102	65,523	31,071	28,845	21,820
Dividend paid to NCI owners	–	94,479	53,389	53,389	–

Huaibei Liantong Municipal Engineering

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NCI percentage	45%	45%	45%	45%
Current assets	126,282	83,943	34,276	51,435
Non-current assets	85,359	103,197	100,694	94,718
Current liabilities	(120,288)	(118,980)	(59,884)	(60,122)
Net assets	91,353	68,160	75,086	86,031
Carrying amount of NCI	41,109	30,672	33,789	38,714

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
NCI percentage	45%	45%	45%	45%	45%
Revenue	168,779	136,877	114,439	78,528	86,256
Total comprehensive income	(7,169)	(15,996)	6,926	(6,838)	10,944
(Loss)/profit allocated to NCI owners	(3,226)	(7,198)	3,117	(3,077)	4,926

13 INVENTORIES

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and others	6,971	4,977	4,733	4,100

The analyses of the amount of inventories recognised as an expense and included in profit or loss are as follows:

	Years ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Carrying amount of inventories sold	233,234	217,858	191,978	133,663	155,192

All of the inventories are expected to be recovered within one year.

14 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Trade and bills receivables, net of loss allowance	104,251	59,865	13,608	34,029
Other receivables	527	778	738	321
Financial assets measured at amortised cost	104,778	60,643	14,346	34,350
VAT recoverables	8,711	10,020	7,154	8,843
Deposits and prepayments	3,456	5,499	17,334	29,101
	116,945	76,162	38,834	72,294
Non-current				
Reclamation deposit *(Note 22)*	8,333	8,809	9,312	9,706
Prepayment for land use rights *(Note)*	–	–	–	37,185
	8,333	8,809	9,312	46,891
	125,278	84,971	48,146	119,185

The Company

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividend receivable from a subsidiary	–	–	–	40,200
Deposits and prepayments	1,562	3,264	17,036	26,920
	1,562	3,264	17,036	67,120

Note: Prepayment for land use rights represents the prepayment for the land use right for the Gaoloushan Project (Phase II).

Current portion of trade and bills receivables, prepayments, deposits and other receivables are expected to be recovered within one year.

Ageing analysis

As of the end of the reporting period, the ageing analyses of trade and bills receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, are as follows:

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	56,416	19,257	9,841	24,951
3 to 6 months	27,933	16,159	3,133	9,005
6 to 12 months	19,902	24,449	634	73
	104,251	59,865	13,608	34,029

Trade debtors and bills receivables are due within 10-90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivable are set out in Note 24(a).

15 OTHER FINANCIAL ASSETS

The Group

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets measured at amortised cost				
– Loans to related parties	–	105,000	–	–

As at 31 December 2020, other financial assets mainly represent loans to Huaibei Construction Investment at 0.30% to 3.85%. Loans to related parties had been fully settled on 26 October 2021.

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	At 31 December 2019	2020	2021	At 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	180,773	61,504	581,670	277,171

The Company

	At 31 December 2019	2020	2021	At 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	–	8,237	27,160	19,551

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flows statements as cash flows from financing activities.

	Note	Interest-bearing borrowings *RMB'000* *(Note 19)*	Interest payables *RMB'000* *(Note 17)*	Total *RMB'000*
At 1 January 2019		112,000	3,813	115,813
Changes from financing cash flows:				
Proceeds from bank loans		52,360	–	52,360
Repayment of bank loans		(100,000)	–	(100,000)
Proceeds of borrowings from a related party		53,800	–	53,800
Repayment of borrowings from a related party		(50,400)	–	(50,400)
Interest paid		–	(5,936)	(5,936)
Capital element of lease rentals paid		–	–	–
Interest element of lease rentals paid		–	–	–
Total changes from financing cash flows		(44,240)	(5,936)	(50,176)
Other change:				
Interest expenses	*6(a)*	–	3,445	3,445
At 31 December 2019		67,760	1,322	69,082

	Note	Interest-bearing borrowings RMB'000 (Note 19)	Interest payables RMB'000 (Note 17)	Dividends payables RMB'000 (Note 17)	Total RMB'000
At 1 January 2020		67,760	1,322	–	69,082
Changes from financing cash flows:					
Proceeds from bank loans		69,000	–	–	69,000
Repayment of bank loans		(63,360)	–	–	(63,360)
Proceeds of borrowings from a related party		20,000	–	–	20,000
Repayment of borrowings from a related party		(25,400)	–	–	(25,400)
Interest paid		–	(5,341)	–	(5,341)
Dividends paid		–	–	(280,445)	(280,445)
Total changes from financing cash flows		240	(5,341)	(280,445)	(285,546)
Other change:					
Interest expenses	*6(a)*	–	4,439	–	4,439
Dividends declared during the year		–	–	283,683	283,683
Total other changes		–	4,439	283,683	288,122
At 31 December 2020		68,000	420	3,238	71,658

	Note	Interest-bearing borrowings RMB'000 (Note 19)	Interest payables RMB'000 (Note 17)	Cash advances from a related party RMB'000 (Note 17)	Dividends payables RMB'000 (Note 17)	Amounts due to related parties RMB'000	Long-term payable RMB'000 (Note 21)	Total RMB'000
At 1 January 2021		68,000	420	–	3,238	–	–	71,658
Changes from financing cash flows:								
Proceeds from bank loans		1,520,738	–	–	–	–	–	1,520,738
Repayment of bank loans		(643,869)	–	–	–	–	–	(643,869)
Proceeds of borrowings from a related party		17,000	–	–	–	–	–	17,000
Net increase in amounts due to related parties		–	–	–	–	15,373	–	15,373
Repayment of borrowings from a related party		(27,000)	–	–	–	–	–	(27,000)
Interest paid		–	(36,867)	–	–	–	–	(36,867)
Cash advances from a related party		–	–	212,100	–	–	–	212,100

	Note	Interest-bearing borrowings RMB'000 (Note 19)	Interest payables RMB'000 (Note 17)	Cash advances from a related party RMB'000 (Note 17)	Dividends payables RMB'000 (Note 17)	Amounts due to related parties RMB'000	Long-term payable RMB'000 (Note 21)	Total RMB'000
Distributions/ dividends paid		–	–	–	(153,515)	–	–	(153,515)
Total changes from financing cash flows		866,869	(36,867)	212,100	(153,515)	15,373	–	903,960
Other change:								
Interest expenses	*6(a)*	–	37,166	–	–	–	16,455	53,621
Dividends declared during the year		–	–	–	150,277	–	–	150,277
Mining rights cost incurred		–	–	–	–	–	580,874	580,874
Non-cash transaction*		–	–	–	–	(15,373)	–	(15,373)
At 31 December 2021		934,869	719	212,100	–	–	597,329	1,745,017

*: The amounts due to related parties were set-off by amounts due from a related party of RMB15,373,000.

	Note	Interest-bearing borrowings RMB'000 (Note 19)	Interest payables RMB'000 (Note 17)	Cash advances from a related party RMB'000 (Note 17)	Dividends payables RMB'000 (Note 17)	Long-term payable RMB'000 (Note 21)	Total RMB'000
At 1 January 2022		934,869	719	212,100	–	597,329	1,745,017
Changes from financing cash flows:							
Repayment of bank loans		(1,000)	–	–	–	–	(1,000)
Interest paid		–	(30,442)	–	–	–	(30,442)
Repayment of long-term payables		–	–	–	–	(136,774)	(136,774)
Total changes from financing cash flows		(1,000)	(30,442)	–	–	(136,774)	(168,216)
Other change:							
Interest expenses	*6(a)*	–	30,444	–	–	23,355	53,799
Distribution declared by a subsidiary		–	–	–	19,800	–	19,800
At 30 September 2022		933,869	721	212,100	19,800	483,910	1,650,400

	Note	Interest-bearing borrowings	Interest payables	Cash advances from a related party	Dividends payables	Amounts due to related parties	Long-term payable	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 19)	*(Note 17)*	*(Note 17)*	*(Note 17)*		*(Note 21)*	
At 1 January 2021		68,000	420	–	3,238	–	–	71,658
Changes from financing cash flows: (unaudited)								
Proceeds from bank loans (unaudited)		1,520,738	–	–	–	–	–	1,520,738
Repayment of bank loans (unaudited)		(595,869)	–	–	–	–	–	(595,869)
Proceeds of borrowings from a related party (unaudited)		17,000	–	–	–	–	–	17,000
Net increase in amounts due to related parties (unaudited)		–	–	–	–	15,373	–	15,373
Repayment of borrowings from a related party (unaudited)		(27,000)	–	–	–	–	–	(27,000)
Interest paid (unaudited)		–	(26,776)	–	–	–	–	(26,776)
Cash advances from a related party (unaudited)		–	–	212,100	–	–	–	212,100
Distributions/ dividends paid (unaudited)		–	–	–	(153,515)	–	–	(153,515)
Total changes from financing cash flows (unaudited)		914,869	(26,776)	212,100	(153,515)	15,373	–	962,051
Other change: (unaudited)								
Interest expenses (unaudited)	*6(a)*	–	27,420	–	–	–	8,277	35,697
Dividends declared during the period (unaudited)		–	–	–	150,277	–	–	150,277
Mining rights cost incurred (unaudited)		–	–	–	–	–	580,874	580,874
Non-cash transaction* (unaudited)		–	–	–	–	(15,373)	–	(15,373)
At 30 September 2021 (unaudited)		982,869	1,064	212,100	–	–	589,151	1,785,184

*: The amounts due to related parties were set-off by amounts due from a related party of RMB15,373,000.

17 TRADE AND OTHER PAYABLES

The Group

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills payable	–	–	9,917	–
Trade payables to				
– related parties	298	1,819	6,452	5,541
– third parties	17,598	11,869	9,748	24,489
	17,896	13,688	26,117	30,030
Interest payables	1,322	420	719	721
Payables for staff related costs	5,563	5,492	5,409	5,747
Payables for other taxes	7,464	5,576	7,478	19,125
Payables for capital expenditure	3,448	13	135,089	131,076
Dividends payables	–	3,238	–	19,800
Other accruals and payables	2,168	4,536	8,259	7,361
Financial liabilities measured at amortised cost	37,861	32,963	183,071	213,860
Cash advances from a related party *(Note i)*	–	–	212,100	212,100
	37,861	32,963	395,171	425,960

(i) On 30 April 2021, Huaibei Tongming Mining received cash advances amounted to RMB212,100,000 from Huaibei Leiming Kehua Co., Ltd. ("Leiming Kehua") for capital injection. Pursuant to a capital injection framework agreement dated 17 August 2021 between the Company, Huaibei Leiming Blasting Engineering Equipment Development Co., Ltd. ("Leiming Blasting") and Leiming Kehua and a supplemental capital injection framework agreement dated 28 November 2021 between the Company, Leiming Blasting and Leiming Kehua, Leiming Kehua proposed to provide a capital contribution to Tongming Mining. As at 30 September 2022, the capital injection was not completed as the relevant regulatory approval was not obtained.

The Company

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to subsidiaries	18	1,265	18,928	20,473
Other accruals and payables	1,564	1,302	5,240	5,440
Financial liabilities measured at amortised cost	1,582	2,567	24,168	25,913

All of the trade and other payables are expected to be settled or recognised as income within one year or repayable on demand.

As at 31 December 2019, 2020, 2021 and 30 September 2022, the ageing analysis of trade payables presented based on the invoice date is as follows:

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 12 months	17,891	13,688	25,796	29,704
Over 12 months	5	–	321	326
	17,896	13,688	26,117	30,030

18 CONTRACT LIABILITIES

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipt in advance				
– Billings in advance of performance	16,278	6,671	58,954	5,712

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the inception of a contract, until the revenue recognised on the contract exceeds the amount of the deposit.

Movements in contract liabilities

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	2,632	16,278	6,671	58,954
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year	(2,497)	(16,171)	(6,671)	(58,954)
Increase in contract liabilities	16,143	6,564	58,954	5,712
Balance at the end of the year/period	16,278	6,671	58,954	5,712

All of the contract liabilities are expected to be recognised as revenue within one year, according to the contract term.

19 INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of interest-bearing borrowings of the Group is as follows:

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current interest-bearing borrowings				
Bank loans				
– Guarantees and/or pledge of assets provided by related parties	52,360	58,000	34,500	34,500
Borrowings from a related party	15,400	10,000	–	–
	67,760	68,000	34,500	34,500
Non-current interest-bearing borrowings				
Bank loans				
– Guarantees and/or pledge of assets provided by a related party	–	–	900,369	899,369
	67,760	68,000	934,869	933,869

All of the interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year. The guarantees and/or pledge of assets provided by related party will be released prior to Listing.

(b) The interest rates per annum on interest-bearing borrowings are as follows:

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
Fixed rate borrowings					
– Bank loans	*4.35%-5.66%*	*4.35%-6.65%*	*4.00%-4.60%*	*4.00%-4.60%*	*4.00%-4.60%*
– Borrowings from a related party	*7.90%*	*7.90%*	*N/A*	*N/A*	*N/A*
Variable-rate borrowings					
– Bank loans *(Note)*	*1-year LPR+0.002575% –1-year LPR+1.19%*	*1-year LPR+1.19%*	*N/A*	*N/A*	*N/A*

Note: Loan prime rate ("LPR") is a basic loan reference rate which is calculated and published by the National Interbank Lending Centre authorised by the People's Bank of China.

(c) The interest-bearing borrowings were repayable as follows:

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	67,760	68,000	34,500	34,500
After 1 year but within 2 years	–	–	36,600	583,469
After 2 years but within 5 years	–	–	683,069	136,200
More than 5 years	–	–	180,700	179,700
	67,760	68,000	934,869	933,869

Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 24(b). At 31 December 2019, 2020 and 2021 and 30 September 2022, none of the covenants relating to the bank loans had been breached.

20 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC corporate income tax				
Tax payable at the beginning of the year	41,875	57,735	70,721	2,271
Provision for the year/period *(Note 7(a))*	61,192	71,777	24,103	13,867
Income tax paid	(45,332)	(58,791)	(94,950)	(31,119)
Reclassified to current tax assets	–	–	2,397	17,117
Tax payable at the end of the year/period	57,735	70,721	2,271	2,136

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax liabilities/(assets) recognised in the consolidated statements of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation	Credit loss allowance	Total
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax arising from:			
At 1 January 2019	4,457	(1,056)	3,401
Credited to profit or loss	(9)	(4,725)	(4,734)
At 31 December 2019 and 1 January 2020	4,448	(5,781)	(1,333)
Credited to profit or loss	(2,394)	(8,254)	(10,648)
At 31 December 2020 and 1 January 2021	2,054	(14,035)	(11,981)
Charged to profit or loss	8,255	1,519	9,774
At 31 December 2021 and 1 January 2022	10,309	(12,516)	(2,207)
Charged to profit or loss	10,395	1,910	12,305
At 30 September 2022	20,704	(10,606)	10,098

(ii) Reconciliation to the consolidated statements of financial position

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	(6,990)	(16,039)	(14,185)	(12,378)
Net deferred tax liabilities recognised in the consolidated statements of financial position	5,657	4,058	11,978	22,476
	(1,333)	(11,981)	(2,207)	10,098

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(o), the Company has not recognised deferred tax assets in respect of tax losses of RMB20,000 and RMB46,000 and RMB2,188,000 and RMB0 as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses can be carried forward for five years from the year incurred.

21 LONG-TERM PAYABLES

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Present value of mining rights payable	–	–	597,329	483,910
Less: current portion recorded in trade and other payables *(Note 17)*	–	–	132,984	131,063
Carrying amount	–	–	464,345	352,847

It represents payables to a government authority for purchase of mining rights of RMB683,869,000, which was repayable by five equal instalments per annum.

22 ACCRUAL FOR RECLAMATION COSTS

	RMB'000
At 1 January 2019	11,215
Unwinding *(Note 6(a))*	640
At 31 December 2019	11,855
Unwinding *(Note 6(a))*	675
At 31 December 2020	12,530
Unwinding *(Note 6(a))*	726
Addition	2,006
At 31 December 2021	15,262
Unwinding *(Note 6(a))*	562
At 30 September 2022	15,824

The accrual for reclamation costs has been determined based on management's best estimates. However, as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change. The Company's board of directors believes that the accrued reclamation obligations as at 31 December 2019, 2020 and 2021 and 30 September 2022 are adequate and appropriate. The accrual is necessarily based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

A reclamation deposit of RMB11,000,000 had been paid to Lieshan District Finance Bureau by the Group in February 2017, which is recoverable after the completion of reclamation. The reclamation deposit was initially recognised at the present value of actual payment amount over the expected mining life of the mine by using a discount rate of 5.7%, which was recognised as "non-current portion of other receivables" throughout the Track Record Period.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

The Company

	Share capital	Capital reserve	Other reserve	(Accumulated losses)/retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019	–	–	–	–	–
Change in equity for 2019:					
Total comprehensive income for the year	–	–	–	(20)	(20)
Balance at 31 December 2019 and 1 January 2020	–	–	–	(20)	(20)
Changes in equity for 2020:					
Total comprehensive income for the year	–	–	–	(46)	(46)
Capital contribution *(Note 23(b))*	198,000	37,793	–	–	235,793
Balance at 31 December 2020 and 1 January 2021	198,000	37,793	–	(66)	235,727
Changes in equity for 2021:					
Total comprehensive income for the year	–	–	–	106,208	106,208
Capital contribution *(Note 23(b))*	–	1,800	–	–	1,800
Appropriation to statutory reserve	–	–	10,765	(10,765)	–
Dividend declared by the Company *(Note 23 (c))*	–	–	–	(96,888)	(96,888)
Balance at 31 December 2021 and 1 January 2022	198,000	39,593	10,765	(1,511)	246,847
Change in equity for 2022:					
Total comprehensive income for the period	–	–	–	40,726	40,726
Balance at 30 September 2022	198,000	39,593	10,765	39,215	287,573

(b) Share capital

	No. of shares	
	('000)	*RMB'000*
Ordinary shares, issued:		
At 1 January and 31 December 2019	198,000	–
Capital contribution	–	9,000
Share Swap	–	189,000
At 31 December 2020 and 2021 and 30 September 2022	198,000	198,000

In 2018, the Company issued 189,000,000 and 9,000,000 new ordinary shares to Huaibei City Transportation Investment Co., Ltd. and Huaibei Construction Investment at RMB1 per share. In 2020, the Company received considerations of RMB226,793,000 from Huaibei Transportation Investment Co., Ltd., by way of share swap, of which RMB189,000,000 was credited to the Company's share capital and RMB37,793,000 was credited to the Company's capital reserve, and received net proceeds of RMB10,800,000 from Huaibei Construction Investment, of which RMB9,000,000 was credited to the Company's share capital and RMB1,800,000 was credited to the Company's capital reserve.

(c) Dividends

On 3 January 2020, Huaibei Liantong Municipal Engineering declared distribution of RMB7,196,000 to Huaibei Construction Investment and non-controlling shareholder.

On 30 March 2020, Huaibei Tongming Mining declared distribution of RMB276,487,000 to Huaibei Construction Investment and non-controlling shareholder.

On 30 June 2021, the Company declared dividend of RMB96,888,000 to equity shareholders of the Company.

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve at 1 January 2019 and 31 December 2019 represent the paid-in capital of two PRC subsidiaries of the Group, namely Huaibei Tongming Mining and Huaibei Liantong Municipal Engineering.

Pursuant to the Reorganisation completed on 30 March 2020, the Company became the holding company of the subsidiaries now comprising the Group and accordingly, the paid-in capital of Huaibei Tongming Mining and Huaibei Liantong Municipal Engineering were eliminated when preparing the Historical Financial Information.

(ii) Other reserve

Pursuant to the relevant PRC regulations, the Group is required to transfer maintenance and production funds at fixed rates of relevant production outputs or revenue. The maintenance and production funds could be utilised when expenses or capital expenditures on safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained profits.

In accordance with the relevant PRC laws and regulations, the Group's subsidiaries, established in the PRC is required to transfer 10% of its net profit each year to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to statutory reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiaries and is non-distributable other than in liquidation.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's overall strategy remained unchanged throughout the Track Record Period.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's cash at bank and deposits with original maturities over three months are mainly held by well-known financial institutions. Management does not foresee any significant credit risks arising from these deposits and does not expect that these financial institutions will default and cause losses to the Group.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2019, 2020 and 2021 and 30 September 2022, 18%, 21%, 36% and 30% of the total trade receivables, respectively, were due from the Group's largest debtor, and 65%, 53%, 78% and 89% of the total trade receivables, respectively, were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Trade receivables for contract work are considered past due once billings have been made and revenue has been recognised, respectively. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019, 2020 and 2021 and 30 September 2022:

At 31 December 2019	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 3 months past due	8.1%	61,399	4,983
3 to 6 months past due	19.1%	34,536	6,603
6 to 12 months past due	34.2%	30,229	10,327
Over 12 months past due	100.0%	1,211	1,211
		127,375	23,124

At 31 December 2020	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Within 3 months past due	8.5%	21,044	1,787
3 to 6 months past due	18.7%	19,879	3,720
6 to 12 months past due	37.1%	38,849	14,400
Over 12 months past due	100.0%	36,233	36,233
		116,005	56,140

At 31 December 2021	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Within 3 months past due	4.8%	10,337	496
3 to 6 months past due	14.1%	3,648	515
6 to 12 months past due	28.0%	881	247
Over 12 months past due	100.0%	48,807	48,807
		63,673	50,065

At 30 September 2022	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Within 3 months past due	3.0%	25,720	769
3 to 6 months past due	9.5%	9,952	947
6 to 12 months past due	44.3%	131	58
Over 12 months past due	100.0%	40,651	40,651
		76,454	42,425

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the Track Record Period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance account in respect of trade receivables during the Track Record Period are as follows:

	Years ended at 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Balance at 1 January	4,222	23,124	56,140	56,140	50,065
Impairment losses/(reversal) recognised during the year/period *(Note (i))*	18,902	33,016	(6,075)	10,991	(7,640)
Balance at 31 December	23,124	56,140	50,065	67,131	42,425

Note:

(i) The impairment losses recognised are contributed to the origination of new trade receivables net of those settled and the increase in days past due.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and maturity of loans and borrowings, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2019				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings *(Note 19)*	69,745	–	–	69,745	67,760
Trade and other payables measured at amortised costs *(Note 17)*	37,861	–	–	37,861	37,861
	107,606	–	–	107,606	105,621

	As at 31 December 2020				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings *(Note 19)*	69,750	–	–	69,750	68,000
Trade and other payables measured at amortised costs *(Note 17)*	32,963	–	–	32,963	32,963
	102,713	–	–	102,713	100,963

	As at 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings *(Note 19)*	74,495	75,563	737,092	206,821	1,093,971	934,869
Trade and other payables measured at amortised costs *(Note 17)*	186,861	–	–	–	186,861	183,071
Long-term payables *(Note 21)*	–	136,774	410,321	–	547,095	464,345
	261,356	212,337	1,147,413	206,821	1,827,927	1,582,285

	As at 30 September 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings *(Note 19)*	73,058	607,610	169,089	194,299	1,044,056	933,869
Trade and other payables measured at amortised costs *(Note 17)*	219,558	–	–	–	219,558	213,860
Long-term payables *(Note 21)*	–	136,774	273,547	–	410,321	352,847
	292,616	744,384	442,636	194,299	1,673,935	1,500,576

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	As 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed rate borrowings:				
Bank loans	37,360	38,000	934,869	933,869
Borrowings from the a related party	15,400	10,000	–	–
Variable-rate borrowings:				
Bank loans	15,000	20,000	–	–
Total borrowings	67,760	68,000	934,869	933,869
Fixed rate borrowings as a percentage of total borrowings	77.9%	70.6%	100.0%	100.0%

(ii) Sensitivity analysis

At 31 December 2019, 2020 and 2021 and 30 September 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB113,000, RMB150,000, Nil and Nil, respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost were not materially different from their fair values as at 31 December 2019, 2020 and 2021 and 30 September 2022.

25 COMMITMENTS

Capital commitments outstanding at 31 December 2019, 2020 and 2021 and 30 September 2022 not provided for in the Historical Financial Information were as follows:

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	224	47,712	2,987	298,291
Authorised but not contracted for	3,847	5,362	–	–
	4,071	53,074	2,987	298,291

26 MATERIAL RELATED PARTY TRANSACTIONS

The material related party transactions entered into by the Group during the Track Record Period and the balances with related parties at the end of each reporting period are set out below.

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8, and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other emoluments	225	224	573	435	490
Discretionary bonuses	144	126	155	142	277
Retirement scheme contributions	37	26	154	116	133
	406	376	882	693	900

Total remuneration was included in "staff costs" (see Note 6(b)).

(b) Name and relationship with related parties

During the Track Record Period, transactions with the following parties are considered as related party transactions:

Name of party	**Relationship with the Group**
Huaibei Construction Investment 淮北市建投控股集團有限公司	Ultimate controlling party
Huaibei Construction Investment Trading Co., Ltd. 淮北市建投商貿有限公司	A company controlled by the ultimate controlling party
Huaibei Mining Zone Construction Installation Engineering Co., Ltd. 淮北淮海建設工程有限責任公司	A company controlled by the ultimate controlling party
Huaibei Directly Subordinate Agency Vehicle Service Co., Ltd. 淮北市直機關車輛服務有限公司	A company controlled by the ultimate controlling party
Huaibei construction investment real estate development Co., Ltd. 淮北市建投房地產開發有限公司	A company controlled by the ultimate controlling party
Anhui Jiantou Ecological Landscape Engineering Co., Ltd. 安徽建投生態景觀工程有限公司	A company controlled by the ultimate controlling party
Huaibei Liheng Construction Engineering Co., Ltd. 淮北立恒建築工程有限責任公司	A company controlled by the ultimate controlling party
Huaibei Tongchuang Financing Guarantee Co., Ltd. 淮北市同創融資擔保集團有限公司	A company controlled by the ultimate controlling party

Name of party	Relationship with the Group
Shanghai Hanglong Investment Management Co., Ltd. ("Shanghai Hanglong") 上海航隆投資管理有限責任公司	Non-controlling equity owner of a subsidiary
Leiming Blasting 安徽雷鳴爆破工程有限責任公司	Non-controlling equity owner of a subsidiary
Leiming Kehua 安徽雷鳴科化有限責任公司	Parent company of Leiming Blasting
Huaibei Mining Holdings Co., Ltd. ("Huaibei Mining") 淮北礦業控股股份有限公司	Parent company of Leiming Kehua
Anhui Leiming Mining Co., Ltd. 安徽雷鳴礦業有限責任公司	A company controlled by Huaibei Mining

Note: The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

(c) Significant transactions with related parties

The Group is part of a large group of companies under Huaibei Construction Investment and has significant transactions and relationships with Huaibei Construction Investment and its affiliates and the Directors are of the opinion that these related party transactions are arising in the Group's normal course of business.

The principal transactions which were carried out in the ordinary course of business are as follows:

	Years ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales to					
Huaibei Mining and its affiliates	35,429	7,059	–	–	–
Huaibei Construction Investment and its affiliates	3,112	62,387	114,037	79,427	91,380
Receiving service from					
Huaibei Mining and its affiliates	14,860	19,318	15,770	12,338	14,355
Huaibei Construction Investment and its affiliates	1,519	1,290	48,319	6,651	4,402
Purchasing goods from					
Huaibei Construction Investment and its affiliates	–	–	25,628	14,164	8,347
Huaibei Mining and its affiliates	1,443	–	–	–	–
Borrowings from					
Huaibei Construction Investment and its affiliates	53,800	20,000	17,000	17,000	–
Net increase in amounts due from related parties					
Huaibei Construction Investment and its affiliate *(Note)*	–	–	–	22,433	–
Cash received in advance					
Huaibei Leiming Kehua Co., Ltd.	–	–	212,100	212,100	–

	Years ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Repayment of loans to					
Huaibei Construction Investment and its affiliates	50,400	25,400	27,000	27,000	–
Interest income from					
Huaibei Construction Investment and its affiliates	–	29	15,373	15,373	–
Borrowing costs to					
Huaibei Construction Investment and its affiliates	1,217	1,275	471	471	–
Loans to					
Huaibei Construction Investment and its affiliates	–	105,000	390,971	390,971	–
Loans repaid by					
Huaibei Construction Investment and its affiliates *(Note)*	–	–	495,971	495,971	–
Guarantees provided by related parties at the end of the reporting period					
Huaibei Construction Investment and its affiliates	52,360	58,000	934,869	982,869	933,869

Note: Loan to Huaibei Mining Zone Construction Installation Engineering Co., Ltd. of RMB22,433,000 was matured at 5 January 2021, and was reclassified to amounts due from a related party.

(d) Balances with related parties as at the end of each reporting period:

Details of the outstanding balances with related parties are as follows:

Trade in nature	At 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables				
Huaibei Construction Investment and its affiliates	2,045	7,830	11,609	30,338
Huaibei Mining and its affiliates	20,246	–	–	–
Trade and other payables				
Huaibei Construction Investment and its affiliates	–	1,635	6,934	3,247
Huaibei Mining and its affiliates	298	184	400	2,326
Contract liabilities				
Huaibei Construction Investment and its affiliates	–	–	11,011	1,721

Non-trade in nature	At 31 December 2019	2020	2021	Nine months ended 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables				
Huaibei Construction Investment and its affiliates	212	1,337	–	–
Huaibei Mining and its affiliates *(Note)*	–	–	212,104	212,104
Interest-bearing borrowing				
Huaibei Construction Investment and its affiliates	15,400	10,000	–	–
Other financial assets				
Huaibei Construction Investment and its affiliates	–	105,000	–	–

Note: The outstanding non-trade balance as at 31 December 2021 and 30 September 2022 mainly represented the cash receipts in advance made by Leiming Kehua to Huaibei Tongming Mining in relation to the proposed capital contribution pursuant to a framework capital injection agreement dated 17 August 2021. The directors consider that such balance will not be settled prior to Listing as the capital injection is still under negotiation as at the date of this report and is not expected to be completed prior to the listing of the Company's H Shares on the Stock Exchange.

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2019 and 2020, the directors consider the immediate parent of the Company to be Huaibei City Transportation Investment Co., Ltd.. This entity does not produce financial statements available for public use.

As at 31 December 2021 and 30 September 2022, the directors consider the immediate parent of the Company to be Huaibei Construction Investment.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the directors consider the ultimate controlling party of the Company is Huaibei Construction Investment.

28 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events occurred since 30 September 2022.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2022

Up to the date of issue of this report, the IASB has issued a number of amendments, and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 17, *Insurance Contracts* and amendments to IFRS 17*, Insurance Contracts*	1 January 2023
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	1 January 2023
Amendments to IAS 1 and IFRS practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS 10 and ISA 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined*

* The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 September 2022 and up to the date of this report.

The following information does not form part of the Accountants' Report from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the historical financial information included in the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 September 2022 as if the Global Offering had taken place on 30 September 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 September 2022 or at any future dates.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 September 2022(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$1.91 per H Share	354,974	75,233	430,207	1.63	1.80
Based on an Offer Price of HK$2.31 per H Share	354,974	98,440	453,414	1.72	1.90

Notes:

(1) The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 September 2022 is based on the consolidated total equity attributable to the equity shareholders of the Company of RMB354,974,000 as at 30 September 2022, as shown in the Accountants' Report as set out in Appendix I.

(2) The estimated net proceeds from the Global Offering are based on the expected issuance of 66,000,000 H shares at the indicative Offer Prices of HK$1.91 and HK$2.31 per H Share, after deduction of the underwriting fees and other related expenses (excluding listing expenses which have already been charged to the consolidated statements of profit or loss and other comprehensive income of RMB160,000 during the Track Record Period) and does not take into account any Shares which may be issued or repurchased by our Company

pursuant to the general mandates to issue or repurchase Shares and any Shares that may be issued upon exercise of Over-allotment Option. The estimated net proceeds of the Global Offering have been converted to Renminbi at the PBOC rate of HK$1.11 to RMB1 prevailing 30 September 2022. No representation is made that Renminbi have been, could have been or be converted to Hong Kong dollars, or vice versa, at that rate.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company per Share is arrived at after adjustments as described in notes (1) and (2) above and on the basis that 264,000,000 Shares (including 66,000,000 H Shares to be issued under the Global Offering and 198,000,000 Domestic Shares) were in issue, being the number of shares expected to be in issue following the completion of the Global Offering, and does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates to issue or repurchase Shares and any Shares that may be issued upon exercise of Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company per Share amounts in RMB are converted to Hong Kong dollar with the PBOC rate of RMB1 to HK$1.11 prevailing 30 September 2022. No representation is made that Renminbi amount have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2022.

(6) The Group's property interests as at 31 October 2022 have been valued by Roma Appraisals Limited, an independent valuer. The relevant property valuation report is set out in Appendix VI to this prospectus. The above unaudited pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests. Revaluation surplus has not been recorded in the Historical Financial Information of the Group and will not be recorded in the consolidated financial statements of the Group in the future periods as the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. If the valuation surplus were recorded in the Group's financial statements, additional annual depreciation and amortisation of approximately RMB770,000 would be charged against the profit in the future periods.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF HUAIBEI GREENGOLD INDUSTRY INVESTMENT CO., LTD.*

We have completed our assurance engagement to report on the compilation of pro forma financial information of Huaibei GreenGold Industry Investment Co., Ltd.* (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 September 2022 and related notes as set out in Part A of Appendix II to the prospectus dated 30 December 2022 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 September 2022 as if the Global Offering had taken place at 30 September 2022. As part of this process, information about the Group's financial position as at 30 September 2022 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 September 2022 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

30 December 2022

1. TAXATION OF SECURITY HOLDERS

The income tax payable by the holders of H shares is discussed in accordance with relevant PRC laws, regulations and relevant provisions. The following summary of certain relevant tax regulations and related discussions are based on the laws, regulations and relevant provisions in force as of the date of this prospectus, and may be subject to change. The discussion does not deal with all possible tax consequences relating to an investment in the H shares, nor does it take into account the specific circumstances of any particular investor. Accordingly, investors should consult the tax adviser regarding the tax consequences of an investment in the H shares.

It does not address any aspects of PRC or Hong Kong taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H shares.

2. THE PRC TAXATION

Taxation on Dividends

Individual Investors

Pursuant to the latest Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "IIT Law"), which was amended on 31 August 2018 and implemented on 1 January 2019, and the latest Regulations on Implementation of the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例) as latest amended on 18 December 2018 and implemented on 1 January 2019, dividends paid by PRC enterprises are subject to a PRC withholding and paying tax levied at a flat rate of 20%. Non-resident individuals are normally subject to individual income tax of 20% on dividends received from the domestic enterprises in China unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax after the Repeal of the Document (Guo Shui Fa 1993 No. 45) (《國家稅務總局關於國稅發[1993]04號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han 2011 No. 348) issued by SAT on 28 June 2011, overseas resident individual shareholders of domestic non-foreign invested enterprises which have issued shares in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries in which they are residents and China, or the tax arrangements between Mainland China and Hong Kong (Macau). Overseas resident individuals shall apply for relevant preferential tax treatment and complete relevant formalities in person or through an agent appointed in writing. Since dividends are generally subject to income tax at a tax rate of 10% as required by relevant tax regulations and arrangements, and there is a large number of shareholders and in order to simplify the collection of tax, individual shareholders are generally subject to a withholding tax rate of 10% without any application when domestic non-foreign invested enterprises which have issued shares in Hong Kong distribute dividends. Where the tax rates on dividends are not 10%, the following provisions shall apply: (i) for individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates lower than 10%, the withholding agent will apply on behalf of them to seek entitlement of preferential tax treatments, and upon approval by the competent tax authorities, the excess amounts withheld will be refunded; (ii) for individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates higher than 10% but lower than 20%, the withholding agent will withhold and pay the individual income tax at the agreed effective tax rates under the treaties, without seeking such approval; (iii) for individuals receiving dividends who are citizens from countries without tax treaties with the PRC or under other circumstances, the withholding agent will withhold and pay the individual income tax at the rate of 20%.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law") as latest amended and implemented on 29 December 2018 and the regulations for the implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) as latest amended and implemented on 23 April 2019, a non-resident enterprise without an establishment or place of business in the PRC, or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, is subject to enterprise income tax at a flat tax rate of 10% on PRC-sourced income (including the dividends received from China resident enterprise which have issued shares in Hong Kong). Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) which was issued and came into effect by SAT on 6 November 2008, further clarified that a PRC-resident enterprise must distribute dividends for 2008 and subsequent years to shareholders of overseas non-resident enterprise of H share, the enterprise income tax shall be withheld and remitted at a unified tax rate of 10%. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) which was issued by SAT on 24 July 2009, further stipulates that any PRC-resident enterprise that is listed overseas must withhold and pay enterprise income tax at a uniform rate of 10% when distributing dividends to shareholders of non-resident enterprises for the year 2008 and subsequent years. Such tax rates may be further modified pursuant to the tax treaty that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (Guo Shui Han [2006] No. 884) signed by SAT on 27 September 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If the beneficial owner of the dividend directly owns at least 25% or more of the shares of the PRC company that are required to pay dividend, such tax amount shall not exceed 5% of the total dividends payable by the PRC company. The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第四議定書》) became effective on 29 December 2019 states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit. The implementation of the dividend clauses of the tax agreement shall also comply with the Notice of the State Administration of Taxation on Issues Concerning the Implementation of the Dividend Clause of the Tax Agreement (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81) and other PRC tax laws and regulations.

Tax Treaties

Non-PRC resident investors residing in countries that have entered into avoidance of double taxation treaties with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has Avoidance of Double Taxation Treaties with a number of countries and regions including HK, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is obtained after approval by the Chinese tax authorities.

Taxation on Share Transfer

Individual Investors

According to the IIT Law and its implementation provisions, individuals are subject to the income tax at a rate of 20% on the transfer of shares of PRC resident enterprises.

Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on 30 March 1998, from 1 January 1997, gains of individuals from the transfer of shares of listed enterprises continues to be exempted from individual income tax. In the latest IIT Law and its implementing rules, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of listed shares.

According to the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) jointly issued by the MOF, the SAT and the CSRC on 31 December 2009, individuals are continued to be exempted from individual income tax on the transfer of shares of listed companies acquired from the public offering and transfer market of listed companies on stock exchanges in China, except for the transfer of restricted tradable shares by individuals. In addition, the domestic taxation-related laws and regulations have not yet clearly stipulated whether non-resident individuals are subject to individual income tax on the transfer the shares of PRC resident companies listed on overseas stock exchanges. Notice on Gains Derived by Individuals from Share Transfers Continue to be Exempt jointly issued by the MOF and the SAT (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) does not distinguish between resident individuals and non-resident individuals, in practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to enterprise income tax of 10% on PRC-sourced income, including gains derived from the transfer of shares of PRC resident enterprises, if it does not have an establishment or place in the PRC or has an establishment or place but the PRC-sourced income is not connected in reality with such establishment or place. Such income tax for non-resident enterprise is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or eliminated pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) as latest amended on 8 January 2011, and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) promulgated on 29 September 1998, PRC stamp duty is only applicable to be imposed on specific certificates that are executed or received in the PRC, legally binding in the PRC and protected by the PRC laws. Therefore, the relevant provisions of stamp duty shall not apply to the acquisition and disposal of H shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in China under the PRC laws.

Tax Policies for Shanghai-Hong Kong Stock Connect

On 10 November 2014, the CSRC, the Securities and Futures Commission and the Registrar of Companies in Hong Kong granted their approvals to Shanghai Stock Exchange, The Stock Exchange, China Securities Depository and Clearing Company Limited, Hong Kong Securities Clearing Company Limited for formal launch of the Shanghai-Hong Kong Stock Connect pilot programme. Trading in shares under the Shanghai-Hong Kong Stock Connect kicked off formally on 17 November 2014. Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market ("Shanghai-Hong Kong Stock Connect Tax Policies") (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81), the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Continuing to Implement the Relevant Individual Income Tax Policy Concerning the Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《財政部、稅務總局、證監會關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) (Cai Shui [2017] No. 78) and the Announcement of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Continuing to Implement the Relevant Individual Income Tax Policies on the Interconnected Mechanisms for Trading on the Shanghai and Hong Kong Stock Markets and for Trading on the Shenzhen and Hong Kong Stock Markets and on the Mutual Recognition of Funds between the Mainland and Hong Kong (《財政部、稅務總局、證監會關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) (Announcement of the Ministry of Finance [2019] No. 93):

The Mainland individual investors will continue to be temporarily exempted from individual income tax for its income from transfer spread from the investment in shares listed on the Stock Exchange via the Shanghai-Hong Kong Stock Connect Programme from 5 December 2019 to 31 December 2022. For Mainland individual investors who invest in the H shares listed on the Stock Exchange via the Shanghai-Hong Kong Stock Connect Programme, the H shares company will withhold individual income tax at the rate of 20% in the distribution of dividends. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax refund relating to the withholding tax already paid abroad. For Mainland securities investment funds that invest in the H shares listed on the Stock Exchange via the Shanghai-Hong Kong Stock Connect Programme, the Company will withhold individual income tax in the distribution of dividends pursuant to the foregoing provisions.

Income received by mainland corporate investors in the PRC from their transfer of shares that they have invested in the shares listed in the Stock Exchange via the Shanghai-Hong Kong Stock Connect Programme shall be included in their total revenues and shall be subject to corporate income tax according to law. If mainland company investors gain dividends through investment in shares listed on the Stock Exchange via the Shanghai-Hong Kong Stock Connect Programme, such dividends shall be calculated in its total revenue and shall be subject to corporate income tax accordingly, in which case, a mainland domiciled company holding H shares for 12 consecutive months shall be exempted from corporate income tax for relevant dividend income according to law. However, the H shares company refrains from deducting income tax from the dividends for mainland corporate investors, and payable income tax shall be declared and paid by the investors themselves. When declaring company income tax, if a mainland company investor has any tax imposed on the dividends deducted by a non-H-share company listed on the Stock Exchange, the investor may apply for tax offset.

According to the Shanghai-Hong Kong Stock Connect Tax Policies, in case that any mainland investor transfers the shares listed on the Stock Exchange via the Shanghai-Hong Kong Stock Connect Programme, stamp tax will be imposed thereon according to the tax law currently prevalent in Hong Kong, and both China Securities Depository and Clearing Corporation Limited and Hong Kong Securities Clearing Company Limited may collect the stamp tax on behalf of one another.

3. MAJOR TAXES ON THE COMPANY IN THE PRC

Enterprise Income Tax Law

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) as latest amended and implemented on 29 December 2018 and amended on 23 April 2019, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% on any income generated within or outside the PRC. A preferential EIT rate shall be applicable to the major industries or projects that are supported or encouraged by the state. Qualified small low-profit enterprises may enjoy a reduced EIT rate of 20%, and high-tech enterprises that are supported by the state may enjoy a reduced EIT rate of 15%.

Value-Added Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) as latest amended and implemented on 19 November 2017 and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) as latest amended on 28 October 2011, enterprises that sell goods, or engage in processing, repairs and replacement services, sales services, intangible properties, real estate and import of goods within China must pay value-added tax. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-Added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32), except for certain sales and imported goods which are subject to a low tax rate of 10% or 6%, taxpayer enterprises are subject to general VAT rate of 16% for taxable sales or imported goods.

Resources Tax

According to the Resource Tax Law of the People's Republic of China (《中華人民共和國資源稅法》) promulgated on 26 August 2019 and implemented on 1 September 2020, any enterprise engaged in the exploitation of taxable resources within the territory of China must pay the resource tax. The applicable resource tax rate on limestone ranges from 1% to 6% or from RMB1 to RMB10 per tonne (or per cubic metre). According to the Provisions on the administration of collection of the Mineral Resources Compensation (《礦產資源補償費徵收管理規定》) promulgated on 27 February 1994 and amended on 3 July 1997, mining rights holders shall pay mineral resources compensation fee according to a certain proportion of the income from sales of mineral products when exploiting mineral resources in China. The rate of mineral resources compensation for limestone is 2%.

4. TAXES ON THE COMPANY IN HONG KONG

Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Taxation on Capital Gains

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares (other than trading gains generated from the sale of H shares by persons carrying on a trade, profession or business in Hong Kong and holding the H Shares for trading purposes). Shareholders should take advice from their own professional advisors as to their particular tax position.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for, or the market value of, the H shares, will be payable by the purchaser on every purchase, and by the seller on every sale, of the H shares. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H shares, whether or not the sale or purchase is on or off the Stock Exchange. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares. Where one of the parties to a transfer is resident outside Hong Kong and does not pay the ad valorem duty due by it, the stamp duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which, no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

5. FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authority of PBOC, is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to the Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") as latest amended and implemented on 5 August 2008. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. The state does not impose restrictions on current international payments and transfers, but capital accounts are still subject to the examination and approval of the State Administration of Foreign Exchange.

Pursuant to the Public Announcement of the PBOC on Improving the Reform of the Renminbi Exchange Rate Regime (《關於完善人民幣匯率形成機制改革有關事宜》) (PBOC Public Announcement (2005) No. 16), the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since 21 July 2005. The Renminbi exchange rate was no longer pegged to the U.S. dollar, and formed a more flexible Renminbi exchange rate mechanism. PBOC would publish the closing price of foreign currencies such as the U.S. dollar against Renminbi in the interbank foreign exchange market after the closing of the market on each working day, which will be used as the central parity for the transactions of such foreign currency against Renminbi exchange rate on the following working day.

According to the Relevant Matters Concerning Further Improving the Inter-bank Spot Foreign Exchange Market and Improving the Formation Method of Central Parity of the Renminbi (《關於進一步完善銀行間即期外匯市場、改進人民幣匯率中間價形成方式有關事宜》) (PBOC Announcement [2006] No. 1), PBOC introduced over-the-counter transactions method (OTC Method) into the interbank spot foreign exchange market, and the practice of matching was kept at the same time since 4 January 2006. In addition to the above, PBOC introduced the market-maker rule to provide liquidity to the market in the inter-bank foreign exchange market. On 1 July 2014, PBOC further improved the formation mechanism of the RMB exchange rate by authorising the China Foreign Exchange Trade System to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the

RMB against the USD and certain other foreign currencies of the current day, which shall be finally decided on the weighted average of the prices of all market makers after excluding the highest and lowest quotations, and announce it at 9:15 a.m. on each working day. On 11 August 2015, PBOC announced to improve the central parity quotations of RMB against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre with reference to the interbank foreign exchange market closing rate before the opening of the daily inter-bank foreign exchange market, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

There are substantial changes to the foreign exchange supervision system of China under the Regulations of the PRC for Foreign Exchange Control. Firstly, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income of domestic institutions and domestic individuals can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Secondly, it has improved the mechanism for determining the RMB exchange rate based on market supply and demand. Thirdly, it has enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourthly, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

According to relevant Chinese laws and regulations, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect exchange and payment from their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Bank) may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

On 23 October 2014, the State Council promulgated the Decisions on Matters including Cancelling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which cancelled the approval requirement by the SAFE and its branches for the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On 31 December 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), pursuant to which a domestic company shall, within 15 business days from the end of the listing and issuance overseas, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

On 28 February 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13). The Notice cancels the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

On 15 June 2016, the SAFE issued the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionise and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16), pursuant to which, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On 26 January 2017, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilisation, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On 25 October 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28) to further optimise policies and measures on foreign exchange management, pursuant to which eligible enterprises in pilot areas are allowed to make domestic payments by using the income under capital accounts of overseas listing, without submitting the evidentiary materials to banks in advance on a case-by-case basis; relax restrictions on the use and settlement of foreign investors' deposits. the deposit remitted from abroad or transferred within the territory by a foreign investor may be directly used for its domestic legal contributions and payment of consideration at home and abroad after the transaction is concluded; cancel the restriction that the funds in the margin account cannot be settled, allowing the deposit to be directly settled and paid when the transaction is concluded or the default is deducted; cancel the requirement that enterprises mush report their business to the local foreign exchange authority during the counselling period; cancel restrictions on the number of foreign exchange accounts opened under capital accounts, allowing enterprises to open multiple foreign exchange accounts under capital accounts based on actual business needs, provided enterprises meet the prudential regulatory requirement.

On 14 April 2020, the SAFE issued the Notice of the State Administration of Foreign Exchange on Optimising Foreign Exchange Management and Supporting the Development of Foreign-related Business (Hui Fa [2020] No. 8) (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) to further optimise the management of foreign exchange business, simplify the registration of certain capital account businesses and delegate the authority of handling cancellation and registration procedures relating to eligible domestic guarantees for foreign loans and overseas loans to banks; relax business review and endorsement procedures, and when financial institutions review current foreign exchange receipts and payments in accordance with regulations, they may, in its sole discretion, determine whether to endorse the amount and date of receipt and payment of foreign exchange on the original document, and affix the business seal based on the requirements of internal control and actual business needs in accordance with the principle of substantive compliance, provided that the review materials must be retained for inspection according to the current regulations.

PRC LAWS AND REGULATIONS

1. The PRC Legal System

The PRC legal system is based on the PRC Constitution (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory document. Court judgements do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (the "Legislative Law"), the National People's Congress ("NPC") and its Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The Standing Committee of the NPC formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities directly under the central government and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the People's congresses of the provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of such local regulations which are submitted for approval, and shall approve them within four months if they do not contravene any provision of the Constitution, laws, administrative regulations, or local regulations of their respective provinces or autonomous regions. When the standing committee of the people's congress of a province or autonomous region examines the local regulations of cities divided into districts submitted for approval, it shall make a decision to deal with the matter if it finds that the said regulations contravene the rules of the people's government of the province or autonomous region. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate departmental rules. Matters governed by the departmental rules shall be those for the enforcement of the laws or the administrative regulations, decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities directly under the Central Government, the cities divided into districts and autonomous prefectures may, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities directly under the Central Government, formulate rules.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on 10 June 1981, issues related to the application of laws or decrees in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws or decrees in a prosecution process should be interpreted by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee of the National People's Congress for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and prosecutorial work shall be provided by the State Council and the competent departments. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

2. The PRC Judicial System

Under the Constitution and the Law of Organisation of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts. The local people's courts are divided into the higher people's courts, the intermediate people's courts and the basic people's courts. The special people's courts include military courts, maritime courts, intellectual property courts and financial courts. The basic people's courts are divided into civil, criminal and economic divisions, and certain people's courts based on the natures of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other divisions, such as the intellectual property division, if needed. The higher people's courts have the power to supervise the people's courts at lower levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the people's courts at all levels and by the special people's courts. The People's procuratorates also have the right to exercise supervision over the judicial activities of the People's courts.

The people's courts apply a two-tier appellate system, that is, the judgements or rulings of the second instance at a people's court are final. A party may appeal against the judgement or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgements or rulings of the people's court are final. Judgements or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgements or rulings of the first instance of the Supreme People's Court are final. In addition, if the Supreme People's Court or the people's court at the next higher level finds an error in the effective and binding final judgement or ruling of any lower People's Court, or the President of the People's Court finds an error in the effective and binding final judgement made by his/her court, the case may be re-tried under the judicial supervision procedure.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "Civil Procedure Law"), which was adopted on 9 April 1991 and has been revised three times on 28 October 2007, 31 August 2012 and 27 June 2017, contains the provisions on the conditions for citizens to initiate civil proceedings, the jurisdiction of the People's Court, the procedures of civil proceedings and the procedures for the execution of civil judgements or rulings. The parties to civil proceedings in China shall abide by the Civil Procedure Law. Civil cases are generally under the jurisdiction of the People's Court where the defendant resides. The parties to a dispute over a contract or other property rights and interests may, by written agreement, select the jurisdiction of the People's Court at the place where the defendant's residence, the place where the contract is performed, the place where the contract is signed, the place where the plaintiff's residence, the place where the subject matter is located, and other places that have actual connection with the dispute, provided that they shall not violate the provisions of the Civil Procedure Law on hierarchical jurisdiction and exclusive jurisdiction.

Foreign individuals, stateless individuals and foreign enterprises and organisations shall have the same litigation rights and obligations as the citizens, legal persons and other organisations of the PRC when initiating actions or defending against litigations at the people's courts. Should the judicial court of a foreign country limit the civil litigation rights of the citizens, legal persons and other organisations of the PRC, the PRC courts may apply the same limitations to the citizens, enterprises and organisations of that foreign country.

All legally effective judgement and rulings shall be performed by all parties to a civil lawsuit. Where a party refuses to perform a binding judgement or ruling, the other party may apply to the people's court for execution of the judgement or ruling. Alternatively, a judge may refer such judgement or ruling to an enforcement officer for enforcement. When a party applies to a people's court for enforcing an effective judgement or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or ruling. A people's court may also request a foreign court for recognition and enforcement of the judgement or ruling in accordance with the international treaties to which the PRC is a signatory or a participant or the principle of reciprocity. In the case of an application or request for recognition and enforcement of a legally effective judgement or ruling of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognise the validity of the judgement or ruling, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations of the law.

3. The PRC Company Law, the Special Regulations and the Mandatory Provisions

The PRC Company Law (the "Company Law") was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on 29 December 1993 and it was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. The revised Company Law came into effect on 26 October 2018.

The Special Regulations on Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations") were adopted by the State Council on 4 July 1994 were passed at the 22nd Standing Committee Meeting of the State Council at the 22nd executive meeting of the State Council, and were promulgated and implemented on 4 August 1994. The Special Regulations include provisions in respect of the overseas share offering and listing of joint stock limited companies.

The Mandatory Provisions for the Articles of Association of Companies Listed Overseas (《到境外上市公司章程必備條款》) (the "Mandatory Provisions") jointly promulgated by the former Securities Commission of the State Council and the former State Restructuring Commission on 27 August 1994 prescribe that the contents required by the Mandatory Provisions which must be incorporated in the articles of association of joint stock limited companies to be listed overseas, and shall not be modified or deleted without authorisation. In this appendix, the term "Company" means a company limited by shares incorporated under the PRC Company Law and which may issue H shares.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions:

General

A joint stock limited company refers to a corporate legal person established in China under the PRC Company Law. The liability of its shareholders is limited to the extent of the shares they subscribe for and the liability of the company is limited to the total amount of all assets it owns.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of two but no more than 200 promoters, and at least half of the promoters must be resident within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters, and the registered capital shall be the total amount of the share capital subscribed by all the promoters registered with the company registration authority. Shares in the company shall not be offered to others unless the registered capital has been fully paid up. For companies incorporated by subscription, the promoters shall subscribe for a part of the shares to be issued by the company, and the remaining shares shall be offered to the public or to specific objects. The registered capital is the total paid-up capital as registered with the registration authorities. If laws, regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by the laws or administrative regulations. A promoter who offers shares to the public must publish a share offering prospectus and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under laws, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies of the company for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct capital verification and furnish a certificate thereon. The promoters shall convene an inauguration meeting within 30 days following the full payment of subscription money. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscriber may request the promoter to return the paid-up share and add interest based on the bank deposit interest for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall submit relevant documents to the company registration authority to apply for company establishment registration. After the registration authority has approved the registration and issuance of the business licence, the company is formally established and has the status of a legal person.

A company's promoter shall be liable for:

(i) the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated;

(ii) the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated;

(iii) the compensation of any damages suffered by the company as a result of the promoters' default in the course of its incorporation.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. The value of non-monetary assets as capital contributions shall be assessed and verified, which shall not be over-valued or under-valued.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any unit or individual. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of China Securities Regulatory Commission (hereinafter referred to as the "CSRC") to offer its shares to the overseas public. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Under the Special Regulations, upon approval of CSRC, a company may stipulate, in the underwriting agreement in respect of an issue of H shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued in addition to the number of underwritten shares.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

(i) the name and domicile of each shareholder;

(ii) the number of shares held by each shareholder;

(iii) the serial numbers of shares held by each shareholder;

(iv) the date on which each shareholder acquired the shares.

Increase in Share Capital

Under the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

In addition, the Securities Law of the people's Republic of China ("Securities Law") stipulates that the initial public offering of new shares by a company shall be subject to the following conditions:

(i) have a sound and well-functioning organisation;

(ii) have the capability of continuing operating;

(iii) have been issued with unqualified audit report for the financial accounting reports of the last three years;

(iv) The issuer and its controlling shareholder and actual controller have not committed any criminal crimes of corruption, bribery, embezzlement of property, misappropriation of property or destruction the order of the socialist market economy in the past three years;

(v) fulfil other conditions required by the securities administration department of the State Council as approved by the State Council.

After the new share issuance has been paid up, the change must be registered with the company registration authorities and an announcement must be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of assets;

(ii) must be approved by general meeting;

(iii) the company shall notify its creditors of the reduction in share capital within 10 days and publish an announcement of the reduction in newspapers within 30 days of the resolution approving the reduction being passed;

(iv) the creditors of the company may within the statutory time limit require the company to repay its debts or provide guarantees for covering the debts;

(v) the company must apply to company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a company may not purchase its own shares other than for one of the following purposes:

(i) reducing its registered capital;

(ii) merging with other company which holds its shares;

(iii) using shares for employee stock ownership plan or equity incentives;

(iv) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or division;

(v) using shares for converting convertible corporate bonds issued by the listed company;

(vi) it is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing the shares of the company under any of the circumstances set forth in items (i) and (ii) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing the shares of the company under any of the circumstances set forth in items (iii), (v) and (vi) of the preceding paragraph may, pursuant to the bylaws or the authorisation of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing the shares of the company pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (i), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (ii) or (iv), transfer or cancel them within six months; and while under the circumstance set forth in item (iii), (v) or (vi), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. According to the PRC Company Law, a shareholder should transfer shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides that changes due to share transfer should not be made to shareholder registry within 30 days before a shareholders' general meeting or within 5 days before the record date for the purpose of determining entitlements to dividend distributions.

According to the PRC Company Law, Shares of the company held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing and trading on a stock exchange. Directors, supervisors and the senior management of a company should report to the company the company's shares held by them and their changes, and the number of shares transferred each year during their tenure shall not exceed 25% of the total number of shares they hold in the company ever year. The shares held by the company shall not be transferred within one year from the date of listing and trading of the company's shares and within six months after leaving the company. The Articles of Association of the company may make other restrictive provisions on the transfer of the shares of the company held by the directors, supervisors and senior managers of the company.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights:

(i) to receive a return on assets, participate in significant decision-making and select management personnel;

(ii) to petition the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board of directors that has not been convened in compliance with the laws or the articles of association or whose voting has been conducted in an invalid manner, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted to the people's court within 60 days of the passing of such resolution;

(iii) to transfer the shares of the shareholders according to the applicable laws and regulations and the articles of association;

(iv) to attend or appoint a proxy to attend shareholders' general meetings and exercise voting rights;

(v) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or inquiries in respect of the company's operations;

(vi) to receive dividends in respect of the number of shares held;

(vii) participate in the distribution of the company's remaining assets in proportion to its shareholding during the company's liquidation; and

(viii) any other shareholder rights stipulated by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, payment of subscription funds in respect of the shares subscribed, assumption of the debts and liabilities of the company to the extent that the shareholders agree to pay subscription funds in respect of the shares accepted, and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to decide on the company's operational objectives and investment plans;

(ii) to elect and replace the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(iii) to review and approve the reports of the board of directors;

(iv) to review and approve the reports of the supervisory board or supervisors;

(v) to review and approve the company's annual financial budgets and final accounts;

(vi) to review and approve the company's profit distribution proposals and loss recovery proposals;

(vii) to decide on any increase or reduction of the company's registered capital;

(viii) to decide on the issue of corporate bonds;

(ix) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(x) to amend the company's articles of association;

(xi) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the articles of association;

(ii) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request;

(iv) the board deems necessary;

(v) the supervisory board proposes to hold;

(vi) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over jointly by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by more than half of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing the duty of convening the general meeting of shareholders, the supervisory board shall convene and preside over such meeting in a timely manner. If the supervisory board fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over such meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

In accordance with the Mandatory Provisions, a notice of the general meeting stating matters to be considered at the meeting and the date and venue of the meeting shall be given to all shareholders 45 days before the meeting. A shareholder who intends to attend the meeting shall deliver his written reply regarding his attendance of the meeting to the company 20 days before the date of the meeting. The board of directors shall notify other shareholders within two days of receiving such proposal and table it for review by the general meeting. Temporary proposals shall relate to specific subjects and matters for resolution within the authority of the general meeting. A shareholders' general meeting shall not make any resolution in respect of any matters not set out in the above two types of notices. Holders of bearer share certificates who wish to attend a shareholders' general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, the company shall calculate the number of voting shares represented by the shareholders to attend the General Meeting on the basis of the written reply received 20 days before the general meeting of shareholders. General meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If it fails, the company shall, within five days, notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders by public announcement, and the company can only convene a general meeting of shareholders after the announcement is notified.

In accordance with the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

In the election of directors and supervisors at the general meeting of shareholders, the cumulative voting system may be implemented in accordance with the provisions of the articles of association or the resolutions of the general meeting of shareholders. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

In accordance with the PRC Company Law, Resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters. Minutes shall be prepared in respect of matters considered at the general meeting, and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders present at the meeting.

According to the Mandatory Provisions, shareholders holding different types of shares are shareholders of different classes. therefore, holders of domestic shares and H shares are deemed to be shareholders of different classes. The company intends to change or abolish the rights of a class of shareholders, it shall be passed by a special resolution of the general meeting of shareholders.

Board

A company shall have a board, which shall consist of 5 to 19 members. Members of the board may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of director results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors is responsible to the shareholders meeting and may exercise its powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions of the shareholders at the shareholders' general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate proposal for the company's annual financial budgets and final accounts;

(v) to formulate the company's profit distribution proposals and loss recovery proposals;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(viii) to decide on the setup of the company's internal management organs;

(ix) to appoint or dismiss the company's general manager and decide on his/her remuneration and, based on the general manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(x) to formulate the company's basic management system;

(xi) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Resolutions of the Board shall be passed on a "one person one vote" basis. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorisation that his/her representative has. The Board of Directors shall keep minutes of the decisions on matters discussed at the meeting, and the directors present at the meeting shall sign the minutes.

The directors shall be responsible for the resolutions of the board of directors. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following persons may not serve as a director in a company:

(i) a person who is unable or has limited ability to undertake any civil liabilities;

(ii) a person who has been convicted of an offence of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to their crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business licence revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation;

(iv) a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are stipulated in the Mandatory Provisions: anyone who is investigated by the judicial authorities for violation of criminal law and whose case has not been concluded; anyone who may not serve as a head of a company pursuant to the provisions of the laws and administrative regulations; anyone who is not a natural person; and anyone convicted by the competent authorities to have violated the provisions of relevant securities laws, and has been involved in fraud or dishonest acts, where less than five years have elapsed since the date of conviction.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. The supervisory board consists of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be determined in the articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management personnel shall not concurrently serve as supervisors.

The supervisory board shall appoint a chairman and may appoint vice chairmen. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over supervisory board meetings.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors' results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or shareholders' resolutions;

(iii) when the acts of director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law;

(vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The Board of Supervisors or the supervisors of a company without a Board of Supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

A company shall have a general manager who shall be appointed or removed by the board of directors. The manager, who reports to the board of directors, may exercise his/her powers:

(i) to manage the business and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(ii) to arrange for the implementation of the company's annual business plans and investment proposals;

(iii) to formulate proposals for the establishment of the company's internal management organs;

(iv) to formulate the fundamental management system of the company;

(v) to formulate the company's specific rules and regulations;

(vi) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(vii) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors);

(viii) to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the general manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

Duties of Directors, Supervisors and Senior Management

According to the PRC Company Law, Directors, Supervisors and Senior Management are required to comply with the relevant laws, regulations and the articles of association, and have the duty of loyalty and diligence to the company.

Directors, Supervisors and Senior Management are prohibited from:

(i) misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals;

(iii) loaning company funds to others or providing guarantees in favour of others supported by company's property in violation of the articles of association or without approval of directors,the general meeting or the board of directors;

(iv) entering into contracts or transactions with the company in violation of the articles of association or without approval of directors or the general meeting;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others' businesses similar to that of the company without approval of directors or the general meeting;

(vi) accepting and possessing commissions paid by a third party for transactions conducted with the company;

(vii) unauthorised divulgence of confidential information of the company;

(viii) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish relevant information and materials to the supervisory board without impeding the discharge of duties by the supervisory board.

Where a director or senior management contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory board violates the laws or administrative regulations or the articles of association in the discharge of their duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors' institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, managers and other senior management shall have duty of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial and accounting report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial and accounting reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial and accounting reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund in accordance with the provisions of the preceding paragraph. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association. Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company on issue and other income as required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The appointment or dismissal of accounting firms responsible for the audit business of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm that we employ without any refusal, withholding and misrepresentation. The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

The Special Regulations requires the company to employ a qualified independent accounting firm to audit our annual report and review and check our other financial reports. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the reserve fund is drawn. The Special Regulations provide that the dividends and other distributions to be paid to H-share shareholders shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and our Articles of Association. The amendment to articles of association involving content of Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorised by the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

Pursuant to PRC Company Law, a company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business licence of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws;

(v) in case the company encounters significant difficulties in its operation and management, under the circumstance of which continuing existence will cause material harm to shareholders' interests, and the problems could not be solved by other means, the shareholders holding 10% or more of all the voting shares may request the People's Court to dissolve the company.

In the event of paragraph (i) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other people determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court, requesting that the court appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise its powers during the liquidation:

(i) to dispose of the company's property and to prepare a balance sheet and an inventory of property separately;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with any outstanding business related to the liquidation;

(iv) to pay any overdue tax together with any tax arising during the liquidation process;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the company's remaining assets after its debts have been paid off;

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall, in making his claim, state all matters relevant to his creditor's rights and provide supporting materials. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their wilful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of a replacement certificate(s).

The Mandatory Provisions provide for a separate procedure regarding the loss of share certificates of overseas-listed foreign shares or of H share certificates, details of which are set out in our Articles of Association.

Merger and Division

A merger agreement shall be signed by the parties of merging companies and prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify the creditors and publicly announce it in the newspaper within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors in respect of the settlement of debts, the liabilities of the company which have accrued prior to the separation shall be jointly borne by the separated companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC, and the listing must be arranged in accordance with procedures specified by the State Council. Pursuant to the Special Regulations, a company may issue shares to overseas investors and list its shares overseas upon approval from CSRC. Subject to approval of the company's plans to issue overseas-listed foreign invested shares and domestic shares by CSRC, the board of directors of the company may make arrangement to implement such plans for issuance of the foreign invested shares and domestic shares, respectively, within fifteen (15) months from the date of approval by CSRC.

Suspension and Termination of Listing

The Company Law has deleted provisions on governing suspension and termination of listing. The Securities Law has also deleted the provisions on suspension of listing, and stipulates that the securities that are listed for trading involve the situation of termination of listing as stipulated by a stock exchange, the stock exchange shall terminate the listing of such securities in accordance with its business rules.

Where a stock exchange decides to terminate the listing and trading of the securities, it shall make a timely announcement and report the same to the securities regulatory authority under the State Council for the record.

4. The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the draughting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the draughting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and CSRC and reformed CSRC.

On 22 April 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (股票發行與交易管理暫行條例) govern the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the People's Republic of China (hereinafter referred to as the "Securities Law") was adopted at the Sixth Session of the Standing Committee of the Ninth National People's Congress on 29 December 1998, and was successively revised on 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 28 December 2019. The newly revised Securities Law consists of 14 chapters and 226 articles, covering securities issuance and trading, acquisition of listed companies, information disclosure, protection of investors, securities trading places, securities companies, securities registration and settlement institutions, securities service institutions, securities associations, securities regulatory agencies, and various legal responsibilities, to comprehensively regulate the activities in the PRC securities market. Article 224 of the Securities Law stipulates that a domestic enterprise shall comply with the relevant provisions of the State Council when directly or indirectly issuing securities overseas or listing and trading its securities overseas. Currently, the issuance of securities overseas and related listing transactions are mainly governed by the laws and regulations formulated by the State Council and the China Securities Regulatory Commission.

5. Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on 31 August 1994, which was amended on 27 August 2009 and 1 September 2017. The Arbitration Law is applicable to any disputes over contracts and other property interests among citizens, legal persons and other organisations with equal status where both parties have reached an arbitration agreement voluntarily to settle the dispute through arbitration. An arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. The People's Court shall not accept filing of suit from a single party with arbitration agreement, except for invalid arbitration agreement.

The Mandatory Provisions require the following clauses to be included in the articles of association of a company listed in Hong Kong:

(i) Whenever any disputes or claims relating to the affairs of the Company arise from the rights and obligations provided for in the articles of association of the Company, the PRC Company Law and other relevant laws and administrative regulations, between the shareholders of overseas-listed shares and the Company, between the shareholders of overseas-listed shares and the directors, supervisors, managers and other senior management of the Company, between the shareholders of overseas-listed shares and other shareholders, the parties involved shall refer such disputes or claims to arbitration.

The disputes or claims mentioned above which are referred to arbitration shall be the entire dispute and claim; all persons having a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of the disputes or claims, if they are, shareholders of the Company, directors, supervisors, managers and other senior management of the Company, shall abide by such arbitration.

Disputes over the definition of a shareholder and over the register of shareholders need not be resolved through arbitration.

(ii) The party seeking arbitration may elect to have the dispute or claim arbitrated either by the China International Economic and Trade Arbitration Commission according to its arbitration rules or by the Hong Kong International Arbitration Centre according to its securities arbitration rules. Once the party seeking arbitration submits a dispute or claim to arbitration, the other party shall submit to the arbitral body selected by the party seeking arbitration.

(iii) If the party seeking arbitration elects to arbitrate at the Hong Kong International Arbitration Centre, either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

The laws of the PRC shall govern the arbitration of disputes or claims described in paragraph (i) unless otherwise provided by the laws and the administrative regulations.

Under the PRC Arbitration Law and the PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the award, the other party to the award may apply to a people's court for its enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

A party seeking to enforce an arbitral award of PRC arbitration institution concerning foreign affairs against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York

Convention must be recognised and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognise and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards, and the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on 18 June 1999, which became effective on 1 February 2000. The arrangement reflects the spirit of the New York Convention. According to this arrangement, the Hong Kong courts agreed to enforce the awards made by the PRC arbitral authorities (list provided by the Legislative Affairs Office of the State Council through the Hong Kong and Macau Affairs Office of the State Council) in accordance with the Arbitration Law, and the PRC courts agreed to enforce the awards made in Hong Kong under the Arbitration Ordinance of the Hong Kong. However, if the PRC courts believe that the enforcement of the arbitral award in the PRC violates the public interest of the society, or the Hong Kong courts determine that the enforcement of the arbitral award in the Hong Kong violates the public policy of the Hong Kong, such award may not be enforced.

6. Summary of Material Differences Between PRC and Hong Kong Company Law

The Hong Kong Company Law is mainly contained in the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Stock Exchange, the Company is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong Company Law and the PRC Company Law, and this summary is, however, not intended to be an exhaustive comparison.

Incorporation

A company having share capital, shall be incorporated with the Registrar of Companies in Hong Kong and will acquire an independent corporate existence after the Registrar of Companies in Hong Kong has issued a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public offering. The newly revised PRC Company Law, which took effect on 26 October 2018, does not prescribe any minimum capital requirement for a joint stock limited company, however, if laws, administrative regulations and decisions of the State Council provide otherwise on minimum amount of paid-in and registered capital of a joint stock company, such provisions shall prevail.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

The Hong Kong Company Law does not provide for authorised share capital. The share capital of a Hong Kong company is the amount of its issued share capital. All proceeds from the issue of shares will be allocated to share capital and become its share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders (if necessary), cause the company to issue new shares.

The PRC Company Law provides that any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Company Law, shares may be subscribed for in currency or in non-monetary assets, save for assets prohibited to be contributed as capital by the relevant law or administrative regulations. If the capital contribution is made by means other than cash, the value and recognition of the assets contributed shall be carried out and converted into shares in accordance with the law. The value of non-monetary assets used for capital contribution shall not be overestimated or underestimated. If laws or administrative regulations provide otherwise, those provisions shall prevail. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under the PRC Company law, the promoters of a joint stock limited company shall not transfer their shares within one year after the establishment of the company. Shares issued prior to the public offering shall not be transferred within one year from the date when the shares are listed on a stock exchange. The shares transferred each year by the directors, supervisors and senior management of a joint stock limited company during their respective terms of office shall not exceed 25% of the total shares of the company held by them, and the shares held by them shall not be transferred within one year from the date when the shares are listed on a stock exchange, nor within half a year after they leave office. The articles of association may impose other restrictions on the transfer of the shares held by the directors, supervisors and senior management of the company.

Save for a six-month lock-up period on the issue of shares by the company and a 12-month lock-up period on the sale of shares by the controlling shareholders (as set forth in the undertaking made by the company and the controlling shareholders to the stock exchange), there are no such restrictions on shareholdings and transfer of shares in respect of such persons under Hong Kong law.

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not prohibit or restrict a company or its subsidiaries from providing financial assistance for the purpose of an acquisition of shares of itself or its holding company, the Mandatory Provisions contain restrictions on a company and its subsidiaries from providing such financial assistance similar to those under the Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholders' general meeting and an extraordinary meeting shall be given to shareholders at least 20 and 15 days respectively before the date of such meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting is 14 days. In addition, the company shall give notice to its shareholders at least 14 days before the date of the meeting if it is involved in the consideration of a resolution requiring special notice. The notice period for an annual general meeting is 21 days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

Under Hong Kong law, the quorum for a meeting of a company must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, a quorum must be one member.

Voting

Under the PRC Company Law, the passing of any resolution at a general meeting requires affirmative votes of shareholders representing more than half of the voting rights represented by members present in person or by proxy at a general meeting except in cases of amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the members present in person or by proxy at a general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting.

Variation of Class Rights

The PRC Company Law makes no special provision relating to variation of class rights, but it states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These requirements have been incorporated in the articles of association, a summary of which is set out in Appendix VI "Summary of Articles of Association".

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then those provisions shall prevail.

The company has incorporated provisions relating to the protection of the rights of classes of shares into the articles of association in accordance with the Listing Rules and the "Mandatory Provisions" in a manner similar to that required by Hong Kong laws. The articles of association define holders of overseas listed foreign shares and domestic shares as different classes of shareholders. Special procedures for voting by class shareholders do not apply to the following cases: (i) after approval by the shareholders' general meeting through special resolution, the company issues domestic listed shares and overseas-listed shares every other 12 months, either separately or simultaneously, and the domestic listed shares and overseas-listed shares to be issued do not exceed 20% of this kind of shares already issued to the public; (ii) the plan to issue domestic listed shares and overseas-listed shares during the company's establishment is accomplished within 15 months from the date of approval of the securities regulatory authorities of the State Council; and (iii) after approval from the State Council and the securities regulatory authorities of the State Council, the domestic shares are transferred to overseas investors or are converted into overseas listed shares and the underlying shares are listed and traded on an overseas stock exchange.

Derivative Action by Minority Shareholders

In accordance with Hong Kong law, minority shareholders are allowed to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides that in the event the directors and senior management of a joint stock limited company violate their fiduciary obligations to a company and cause losses to the company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory board to initiate proceedings in the people's court. In the event that the supervisory board violates their fiduciary obligations to company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory board or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent circumstances, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of overseas listed foreign shares on the Stock Exchange, each director and supervisor of a joint stock limited company shall undertake to abide by the articles of association in favour of the company, which allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a company may be wound up if the court considers it to be just and equitable, and a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Besides, in some cases, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

Under the PRC Company Law, if a company suffers any significant difficulties in its operations or management, and its continuing existence will cause material harm to shareholders' interests, the problem cannot be solved by any other means, then the shareholders holding 10% or more of the voting rights of the company may request the People's Court to dissolve the company.

According to the Mandatory Provisions, the Company is required to adopt the minority protection provisions in its articles of association provisions similar to those in Hong Kong law (although not necessarily as comprehensive). These provisions stipulate that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong Company Law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major disposals, restrictions on companies providing certain benefits to directors and indemnity in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain provisions and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of the board of supervisors. There is no mandatory requirement for the establishment of supervisory board for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under the Companies Ordinance.

The Mandatory Provisions and relevant laws and regulations stipulate that in addition to preparing financial statements in accordance with the PRC generally accepted accounting principles, the relevant company shall also prepare and audit financial statements in accordance with international accounting standards or accounting standards of the overseas locality in which the shares of such company are listed, and the related financial statements shall also indicate the financial impact of any material differences (if any) from the financial statements prepared in accordance with PRC generally accepted accounting principles. When distributing the after-tax profit for the relevant fiscal year, the company shall adopt the after-tax profit, whichever is lower, in the aforementioned two financial statements. The company shall issue financial reports twice in each fiscal year, that is, an interim financial report issued within 60 days after the end of the first six months of each fiscal year, and an annual financial report issued within 120 days after the end of each fiscal year.

The Special Regulations require that there should not be any contradiction between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Receiving Agent

Under the Hong Kong law, dividends once declared by the board of directors are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of shareholders dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganisation

Corporate reorganisation involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding-Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Sections 673 and 674 of the Companies Ordinance, which requires the sanction of the court. Under the PRC law, merger, division, dissolution or change the form of a joint stock limited liability company shall be approved by shareholders at a general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Statutory deductions

Under the PRC Company Law, when distributing the current profits after taxation, a joint stock limited company shall set aside 10% of the profits for the statutory common reserve fund. The company may cease to withdraw when the accumulated statutory common reserve fund reaches 50% of its registered capital. There is no such requirement under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years.

Fiduciary Duty

In Hong Kong, directors have a fiduciary duty to the company, including a duty to act in the interest of the company. In addition, the Companies Ordinance provides for the statutory duty of care of directors. Under the PRC Company Law and the Special Regulations, a company's directors, supervisors, and senior management shall have duty of loyalty and diligence to the company. Under the Mandatory Provisions, directors, supervisors and senior management shall not engage in any activity in competition with the interests of the company without the knowledge and approval of the shareholders at a general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial and accounting report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company at its annual general meeting, not less than 21 days before such meeting.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' general meeting or within five days before the base date set for the purpose of distribution of dividends.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions and the Listing Rules.

Set out below is a summary of the principal provisions of the Articles of Association, the main objective of which is to provide investors with an overview of the Articles of Association. As the information contained below is in summary form only, it may not contain all the information that may be important to potential investors.

The Articles of Association were passed at the Shareholders' general meeting on 21 December 2022 and will become effective from the Listing Date.

The Articles of Association and relevant amendments thereto were adopted or authorised by our Shareholders at the Shareholders' general meeting in accordance with applicable laws and regulations. The Articles of Association complies with the PRC Company Law, the PRC Securities Law, the Special Regulations, the Mandatory Provisions and the Letter of Opinion on Supplements and Amendments to Articles of Association of Companies Listed in Hong Kong.

POWER OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT TO ALLOT AND ISSUE SHARES

There is no provision in the Articles of Association empowering our Directors, Supervisors or other senior management to allot and issue Shares.

Proposals to increase capital of our Company must be formulated by the Board and submitted for approval by way of special resolutions at the Shareholders' general meeting. Any such capital increase is subject to the formalities prescribed by relevant laws and administrative regulations.

POWER TO DISPOSE OF ASSETS OF THE COMPANY OR ANY OF ITS SUBSIDIARIES

Without the prior approval of the Shareholders' general meeting, the Board may not dispose or agree to dispose of the fixed assets where the sum of the expected value for the proposed disposal and the value for disposed fixed assets within four months immediately preceding the proposed disposal exceeds 33% of the value of the fixed assets shown in the last balance sheet presented at the Shareholders' general meeting.

The validity of the Company's disposal of fixed assets will not be affected by the breach of aforementioned contents.

As far as the Articles of Association are concerned, a disposal of fixed assets shall include the transfer of certain interest in assets other than by way of providing security interest by using fixed assets as collaterals.

EMOLUMENTS, COMPENSATION OR PAYMENTS FOR LOSS OF OFFICE

The Company shall enter into a contract with each of the Directors and Supervisors of the Company in respect of such matters. The aforementioned emolument matters include:

1. emoluments in respect of his/her service as a Director, Supervisor or senior management of our Company;

2. emoluments in respect of his/her service as a Director, Supervisor or senior management of a subsidiary of our Company;

3. emoluments otherwise in connection with the management of the affairs of the Company or any subsidiary thereof; and

4. funds as compensation for his/her loss of office or retirement to each of the aforementioned Directors and Supervisors.

A Director or Supervisor shall not sue our Company for any benefits due to him/her on the basis of the aforementioned matters, except under a contract as mentioned above.

The contract entered into between our Company and each Director or Supervisor of our Company in respect of his/her emolument should provide that in the event of a takeover of our Company, a Director or Supervisor of our Company shall, subject to prior approval of the Shareholders' general meeting, have the right to receive the compensation or other funds obtainable for loss of office or retirement. The term "a takeover of our Company" mentioned above shall refer to any of the following circumstances:

1. anyone makes a tender offer to all the Shareholders;

2. anyone makes a tender offer so that the offeror will become a Controlling Shareholder. The definition of a Controlling Shareholder is the same as that in the Articles of Association.

If the relevant Director or Supervisor fails to comply with the abovementioned provisions, any fund received by him/her shall belong to those persons who have sold their Shares as a result of their acceptance of the above-mentioned offer, and the expenses incurred in distribution of such fund on a pro rata basis shall be borne by the relevant Director or Supervisor and may not be paid out of such fund.

LOANS TO DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT PERSONNEL

The Company shall not, directly or indirectly, provide loans or loan guarantees to the Directors, Supervisors, general managers and other senior management of the Company and its Controlling Shareholders; and shall not provide a loan or loan guarantee to the associates of any of the aforementioned personnel.

The above provisions shall not apply where:

1. our Company provides a loan to its subsidiaries or provides a loan guarantee for the benefits of its subsidiaries;

2. pursuant to the employment contract upon approval of the Shareholders' general meeting, our Company provides a loan, loan guarantee or other funds to any of its Directors, Supervisors and other senior management to pay any expenditures incurred or to be incurred by him/her for the purpose of our Company or for the purpose of enabling him/her to perform his/her duties to the Company; and

3. our Company may provide a loan or loan guarantee to the related Directors, Supervisors, general managers or other senior management or any of their associates on normal commercial conditions should the provision of loan or loan guarantee be within the ordinary business scope of our Company.

Any person who receives funds from a loan which has been made by the Company acting in breach of the preceding article shall, irrespective of the terms of the loan, forthwith repay such funds.

A guarantee in connection with a loan which has been provided by the Company acting in breach of the Articles of Association shall not be enforceable against the Company, save in respect of the following circumstances:

1. the guarantee was provided in connection with a loan which was made to an associate of a Director, Supervisor, general manager and other senior management of the Company or its Controlling Shareholder and the lender of such funds did not know of the relevant circumstances at the time of the making of the loan;

2. the collateral which has been provided by the Company has already been lawfully disposed of by the lender to a bona fide purchaser.

FINANCIAL ASSISTANCE FOR ACQUISITION OF OUR COMPANY'S SHARES

Our Company or its subsidiaries shall not at any time provide any financial assistance in any form to purchasers or prospective purchasers of the Shares in our Company. Such purchasers of our Company's Shares referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing Shares in our Company.

1. Our Company or its subsidiaries shall not at any time provide any financial assistance in any form to the above obligators in order to reduce or discharge their obligations. However, the following acts are not prohibited;

2. where our Company provides the relevant financial assistance truthfully for the benefit of our Company and the main purpose of the financial assistance is not to purchase Shares of our Company, or the financial assistance is an incidental part of an overall plan of our Company;

3. lawful distribution of our Company's property in the form of dividends;

4. distribution of dividends in the form of Shares;

5. a reduction of registered capital, repurchase of Shares, adjustment to shareholding structure effected in accordance with these Articles of Association;

6. provision of a loan by our Company within its scope of business and in the ordinary course of its business (provided that the same does not lead to a reduction in the net assets of our Company or that if the same results in a reduction, the financial assistance is paid out of our Company's distributable profits);

7. the provision of funds by our Company for an employee shareholding plan (provided that the same does not lead to a reduction in the net assets of our Company or that if the same results in a reduction, the financial assistance is paid out of our Company's distributable profits).

For these purposes:

"financial assistance" shall include but not be limited to:

1. gift;

2. guarantee (including undertaking of liability or provision of property by the guarantor to ensure the fulfilment of the obligation by the obligator), indemnity (not including, however, indemnity arising from our Company's own fault) and release or waiver of rights;

3. provision of a loan or conclusion of a contract under which the obligations of our Company are to be fulfilled prior to the obligation of performance by the other party to the contract, or a change in the party to such loan or contract as well as the assignment of rights under such loan or contract; and

4. financial assistance in any other form when our Company is insolvent or has no net assets or when such assistance would lead to a major reduction in our Company's net assets.

"undertake obligations" shall include the undertaking of an obligation by the obligor by entering into a contract or making an arrangement or by changing its financial position in any other way whether or not such contract or arrangement is enforceable and whether or not such obligation is undertaken by the obligator individually or jointly with any other person.

DISCLOSURE OF CONTRACTUAL INTERESTS WITH OUR COMPANY

In cases where a Director, a Supervisor, the general manager or other senior management of our Company has directly or indirectly vested a material interest in any contract, transaction or arrangement concluded or to be concluded by our Company (except his/her service contract with our Company), he/she shall disclose the nature and extent of his/her interest to the Board at the earliest opportunity, whether or not the matter is normally subject to the approval of the Board.

Unless the interested Director, Supervisor, general manager or other senior management of our Company has made such disclosure to the Board as required under the preceding paragraph hereof and the matter has been approved by the Board at a meeting in which he/she was not counted in the quorum and abstained from voting, our Company shall have the right to revoke the contract, transaction or arrangement, except the other party is a bona fide party acting without knowledge of the breach of obligation by the Director, Supervisor, general manager or other senior management of our Company concerned.

In cases where a connected person of our Company's Director, Supervisor, general manager and other senior management has directly or indirectly vested an interest in any contract, transaction or arrangement, such Director, Supervisor, general manager and senior management shall also be deemed as having such interest.

If a Director, a Supervisor, general manager or other senior management of our Company gives a written notice to the Board before the conclusion of the contract, transaction or arrangement is first considered by our Company, stating that due to the contents of the notice, he/she has an interest in the contract, transaction or arrangement that may subsequently be made by our Company, such Director, Supervisor, general manager or other senior management shall be deemed for the purposes of the above paragraphs hereof to have declared his/her interest, insofar as attributable to the scope stated in the notice.

REMUNERATION

The remuneration of Directors and Supervisors shall be approved by the Shareholders of our Company at the Shareholders' general meeting, as referred to in "– Emoluments, Compensation or Payments for Loss of Office" above.

RETIREMENT, APPOINTMENT AND REMOVAL

Our Company shall establish a Board, which shall comprise of six to nine Directors. The Board shall have one chairman and one vice chairman. Directors shall be elected or replaced by the Shareholders' general meeting and serve a term of office of three years. Except for independent non-executive Directors, who are limited to a maximum term of nine years, a Director may serve consecutive terms if re-elected upon the expiration of his/her term. Subject to the requirements of relevant laws and administrative regulations, the Shareholders' general meeting may remove any Directors by ordinary resolution (but without prejudice to any claims for damages under any contracts) prior to the expiration of the term of such Directors.

None of the following persons may serve as a Director, Supervisor, general manager or other senior management of our Company:

1. persons without capacity or with limited capacity for civil acts;

2. persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offence, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

3. Directors, or factory directors or managers who bear personal liability for the bankruptcy or liquidation of their companies or enterprises where three years have not lapsed following the date of completion of such bankruptcy or liquidation;

4. the legal representatives of companies or enterprises that had their business licences revoked or that had been shut down for violation of law(s), where such representatives bear individual liability therefore and three years have not lapsed following the date of revocation of such business licences;

5. persons with relatively heavy individual debts that have not been settled upon maturity;

6. persons who are currently under investigation by the judicial authorities for violation of criminal law where the said investigation is not yet concluded;

7. persons who shall not act as leaders of enterprises by virtue of laws and administrative regulations;

8. non-natural persons;

9. persons convicted of violating relevant securities laws and regulations by the competent regulatory authority, and such conviction involves a finding that he or she has acted fraudulently or dishonestly, where less than five years have elapsed since the date of conviction;

10. other circumstances as prescribed by the laws and regulations of the place of listing of the Company's Shares.

The validity of an act of a Director, Supervisor, general manager or other senior management of our Company on behalf of our Company towards a bona fide third party shall not be affected by any irregularity in his/her current position, election or qualifications.

Shareholders holding individually or jointly at least 3% of the Shares of our Company with the right to vote shall have the right to nominate candidates for election to the Board or the Supervisory Committee (except for Directorship or Supervisorship representing employees) at a Shareholders' general meeting by submission of a written proposal, provided that the number of the nominated candidates shall be in compliance with the Articles of Association and no more than the membership to be elected.

There is no provision in the Articles of Association regarding retirement or non-retirement of Directors under an age limit.

DUTIES

In addition to obligations imposed by laws or listing rules of the stock exchange(s) on which Shares of our Company are listed, our Company's Directors, Supervisors, general manager and other senior management members shall have the following obligations to each Shareholder in the exercise of the functions and powers granted to them by our Company:

1. not to cause our Company to act beyond the scope of business stipulated in its business licence;

2. to act honestly in the best interests of our Company;

3. not to deprive our Company of its property in any way, including (but not limited to) any opportunities that are favourable to our Company; and

4. not to deprive any Shareholders of their individual rights or interests, including (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring plan of our Company submitted to and adopted by the Shareholders' general meeting in accordance with the Articles of Association.

Our Company's Directors, Supervisors, general manager and other senior management shall have an obligation, in the exercise of their rights or discharge of their obligations, to perform their acts with due care, diligence and skills as a reasonable and prudent person should do under similar circumstances.

Our Company's Directors, Supervisors, general manager and other senior management must, in the exercise of their duties, abide by the principle of loyalty and shall not place themselves in a position where there is a conflict between their personal interests and their duties. This principle shall include but not (limited to) the fulfilment of the following obligations:

1. to act honestly in the best interests of Company;

2. to exercise powers within the scope of their functions and powers and not to act beyond such powers;

3. to personally exercise the discretion vested on him/her, not to allow himself/herself to be manipulated by another person and, not to delegate the exercise of his/her discretion to another party unless permitted by laws and administrative regulations or with the consent of the Shareholders' general meeting that has been informed;

4. to be impartial from Shareholders of the same category and fair to Shareholders of different categories;

5. not to conclude a contract or enter into a transaction or arrangement with our Company except as otherwise provided in the Articles of Association or with the informed consent of the Shareholders' general meeting;

6. not to use our Company's property for his/her own benefit in any way without the informed consent of the Shareholders' general meeting;

7. not to use his/her positions and powers as a means to accept bribes or other forms of illegal income, and not to appropriate our Company's property in any way, including (but not limited to) any opportunities that are favourable to our Company;

8. not to accept commissions in connection with our Company's transactions without the informed consent of the Shareholders' general meeting;

9. to abide by the Articles of Association, perform his/her duties faithfully, protect the interests of our Company and not to seek personal gain with his position, functions and powers in our Company;

10. not to compete with our Company in any way without the informed consent of the Shareholders' general meeting;

11. not to embezzle our Company's funds, not to deposit our Company's assets or funds in accounts opened in his/her own or in another person's name;

12. not to lend our Company's funds to others or use our Company's assets to provide security interest for the debts of our Company Shareholders or other individuals in violation of the Articles of Association and in the absence of the approval by the Shareholders' general meeting or the Board;

13. not to disclose confidential information relating to our Company that was acquired by him/her during his/her term of office without the informed consent of the Shareholders' general meeting; and not to use such information unless for the interests of our Company; however, such information may be disclosed to the court or other government authorities if:

    (1) required by laws;

    (2) required in the public interest;

    (3) required in the own interest of such Director, Supervisor, general manager or other senior management.

A Director, a Supervisor, the general manager or other senior management of our Company may not procure the following persons or organisations ("Related Persons") to do what such Director, Supervisor, general manager or other senior management may not do:

1. the spouse or minor children of such Director, Supervisor, general manager or other senior management member of our Company;

2. the trustor of a Director, Supervisor, general manager or other senior management of our Company or of any person referred in the aforesaid item above;

3. the partner of a Director, Supervisor, general manager or other senior management of our Company or of any person referred in aforesaid two items above;

4. a company in which a Director, Supervisor, general manager or other senior management of our Company, individually or jointly with any person referred to in aforesaid three items above or any other Director, Supervisor, general manager or other senior management of our Company, has actual control; and

5. a Director, a Supervisor, the general manager or other senior management of the company being controlled as referred to in each of the aforesaid item above.

The fiduciary duty of a Director, Supervisor, general manager and other senior management of our Company does not necessarily cease with the termination of his/her term of office. His/her confidentiality obligation in relation to our Company's trade secrets shall remain upon termination of their term of office. The term for continuance of other obligations shall be decided upon in accordance with the principle of fairness, depending on the time lapse between the termination and the occurrence of the matter as well as the circumstances and conditions under which the relationship with our Company terminates.

If a Director, a Supervisor, the general manager or other senior management of our Company breaches his/her obligations to our Company, our Company shall, in addition to any rights and remedies provided by laws, have a right to:

1. require the relevant Director, Supervisor, general manager or other senior management of our Company to compensate for the losses sustained by our Company as a consequence of his/her dereliction of duty;

2. rescind any contract or transaction concluded by our Company with the relevant Director, Supervisor, general manager or other senior management of our Company and contracts or with a third party (where such third party is aware or should be aware that the Director, Supervisor, general manager or other senior management representing our Company was in breach of his/her obligations to our Company);

3. require the relevant Director, Supervisor, general manager or other senior management of our Company to surrender the gains derived from the breach of his/her obligations;

4. recover any funds received by the relevant Director, Supervisor, general manager or other senior management of our Company that should have been received by our Company, including (but not limited to) commissions;

5. require the relevant Director, Supervisor, general manager or other senior management of our Company to return the interest earned or possibly earned on the funds that should have been given to our Company; and

6. recover any property obtained by the Director, Supervisor, general manager, and other senior management member convicted of the breach of his duties by legal proceedings.

BORROWING POWERS

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

1. provisions which authorise the Board to formulate proposals for the issuance of debentures and other securities by our Company;

2. provisions which provide that the issuance of debentures and other securities shall be approved by the Shareholders' general meeting by a special resolution.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

Our Company may amend the Articles of Association in accordance with laws and the provisions of the Articles of Association.

An amendment to the Articles of Association in connection with the Mandatory Provisions shall be subject to approval of the relevant supervisory and regulatory authorities of the State Council. Where an amendment in the Articles of Association shall be subject to registration, our Company shall register the amendment according to the applicable law.

VARIATION OF RIGHTS OF EXISTING SHAREHOLDERS OF DIFFERENT CLASSES

Shareholders who hold different categories of Shares in our Company shall be Shareholders of different classes. Shareholders of different classes shall enjoy rights and assume obligations in accordance with laws, administrative regulations and the Articles of Association.

In addition to Shareholders of other categories of Shares, Shareholders of Domestic Shares and foreign shares shall be deemed as Shareholders of different classes of Shares.

Any proposal by our Company to change or abrogate the rights of any class of Shareholders shall be approved by the Shareholders' general meeting by a special resolution and by a separate Shareholders' general meeting convened by the affected Shareholders of that classes conducted in accordance with the Articles of Association.

The rights of Shareholders of a class shall be deemed to have been changed or abrogated in the following conditions:

1. an increase or decrease in the number of Shares of a class or an increase or decrease in the voting rights, distribution rights or other privileges of Shares of a class;

2. conversion of all or part of the Shares of a class into Shares of another class, or vice versa or the grant of a right to convert;

3. cancellation or reduction of rights to accrued dividends or cumulative dividends attached to Shares of a class;

4. cancellation or reduction of a dividend preference or property distribution preference during liquidation of our Company, attached to Shares of a class;

5. an addition, cancellation or reduction of share conversion rights, options, voting rights, transfer rights, pre-emptive rights of placing or rights to acquire securities of our Company attached to Shares of a class;

6. cancellation or reduction of rights to receive amounts payable by our Company in a particular currency attached to Shares of a class;

7. creation of a new class of Shares with voting rights, distribution rights or other privileges which are equal or superior to Shares of a class;

8. imposition of restrictions or additional restrictions on the transfer or ownership of Shares of a class;

9. issue of rights to subscribe for, or convert into, Shares of a class or another class;

10. an increase in the rights and privileges of Shares of another class;

11. restructuring of our Company which causes Shareholders of different classes to bear liability on a disproportionate basis during the restructuring; or

12. an amendment or cancellation of "special voting procedures for Shareholders of different classes" as contained in the Articles of Association.

Interested Shareholders (as defined below) shall not have the right to vote at meetings of Shareholders of different classes.

Resolutions of a class Shareholders' general meeting may be passed only by way of poll by two-thirds or more of the voting rights of that class represented at that meeting who are entitled to vote thereat.

When our Company is to convene a class Shareholders' general meeting, the time period for issuing a written notice shall be the same as the written notice period for a non-class Shareholders' general meeting to be convened on the same day of such class meeting. Such written notice shall be dispatched to all the registered Shareholders of that class, specifying the matters to be deliberated at the meeting as well as the date and venue of the meeting. When our Company calculates such starting time limit, the date convening the meeting shall be excluded.

Where there is any special requirement under the listing rules of the place(s) where our Company's Shares are listed, such requirements shall prevail.

If a class Shareholders' general meeting is convened by serving of notice, such notice needs to be delivered only to the Shareholders who are entitled to vote thereat.

The procedures pursuant to which a class Shareholders' general meeting is held shall, to the extent possible, be identical to the procedures according to which a Shareholders' general meeting is held. Provisions of the Articles of Association in relation to procedures for the holding of a Shareholders' general meeting shall be applicable to class Shareholders' general meetings.

The special voting procedures for Shareholders of different classes shall not apply in the following circumstances:

1. where, as approved by way of a special resolution of the Shareholders' general meeting, our Company issues, either separately or concurrently, Domestic Shares listed within the PRC and foreign shares listed outside the PRC every 12 months, and the number of the Domestic Shares and foreign shares listed outside the PRC intended to be issued does not exceed 20% of the issued and outstanding Shares of the respective categories;

2. where the plan for, issue of Domestic Shares listed within the PRC and foreign shares listed outside the PRC upon the incorporation of our Company is completed within 15 months since being approved by the securities regulatory authorities under the State Council;

3. subject to the approval by the securities regulatory authorities under the State Council, the holders of Domestic Shares of our Company may transfer their Shares to overseas investors, and such transferred Shares may be listed and traded on an overseas stock exchange.

For the purposes of the provisions of the rights of Shareholders of different classes, the "interested Shareholders" shall have the following meanings:

1. if our Company has made a repurchase offer to all Shareholders in the same proportion or has repurchased its own Shares through open transactions on a stock exchange in accordance with the Articles of Association, the Controlling Shareholders as defined in the Articles of Association shall be "interested Shareholders";

2. if our Company has repurchased its own Shares by an agreement outside a stock exchange in accordance with the Articles of Association, Shareholders in relation to such an agreement shall be "interested Shareholders";

3. under a restructuring proposal of our Company, Shareholders who will bear liability in a proportion smaller than that of the liability borne by other Shareholders of the same class, or Shareholders who have an interest that is different from the interest of other Shareholders of the same class shall be "interested Shareholders".

RESOLUTIONS-MAJORITY REQUIRED

Resolutions of a Shareholders' general meeting are divided into ordinary resolutions and special resolutions.

Ordinary resolutions made by a Shareholders' general meeting shall be adopted by more than half of voting Shares represented by the Shareholders attending the Shareholders' general meeting (including their proxies).

Special resolutions made by a Shareholders' general meeting shall be adopted by two-thirds or more of voting Shares represented by the Shareholders attending the Shareholders' general meeting (including their proxies).

VOTING RIGHTS (GENERALLY, THE RIGHT ON A POLL AND TO DEMAND A POLL)

Shareholders (including their proxies) exercise voting rights according to the voting Shares they hold, and each Share shall have one voting right. However, the Shares of our Company held by our Company shall not carry voting rights and shall not be calculated into the aggregate amount of Shares carrying voting rights in attendance of the Shareholders' general meeting.

The matters of the Shareholders' general meeting shall be resolved by show of hands.

On a poll taken at a meeting, a Shareholder (including his/her proxy) entitled to two or more votes need not cast all of his/her votes in the same way.

In case of an equality of votes, the chairman of the meeting shall be entitled to a casting vote.

REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

Annual general meetings shall be held once every year within six months after the end of the last financial year.

ACCOUNTS AND AUDIT

Our Company shall formulate its accounting system in compliance with laws, administrative regulations and relevant stipulations of PRC formulated by the relevant regulatory authorities.

The Board of our Company shall submit to its Shareholders at every annual general meeting such financial reports as are required by the laws and regulations.

The financial statements of our Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either the International Accounting Standards or accounting standards of the place(s) outside China where our Company's Shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the aforesaid accounting standards, such difference shall be stated and explained in the financial statements. For the purposes of distribution of our Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in the different set of financial statements shall be adopted.

The financial reports of our Company shall be made available at our Company for inspection by Shareholders 20 days before the annual general meeting. Each Shareholder of our Company is entitled to a copy of the financial reports.

A copy of the above financial reports (including every document required by laws to be annexed to the balance sheet) shall, at least 21 days before the date of the general meeting, be delivered or sent by prepaid post to the registered address of every holder of foreign shares.

The interim results or financial information that our Company announces or discloses shall be compiled according to both PRC accounting standards, laws and regulations, and the International Accounting Standards or accounting standards of the place(s) where our Company's Shares are listed.

Our Company shall disclose its financial reports two times in each accounting year, that is, its interim financial reports within sixty days of the end of the first six months of a financial year and its annual financial reports within one hundred and twenty days of the end of its financial year.

NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

There are two types of Shareholders' general meetings: the annual general meetings and the extraordinary general meetings.

The extraordinary general meeting shall be convened within two months upon the occurrence of any of the following events:

1. the number of Directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number required by the Articles of Association;

2. the outstanding balance of our Company's loss that has not been made up reaches one-third of our Company's total paid-in share capital;

3. Shareholders holding severally or jointly 10% or more of our Company's Shares present a written request to convene an extraordinary general meeting (the percentage of shareholding shall be calculated in accordance with the shareholdings on the date of the presence of such request);

4. the Board deems it as necessary or the Board of Supervisors proposes that the meeting be convened;

5. two or more independent non-executive Directors propose in writing that the meeting be convened; and

6. other situations, as stipulated in laws, administrative regulations, departmental rules, listing rules of the stock exchange where our Company's Shares are listed and the Articles of Association.

Any Shareholders who hold, jointly with others or severally, 3% or more voting Shares of our Company shall have the right to propose and submit in writing to the persons who convene the Shareholders' general meeting special proposals ten days prior to the convening of a Shareholders' general meeting. The convening persons shall issue a supplementary notice with the contents of the special proposals within two days of receipt of such proposals and submit the special proposals to the Shareholders' general meeting for discussion. The special proposals shall fall within the scope of duties of the Shareholders' general meeting and include specific subject and particular matters to be resolved.

When our Company is to convene a Shareholders' general meeting, a written notice shall be given twenty days before the meeting to notify each Shareholder of the time and venue of the meeting and matters to be deliberated. In the event of an extraordinary general meeting, the notice shall be given to each Shareholder fifteen days in advance. For the notice given in this Article, the date of issue is the date on which our Company or our Company's Share Registrar has served the notice to the postal service.

Unless otherwise provided in the Articles of Association, the notice of a Shareholders' general meeting shall be served to the Shareholders (whether or not entitled to vote at the meeting), by special personnel or prepaid post to the recipients' addresses as recorded in the register of members. For the holders of Domestic Shares, the notice of a Shareholders' general meeting may also be issued in the form of public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authorities under the State Council during the period between 20 and 25 days before the meeting is held. Once the announcement is made, all holders of Domestic Shares shall be deemed to have received the notice of the relevant Shareholders' general meeting.

The notice of a Shareholders' general meeting served on the holders of overseas listed foreign shares may be published through the designated websites of the Stock Exchange and our Company. Once the announcement is made, all holders of overseas listed foreign shares shall be deemed to have received the notice of the relevant Shareholders' general meeting.

A meeting and the resolutions adopted to thereof shall not be invalidated as a result of accidental omission to give notice of the meeting to, or the failure of receiving such notice by, a person entitled to receive such notice.

The notice of a Shareholders' general meeting shall meet the following requirements:

1. it shall be made in writing;

2. it shall specify the time, venue and period of the meeting;

3. it shall describe the matters to be deliberated at the meeting;

4. it shall provide necessary information and explanations to the Shareholders so as to enable them to fully understand the matters to be discussed and make decisions accordingly. This principle shall apply (but not limited to) when our Company proposes a merger, repurchase of Shares, reorganisation of share capital or other restructuring, it shall provide the specific conditions and contracts (if any) of the transaction under discussions and earnestly explain the cause and result of the transaction;

5. it shall disclose the nature and extent of material interests, if any, of any Director, Supervisor, general manager or other senior management personnel of our Company in any matter to be deliberated; and provide an explanation of the differences, if any, between the way in which the matter to be deliberated would affect such Director, Supervisor, general manager or other senior management personnel of our Company in his/her capacity as a Shareholder and the way in which such matter would affect other Shareholders of the same class;

6. it shall contain the full text of any special resolutions proposed to be voted at the meeting;

7. it shall contain a conspicuous statement that the Shareholders are entitled to attend and vote at the meeting, and have the right to appoint one or more proxies to attend and vote on their behalf and that such proxy is not required to be a Shareholder of our Company;

8. it shall state the time and place for the delivery of the meeting's proxy forms.

Without the prior approval of the Shareholders' general meeting by special resolutions, our Company shall not enter into any contract with any party other than the Directors, Supervisors, general manager or other senior management personnel pursuant to which such party shall be responsible for managing the whole or any substantial part of our Company's business.

Resolutions on the following items shall be adopted in the form of ordinary resolutions by a Shareholders' general meeting:

1. working reports of the Board and the Board of Supervisors;

2. plans made by the Board on profit distribution and loss recovery;

3. election and removal of members of the Board and the Shareholder representative Supervisors and their remunerations and methods of payment;

4. annual budget and final accounts plans, balance sheets, income statements and other financial statements;

5. matters other than those stipulated by laws, administrative regulations or the Articles of Association to be adopted by special resolutions.

The following items shall be adopted in the form of special resolutions:

1. increase or reduction of our Company's registered capital or issue of any class of Shares, warrants of subscription of Shares or other similar securities;

2. issue of bonds;

3. division, merger, dissolution, liquidation or change of organisational form of our Company;

4. amendment to the Articles of Association;

5. matters in relation to purchase or sale of material assets or provision of guarantees with an amount of more than 30% of our Company's audited total assets for the most recent period within one year;

6. share option incentive plans;

7. repurchase of the Shares of our Company;

8. other matters stipulated by laws, administrative regulations or the Articles of Association, and other matters decided in ordinary resolutions adopted by the Shareholders' general meeting as having significant impact on our Company and requiring adoption by way of special resolutions;

9. other matters requiring adoption by special resolutions pursuant to the Listing Rules.

TRANSFER OF SHARES

Upon obtaining the approval from the State Council's securities regulatory authority, our domestic share shareholders may list and trade their shares in an overseas stock exchange. The listing and trading of such transferred shares shall comply with the procedures, regulations and requirements prescribed by the relevant overseas stock market. No class shareholder voting is required for such listing and trading of shares on an overseas stock exchange.

Unless otherwise provided by laws and administrative regulations, our Company's shares that are fully paid-in may be transferred free of any encumbrances. Transfer of overseas listed foreign shares listed in Hong Kong shall be registered with the Hong Kong-based share registry designated by the Company. If fees shall be charged for the relevant registration, such fees shall not exceed the maximum fees stipulated by the Stock Exchange in its Listing Rules from time to time.

Any changes to or correction of any parts of the register of shareholders shall be conducted in accordance with the laws of the place where such parts of the register of shareholders are kept.

No changes resulting from share transfers may be made to the register of shareholders within 30 days prior to a shareholders' general meeting or five days prior to the record date set by our Company for the purpose of distribution of dividends.

POWER OF OUR COMPANY TO REPURCHASE ITS OWN SHARES

After being approved under the procedures stipulated by laws, administrative regulations, listing rules of the Stock Exchange, departmental rules and the Articles of Association and obtaining approvals from administrative authorities authorised by the State Council, our Company may repurchase shares of our Company in the following circumstances:

1. to cancel the shares for the purpose of reducing the registered capital of our Company;

2. to merge with other companies holding the shares of our Company;

3. to give the shares to employees as awards;

4. to be requested to repurchase the shares held by the shareholders who object to the resolutions adopted at the shareholders' general meeting concerning consolidation and division of our Company;

5. to use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by our Company;

6. to safeguard corporate value and shareholders' equity as our Company deems necessary;

7. other circumstances where laws and administrative regulations so permit and regulatory authorities so approves.

The repurchase of our Company's shares in the abovementioned circumstances 1, 2 and 4, upon the approval by the relevant state governing authorities, may be conducted in any of the following manners:

1. making a repurchase offer pro rata to all shareholders;

2. repurchase through open transactions in a stock exchange;

3. repurchase through contractual arrangements outside a stock exchange;

4. other means approved by laws, administrative regulations or administrative departments authorised by the State Council.

The repurchase of our Company's shares in the abovementioned circumstances 3, 5 and 6 may only be conducted through open and centralised transactions.

When our Company is to repurchase shares through contractual arrangements outside a stock exchange, prior approval shall be obtained from the shareholders' general meeting in accordance with the Articles of Association. Upon prior approval of the shareholders' general meeting obtained in the same manner, our Company may rescind or change contracts concluded in the manner set forth above or waive any of its rights under such contracts.

1. for the purposes of the above paragraph, contracts for the repurchase of shares shall include (but not limited to) agreements whereby repurchase obligations are undertaken and repurchase rights are acquired.

2. our Company may not assign contracts for the repurchase of its own shares or any of its rights thereunder.

3. Our Company shall apply to the original company registration authority for the change of the registered capital registration and make relevant announcement(s) in the event that the repurchased shares are cancelled due to the repurchase thereof.

4. the amount of our Company's registered capital shall be reduced by the total par value of the shares so cancelled.

Unless our Company has already entered the liquidation stage, it must comply with the following provisions in buying back its issued and outstanding shares:

1. where our Company buys back shares at their par value, the amount thereof shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to repurchase the old shares;

2. where our Company buy backs shares at a price higher than their par value, the portion corresponding to their par value shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to buy back the old shares. The portion in excess of the par value shall be handled according to the following methods:

   (1) where the shares bought back were issued at their par value, the amount shall be deducted from the book balance of distributable profit;

   (2) where the shares bought back were issued at a price higher than their par value, the amount shall be deducted from the book balance of distributable profit and from the proceeds of a new share issuance made to buy back the old shares; however, the amount deducted from the proceeds of the new share issuance may not exceed the total premium obtained at the time of issuance of the old shares nor may it exceed the amount in our Company's share premium account (or capital reserve funds account) (including the premiums from the new share issuance) at the time of buyback;

3. the amount paid by our Company for the purposes set forth below shall be paid out of our Company's distributable profits:

   (1) acquisition of the right to repurchase its own shares;

   (2) modification of any contract for repurchase of its own shares;

   (3) release from any of its obligations under any repurchase contracts

4. after the par value of the cancelled shares has been deducted from the registered capital of our Company in accordance with relevant regulations, that portion of the amount deducted from the distributable profit and used to buy back shares at the par value shall be included in our Company's share premium account (or capital reserve account).

POWER OF OUR COMPANY'S SUBSIDIARIES TO OWN SHARES OF OUR COMPANY

There are no provisions in the Articles of Association restricting the ownership of shares of our Company by any of our Company's subsidiaries.

DIVIDENDS AND OTHER METHODS OF PROFITS DISTRIBUTION

Our Company may distribute the dividends in the form of cash or shares.

Our Company shall appoint recipient agents for shareholders of foreign investment shares listed outside the PRC. The recipient agents shall collect on behalf of the relevant shareholders the dividends distributed and other funds payable in respect of foreign investment shares listed outside the PRC, and to keep such amounts for the future payment to the relevant shareholders.

APPOINTMENT OF PROXIES

Any shareholders entitled to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons (who need not be shareholders) as his/her proxies to attend and vote on his/her behalf. Such proxy may exercise the following rights according to his/her entrustment by the shareholder:

1. the shareholder's right to speak at the shareholders' general meeting;

2. on their own or together with others, to request to vote by ballot;

3. the exercise of voting right by raising hands or ballot; but when more than one proxy is appointed, such proxies can only exercise voting rights by ballot.

Shareholders shall entrust the proxy in writing, and the proxy shall be signed by the appointer or the agent authorised by the shareholders in writing. If the appointer is a legal person, the instrument shall be sealed with the legal person's stamp or signed by its Director or formally authorised agent.

Legal person shareholder shall be represented by the legal representative or the person authorised by resolution of the board of directors or other governing bodies to attend the meeting as a representative thereof. When a proxy is entrusted to attend the meeting, he/she shall present his/her identification card and written proxy or authorisation letter signed by the legal representative, the board of directors or other governing bodies. Legal representative attending the meeting shall present his/her identification card and effective proof to his/her qualification as a legal representative appointed by the board of the legal person or other authority of the legal person or any effective proof permitted by our Company.

The proxy letter issued by a shareholder to entrust proxy to attend shareholders' general meeting shall contain the following contents: the amount of shares represented by the proxy, the name of the proxy; whether the proxy has voting rights; whether the proxy has voting rights on the provisional proposal that may be included in the agenda of the shareholders' general meeting; the specific instructions on which voting rights should be exercised if the proxy has voting rights; date of issue and validity period. If there are several proxies, the proxy letter should specify the number of shares represented by each proxy. In addition, the proxy letter should give instructions on each item to be discussed on the agenda of the meeting, and specify that in the absence of instructions from the shareholder, the proxy may vote as he/she thinks fit.

The form of the proxy letter issued by the Board of our Company to the shareholders for the appointment of proxies shall give the shareholders free choice to instruct their proxies to cast an affirmative, negative or abstention vote and enable the shareholders to give separate instructions on each matter to be voted during discussions at the meeting. The proxy letter shall specify that in the absence of instructions from the shareholder, the proxy may vote as he/she thinks fit.

If, before voting, the appointer has passed away, lost his/her ability to act, withdrawn the appointment, withdrawn the authorisation to sign the proxy letter, or transferred all his/her shares, the vote cast by the proxy in accordance with the proxy letter shall remain valid so long as our Company has not received the written notice regarding such matters before the commencement of relevant meeting.

CALLS ON SHARES AND FORFEITURE OF SHARES

Shareholders are entitled to the interests of any payment for shares prior to the making of calls on such shares, but cannot claim any dividend in respect of such shares that is declared after that prepayment.

Our Company has right to sell the foreign investment shares listed outside the PRC, the holders of which are unable to get into contact with for a prescribed period of time subject to satisfaction of the following conditions:

1. our Company has declared dividend in respect of such shares of at least three times within 12 years, but such dividend has never been collected by any person during that period; and

2. after the expiration of the 12 year period, our Company shall publish an announcement in one or more newspapers in the place where our Company is listed, stating its intention to sell the shares, and notify Stock Exchange of such intention.

RIGHTS OF SHAREHOLDERS (INCLUDING INSPECTION OF REGISTER)

Shareholders of ordinary Shares of our Company shall enjoy rights pursuant to the applicable laws and the Articles of Association as follows:

1. collect dividends and other kinds of interests distributed based on the number of Shares held by them;

2. request for convention of, convene, preside over, attend or entrust a proxy to attend Shareholders' meetings and exercise relevant voting rights in accordance with the applicable laws;

3. supervise and administrate the business operation of our Company, and make suggestions and enquiries accordingly;

4. transfer, donate or pledge Shares held by the Shareholders in compliance with laws, administrative regulations and the Articles of Association;

5. obtain relevant information in accordance with the Articles of Association, including:

   (1) the right to obtain the Articles of Association, subject to payment of costs;

(2) the right to inspect the following documents for free and make copies of the documents subject to payment of costs:

1) all parts of the register of Shareholders;

2) personal materials of a Director, Supervisor, general manager and other senior management of our Company;

3) status of Share capital of our Company;

4) latest audited financial statements of our Company and the Reports of the Directors, auditors and Board of Supervisors;

5) special resolutions of Shareholders' meetings of our Company;

6) reports of the aggregate par value, number of Shares, and highest and lowest prices of each class of Shares repurchased by our Company since the last accounting year as well as all the expenses paid by our Company therefor;

7) copy of the latest annual report filed with the PRC State Administration for Industry and Commerce or other competent PRC authority;

8) minutes of Shareholders' general meetings;

9) Stubs of corporate bonds, minutes of Shareholders' meetings (available for inspection by Shareholders only), special resolutions of Shareholders' meetings, resolutions of Board meetings, resolutions of Board of Supervisors.

6. participate in the distribution of our Company's remaining assets based on the number of Shares held by the Shareholders when our Company is terminated or liquidated;

7. request our Company to purchase its Shares if they object to the resolutions adopted by the Shareholders' general meeting on merger or separation;

8. Any Shareholders who hold, separately or in the aggregate, 3% or more voting Shares of our Company shall have the right to propose and submit in writing the special proposals to the Board ten days prior to a Shareholders' general meeting;

9. other rights conferred by laws, administrative regulations and the Articles of Association.

RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to obligations imposed by laws, administrative regulations or the Listing Rules of the stock exchange(s) on which the Shares of our Company are listed, while exercising voting rights, the Controlling Shareholders shall not make such decisions to the detriment of all or part of the Shareholders' interests as below:

1. relieving a Director or Supervisor of the responsibility to act honestly in the best interest of our Company;

2. approving a Director or a Supervisor for his/her own or other person's benefit to deprive our Company of its property in any form, including (but not limited to) any opportunities that are favourable to our Company; or

3. approving a Director or a Supervisor for his/her own or other person's benefit to deprive other shareholders of their rights or interests, including (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring of our Company submitted to and adopted by the shareholders' general meeting in accordance with the Articles of Association.

The term "controlling shareholder(s)" in the Articles of Association shall refer to the person(s) satisfying any of the following conditions:

1. acting alone or in concert with others, has the power to elect half or more number of the Directors;

2. acting alone or in concert with others, has the power to exercise or control the exercise of 30% or more of our Company's voting rights;

3. acting alone or in concert with others, hold 30% or more of Shares of our Company;

4. acting alone or in concert with others, can obtain actual control of our Company in any other manner.

PROCEDURES ON LIQUIDATION

Should any of the following circumstances occur, our Company shall be dissolved and liquidated pursuant to law:

1. if the Shareholders' general meeting resolves to dissolve our Company;

2. if a dissolution is necessary as a result of the merger or division of our Company;

3. if our Company's business licence is lawfully suspended, or our Company is lawfully declared to be closed or revoked;

4. if our Company is lawfully declared to be closed because it violates laws and administrative regulations;

5. if no other solutions can be pursued when our Company has significant difficulties in its operation and management, and its continued existence will cause great loss to the Shareholders' interests, Shareholders with 10% or more of all the voting rights of our Company may file a lawsuit with the court to dissolve our Company;

6. the declaration of bankruptcy of our Company in accordance with the law resulting from inability to discharge debts;

7. the expiry of the term of business as stipulated in the Articles of Association or other causes of dissolution as stipulated in the Articles of Association. If the Company is dissolved under this circumstance, it may continue to operate by amending the Articles of Association.

If the Board decides that our Company should be liquidated (except the liquidation as a result of our Company's declaration of insolvency), the notice of the Shareholders' general meeting convened for such purpose shall include a statement to the effect that the Board has made full investigation into the position of our Company and that the Board holds the opinion that our Company can pay its debts in full within 12 months after the announcement of liquidation.

The functions and powers of the Board of the Company shall terminate immediately after the Shareholders' general meeting has adopted a resolution regarding liquidation. During the period of liquidation, our Company still exists but shall not engage in any business activities irrelevant to such liquidation.

Upon completion of liquidation, the liquidation committee shall prepare a liquidation report, an income and expenditure statement and financial account for the period of liquidation and, after they are certified by a PRC certified public accountant, submit to the Shareholders' general meeting or the people's court for confirmation.

OTHER PROVISIONS MATERIAL TO OUR COMPANY OR ITS SHAREHOLDERS

General provisions

Our Company is a joint stock limited company having perpetual existence. From the date on which the Articles of Association came into effect, the Articles of Association constitute a legally binding public document regulating our organisation and activities, and the rights and obligations between our Company and each Shareholder and among the Shareholders themselves.

In light of the demands of operation and business development and based on relevant laws and regulations, after obtaining separate resolutions of the Shareholders' general meeting, our Company may increase its capital through the following ways:

1. Offer of new Shares to unspecified investors;

2. Placement of new Shares to existing Shareholders;

3. Allotment of new Shares to existing Shareholders;

4. Offer of new Shares to specified investors;

5. Conversion of capital reserve into share capital;

6. Other means stipulated by laws and administrative regulations or approved by relevant regulatory authorities.

Our Company's issuance of new Shares shall be handled in accordance with the procedures provided for in relevant State laws and administrative regulations after having been approved in accordance with the Articles of Association.

Our Company may reduce its registered capital in accordance with the provisions of the Articles of Association. The reduction of registered capital shall follow the procedures set forth in the PRC Company Law and other regulations and provisions of the Articles of Association.

When our Company is to reduce its registered capital, it must prepare a balance sheet and an inventory of assets.

Our Company shall notify its creditors within 10 days of adopting the resolution to reduce its registered capital and shall publish an announcement in the newspapers within 30 days. Creditors shall, within 30 days since receiving a written notice or within 45 days since the date of the public announcement for those who have not received a written notice, be entitled to require our Company to pay off its debts in full or to provide a corresponding guarantee for repayment.

The reduced registered capital of our Company may not be less than the statutory minimum.

Shareholders of ordinary Shares of our Company shall undertake the following obligations:

1. abide by laws, administrative regulations and the Articles of Association;

2. contribute share capital according to the number of Shares subscribed by them and the methods of capital contribution;

3. the liability of the Shareholders to our Company is limited to the extent of the Shares subscribed by them;

4. unless otherwise stipulated by laws and administrative regulations, Shareholders shall not withdraw their share capital;

5. other obligations imposed by laws and the Articles of Association.

SECRETARY OF THE BOARD

The Board has a secretary who shall be appointed and dismissed by the Board. The secretary of the Board is a member of senior management of our Company.

The major duties of the secretary of the Board shall include:

1. to ensure that our Company has complete organisation documents and records; keep and manage Shareholders' information; and help Directors with daily work of the Board;

2. to organise and arrange for Board meetings and Shareholders' general meetings, prepare meeting materials, handle relevant meeting affairs, keep minutes of the meetings and ensure their accuracy, keep meeting documents and minutes, take initiative to keep abreast of the implementation of relevant resolutions, and report important issues occurring during the implementation to the Board and make recommendations to the Board;

3. as the liaison of our Company with the securities regulatory authorities, to be responsible for organising, preparing and timely submitting the reports and documents required by the regulatory authorities as well as accepting and organising the implementation of relevant assignment from the regulatory authorities;

4. to be responsible for coordinating and organising our Company's information disclosure, establishing and improving the information disclosure system, attending all of our Company's meetings involving information disclosure, and keeping informed of our Company's material operation decisions and related information in a timely manner;

5. to ensure that the register of members of our Company is established appropriately and that the persons who have the right of access to the relevant records and documents of our Company obtain the same in due time;

6. to exercise other functions and powers as conferred by the Board, as well as other functions and powers as required by laws and regulations and the stock exchange of the place(s) where our Company's Shares are listed.

BOARD OF SUPERVISORS

Our Company shall have a Board of Supervisors, which shall comprise three Supervisors, one of whom shall be elected as the chairman of the Board of Supervisors. The chairman of the Board of Supervisors shall be elected or replaced by two-thirds or more of all the Supervisors. The term of office of each Supervisor shall be three years. A Supervisor may serve consecutive terms if re-elected upon the expiration of his/her term. Directors, general manager and other senior management personnel of our Company may not serve as Supervisors concurrently.

The Board of Supervisors shall perform the following duties:

1. to supervise any acts of the Directors, general manager and other senior management personnel of our Company in their performance of duties that violate the laws, administrative regulations and the Articles of Association, and to propose dismissal of any Directors and senior management personnel who violate the laws, administrative regulations, the Articles of Association or the resolutions of Shareholders' general meetings;

2. to require the Directors, general manager and other senior management personnel of our Company to correct any act that is harmful to our Company's interests;

3. to review the financial operations of our Company;

4. to examine the financial reports, operating reports, profit distribution proposals and other financial documents which the Board intends to submit to the Shareholders' general meeting, and to entrust certified accountant or certified auditor on behalf of our Company to review relevant financial documents in case of any doubt;

5. to propose to hold an extraordinary general meeting, and to convene and preside over a Shareholders' general meeting when the Board fails to perform its duty of convening and presiding over such meeting pursuant to the PRC Company Law;

6. to make proposals to the Shareholders' general meetings;

7. to represent our Company in negotiation with Directors or to sue Directors;

8. to propose to hold an extraordinary Board meeting;

9. to bring legal proceedings against the Directors and senior management personnel in accordance with Article 151 of the PRC Company Law;

10. other functions and powers as required by laws, administrative regulations and the Articles of Association;

A Supervisor can attend the Board meetings as a non-voting attendee.

A Supervisor shall abide by laws and the Articles of Association, and perform his/her supervising responsibilities honestly and diligently.

GENERAL MANAGER OF OUR COMPANY

The general manager of our Company shall be accountable to the Board and shall have the right to exercise the following powers:

1. to manage the business and administration of our Company and report on its work to the Board;

2. to arrange for the implementation of the resolutions of the Board, annual operational plans and investment proposals of our Company;

3. to formulate proposals for our Company's annual financial budgets and final accounts and make recommendations to the Board;

4. to formulate the fundamental management system and internal management establishment structure of our Company;

5. to formulate our Company's specific rules and regulations;

6. to propose to the Board for the appointment or dismissal of the deputy general manager, chief financial officer and other senior management personnel in accordance with the Articles of Association and relevant internal control system;

7. to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the Board) and ordinary employees in accordance with the Articles of Association and relevant internal control system of our Company;

8. to propose to hold an extraordinary Board meeting;

9. to decide on other matters within the scope authorised by the Board;

10. to decide on the investments, acquisitions or sales, financings and other matters excepting the projects which shall be decided by the Board or Shareholders' general meeting;

11. other functions and powers authorised by the Articles of Association and the Board.

The general manager shall abide by laws and the Articles of Association, and perform his/her duties faithfully, honestly and diligently.

BOARD

The Board shall be accountable to the Shareholders' general meetings and shall exercise the following functions and powers:

1. to convene Shareholders' general meetings, make proposals or motions to the Shareholders' general meeting for adoption of relevant matters, and report on its work to the Shareholders' general meeting;

2. to implement the resolutions of the Shareholders' general meetings;

3. to decide on our Company's operational plans and investment proposals;

4. to formulate proposals for our Company's annual financial budgets and final accounts;

5. to formulate our Company's profit distribution proposals and loss recovery proposals;

6. to formulate proposals for the increase or reduction of registered capital, proposals for issue of Shares as well as proposals for issue of corporate bonds or other securities and listing of our Company;

7. to formulate proposals for acquisition and disposal of material assets, repurchase of our Company's Shares or merger, division, dissolution and change of corporate form of our Company;

8. to decide on the setup of our Company's internal management organs;

9. to appoint or dismiss our Company's general manager and secretary of the Board; and based on the general manager's recommendation, to appoint or dismiss any deputy general manager, chief financial officer and other senior management personnel of our Company;

10. to decide on the remunerations of the aforesaid senior management personnel;

11. to formulate our Company's basic management system;

12. to formulate proposals for any amendment to these Articles of Association;

13. to propose to hire or replace an accounting firm to the Shareholders' general meeting;

14. to listen to the work report of the general manager and other senior management personnel of our Company and check the work of the general manager and other senior management personnel;

15. to decide on external investment and external guarantee of our Company within the scope authorised by the Shareholders' general meeting;

16. investment, acquisition or disposal of assets, financing, connected transactions and other matters that shall be decided by the Board in accordance with the requirements of the Listing Rules;

17. to decide on other major matters of our Company, except for those matters which have been stipulated by the Company Law and the Articles of Association to be resolved at the Shareholders' general meetings;

18. other functions and powers authorised by laws and regulations, the Listing Rules, Articles of Association or Shareholders' general meetings.

Board meetings shall be held at least four times a year, and shall be convened by the chairman. Written notice shall be given to all Directors and Supervisors at least fourteen days before the meeting is held. In any of the following circumstances, the chairman shall convene an extraordinary Board meeting within ten days after receipt of the proposal:

1. Shareholders representing more than one-tenth of the voting rights propose;

2. more than one-third of the Directors jointly propose;

3. the chairman proposes;

4. more than two independent non-executive Directors propose;

5. the Board of Supervisors proposes;

6. the general manager proposes.

Every Director shall have the right to one vote. Save as otherwise specified in laws, administrative regulations and these Articles of Association, resolutions made by the Board shall be passed by more than half of all Directors.

The special committees set up under the Board include without limitation: nomination committee, audit committee and remuneration committee.

ENGAGEMENT OF AN ACCOUNTING FIRM

Our Company shall engage an independent accounting firm that complies with relevant governmental regulations to audit the annual financial reports and other financial reports of our Company. The term of engagement of an accounting firm engaged by our Company shall be between the conclusion of the annual general meeting of our Company and the conclusion of the next annual general meeting.

The Shareholders' general meeting may, by means of an ordinary resolution, dismiss any accounting firm prior to the expiration of its term of engagement, notwithstanding any provisions in the engagement contract between the accounting firm and our Company, without prejudice to such accounting firm's right, if any, to claim damages from our Company in respect of such dismissal.

The engagement, dismissal or refusal of the renewal of the engagement of an accounting firm shall be decided upon by the Shareholders' general meeting and filed with the securities regulatory authorities under the State Council.

DISPUTE RESOLUTION

If any disputes or claims related to our Company's business based on the rights or obligations provided in the Articles of Association, the Company Law as well as other relevant laws or administrative regulations arise between the holders of overseas listed foreign shares and our Company, between the holders of overseas listed foreign shares and the Directors, Supervisors, the general manager or other senior management members of our Company or between the holders of overseas listed foreign shares and the holders of Domestic Shares, the parties concerned may submit such dispute or claim for arbitration.

When such disputes or claims as described above are submitted for arbitration, such disputes or claims shall be submitted in their entirety, and all persons that have a cause of action due to the same events or whose participation is necessary for the settlement of such disputes or claims, and if such persons being our Company or Shareholders, Directors, Supervisors, the general manager or other senior management members of our Company, shall abide by arbitration.

Disputes concerning the definition of shareholders and the register of shareholders shall not be required to be settled by means of arbitration.

A dispute or claim submitted for arbitration may be arbitrated, at the option of the arbitration applicant, by either the China International Economic or Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. After the arbitration applicant has submitted the dispute or claim for arbitration, the other party must carry out arbitration in the arbitration institution selected by the applicant.

If the arbitration applicant opts for arbitration by the Hong Kong International Arbitration Centre, either party may request arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Unless otherwise provided by laws or administrative regulations, the laws of the PRC are applicable to the arbitration for the disputes or claims referred above.

The award of the arbitration institution shall be final and binding upon each party.

In any agreement entered into between the Directors, senior management and the Company concerning the provisions for settlement of disputes specified in this Article, the Company act on behalf of both itself and each Shareholder.

Any arbitration submitted shall be deemed as authorising the arbitration tribunal to conduct public hearing and announce the arbitration award.

The following is the text of a report prepared for the purpose of incorporation in this prospectus received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 31 October 2022 of the property.

ROMA

22/F, China Overseas Building
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

30 December 2022

Huaibei GreenGold Industry Investment Co., Ltd.*
4/F Lieshan District
Shuangchuang Service Center
No. 3 Taobo Road
Songtuan Town, Lieshan District
Huaibei City
Anhui Province, the PRC

Dear Sir/Madam,

Re: Valuations of various industrial developments located at Huaibei City, Anhui Province, the People's Republic of China

In accordance with your instruction for us to value the properties held by Huaibei GreenGold Industry Investment Co., Ltd.* (the "Company") and/or its subsidiaries (together with the Company referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 October 2022 (the "Date of Valuation") for the purpose of incorporation in the prospectus of the Company dated 30 December.

BASIS OF VALUATION

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

Due to the specific purpose for the buildings and structures of the property, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach ("DRC") is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In practice, DRC approach may be used as a substitute for the market value of specialised property, due to the lack of market comparables available. Where appropriate, we have also take into account the net income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate.

TITLE INVESTIGATION

For the properties in the PRC, we have been shown copies of extracts of various title documents and have been advised by the Group that no further relevant documents have been produced. Furthermore, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. We have relied on the information given by the Group and advice given by its PRC legal adviser, Beijing DeHeng Law Offices (北京德恒律師事務所), regarding the titles of the properties in the PRC.

We have also relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the "RICS Valuation – Global Standards" published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

REMARKS

Unless otherwise stated, all monetary amount stated in our valuation is in Renminbi (RMB).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Frank F Wong
BA (Business Admin in Acct/Econ) MSc (Real Est)
MRICS Registered Valuer MAusIMM ACIPHE
Director, Head of Property and Asset Valuation

Note: Mr. Frank F Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering who has 23 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 15 years' experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, Canada, United States, Abu Dhabi (UAE) and Jordan.

SUMMARY OF VALUES

No.	Property	Market Value in Existing State as at 31 October 2022
	Property held by the Group in the PRC for owner occupation purpose	
1.	An industrial development located at Taishan Village, Xinyuan Village, Songtuan Town, Lieshan District, Huaibei City, Anhui Province, the PRC 中國安徽省淮北市烈山區宋疃鎮太山村新園村之工業項目	RMB110,160,000
2.	An industrial development located at West of Dongliu Road, Wafang Village, Qugou Town, Huaibei City, Anhui Province, the PRC 中國安徽省淮北市渠溝鎮瓦房村東流路西之工業項目	RMB64,990,000
	Total:	RMB175,150,000

VALUATION CERTIFICATE

Property held by the Group in the PRC for owner occupation purpose

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2022
1.	An industrial development located at Taishan Village Xinyuan Village Songtuan Town Lieshan District Huaibei City Anhui Province the PRC 中國安徽省淮北市烈山區宋疃鎮太山村新園村之工業項目	The property comprises a parcel of land with a total site area of approximately 207,281.30 sq.m. and 9 industrial buildings erected thereon completed on 2017. The property has a total gross floor area ("GFA") of about 4,547.94 sq.m. The land use rights of the property have been granted for term expiring on 26 March 2069 for industrial use.	The property is occupied by the Group.	RMB110,160,000

Notes:

1. Pursuant to Land Use Right Title Certificate, Wan (2019), Huai Bei Shi Bu Dong Chan Quan Di No. 0009546 (皖(2019)淮北市不動產權第0009546號), issued by the Huai Bei City Natural Resources and Planning Bureau on 22 May 2019, the land use rights of the property with a site area of approximately 207,281.30 sq.m. has been granted to Huaibei Tongming Mining Co., Ltd. ("Tongming Mining") (淮北通鳴礦業有限公司), a wholly-owned subsidiary of the Group, for term expiring on 26 March 2069 for industrial use.

2. Pursuant to 9 certificates of Real Estate Title Certificate issued by Huaibei City Planning and Natural Resources Bureau dated 28 June 2021, the building ownership of the property with a total gross floor area of approximately 4,547.94 sq.m. have been granted to Tongming Mining for industrial use. Details are as follows:

Real Estate Title Certificate	GFA *(sq.m.)*
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0068180	2132.36
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0068164	366.08
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0068264	1,207.80
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0068119	274.65
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0068149	28.70
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0068150	64.20
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0068175	338.39
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0068151	42.64
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0068142	93.12
Total:	4,547.94

3. The site inspection was performed by Ms. Vinci Q.J. Hou, MSc in Science, with about 8 years property valuation experience in the PRC in June 2021.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter-alia*, the following information:

   a. Tongming Mining has obtained the state-owned land use rights and building ownership rights of the property and is in possession of a proper legal title to the property;

   b. Tongming Mining has paid an amount of RMB31,221,552 which is used for land acquisition compensation and approval fees, etc., it was an additional fee for the State-owned Land Use Rights Transfer Contract (國有建設用地使用權出讓合同) ; and

   c. The property is not subject to mortgage or any other material encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 October 2022
2.	An industrial development located at West of Dongliu Road Wafang Village Qugou Town Huaibei City Anhui Province the PRC 中國安徽省淮北市渠溝鎮瓦房村東流路西之工業項目	The property comprises a parcel of land with a total site area of approximately 52,594.89 sq.m. and 9 industrial buildings erected thereon completed on 2018. The property has a total gross floor area ("GFA") of about 34,858.33 sq.m. The land use rights of the property have been granted for terms expiring on 21 March 2069 for industrial use.	The property is occupied by the Group.	RMB64,990,000

Notes:

1. Pursuant to Land Use Right Title Certificate, Wan (2019), Huai Bei Shi Bu Dong Chan Quan Di No. 0009326 (皖(2019)淮北市不動產權第0009326號), issued by the Huai Bei City Natural Resources and Planning Bureau on 20 May 2019, the land use rights of the property with a site area of approximately 52,594.89 sq.m. has been granted to Huaibei Liantong Municipal Engineering Co., Ltd. ("Liantong Municipal") (淮北連通市政工程有限公司), a wholly-owned subsidiary of the Group, for term expiring on 21 March 2069 for industrial use.

2. Pursuant to 9 certificates of Real Estate Title Certificate issued by Huaibei City Planning and Natural Resources Bureau dated 18 June 2021, the building ownership of the property with a total gross floor area of approximately 34,858.33 sq.m. have been granted to Liantong Municipal for industrial use. Details are as follows:

Real Estate Title Certificate	GFA *(sq.m.)*
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0065862	2,138.09
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0065883	5,345.52
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0065916	23,542.40
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0065924	705.96
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0065925	2,798.19
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0065901	61.52
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0065902	185.99
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0065922	37.48
Wan (2021) Huaibei Shi Bu Dong Chan Quan Di No.0065911	43.18
Total:	34,858.33

3. The site inspection was performed by Ms. Vinci Q.J. Hou, MSc in Science, with about 8 years property valuation experience in the PRC in June 2021.

4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter-alia*, the following information:

   a. Liantong Municipal has obtained the state-owned land use rights and building ownership rights of the property and is in possession of a proper legal title to the property; and

   b. The property is not subject to mortgage or any other material encumbrances.

Independent Technical Report on the Gaoloushan Construction Aggregate Project, Anhui Province, China

Gaoloushan Construction Aggregate, Huaibei, Anhui, China
Huaibei GreenGold Industry Investment Co., Ltd.*

SRK Consulting (Hong Kong) Ltd ▪ HBT001 ▪ 30 December 2022

srk consulting

Independent Technical Report on the Gaoloushan Construction Aggregate Project, Anhui Province, China

Gaoloushan Construction Aggregate, Huaibei, Anhui, China

Prepared for:
Huaibei GreenGold Industry Investment Co., Ltd.*
4/F, Shuangchuang Service Center,
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Project number: HBT001. Issued 30 December 2022.

Cover Image:
Phase I Processing Plant

Disclaimer: The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Hong Kong) Ltd (SRK) by Huaibei GreenGold Industry Investment Co., Ltd.* The opinions in this Report are provided in response to a specific request from Huaibei GreenGold Industry Investment Co., Ltd.* to do so. SRK has exercised all due care in reviewing the supplied information. While SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

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USEFUL DEFINITIONS

This list contains definitions of symbols, units, abbreviations, and terminology that may be unfamiliar to the reader.

Term	**Meaning**
ACR/ASR	Alkali silica reactivity/alkali carbonate reactivity Records the presence of minerals that may react with alkali materials present in cement mixes and cause swelling and consequent structural damage
bedding	The surface that separates one layer from another in sedimentary rocks
bulk density	Property of mineral components, defined by the weight of an object or material divided by its volume, including the volume of its pore spaces
calcite	Calcium carbonate minerals
Cambrian	Time period 540-485 million years ago
CNGM	China National Geological Exploration Center of Building Materials Industry
compressive strength	The capacity of a material or structure to withstand loads tending to reduce size, measured by plotting applied force against deformation in a testing machine. It is the maximum compressive stress that can be applied to a material, such as a rock, under given conditions, before failure occurs
diorite	A coarse-grained igneous rock, intruded as a magma into pre-existing rock units where it solidifies to form a solid mass
dolomite	A sedimentary carbonate rock and a mineral, both composed of calcium magnesium carbonate $CaMg(CO_3)_2$ found in crystals, commercially referred to as marble
drill core	A solid, cylindrical sample of rock produced by an annular drill bit, generally rotatively driven but sometimes cut by percussive methods (drill core is extracted from a drill hole)

Term	Meaning
drill hole	A hole drilled in the ground by a drill rig, usually for exploratory purposes to obtain geological information and to allow sampling of rock material
Early Palaeozoic	Time period comprising Cambrian and Ordovician
ECGE	East China Metallurgical Institute of Geology and Exploration
EIA	environmental impact assessment, a comprehensive analysis of the environmental consequences of a mining project
EPCM	Engineering, Procurement, Construction and Management
EPMP	Environmental Protection and Management Plan
exploration	Activities undertaken to prove the location, volume and quality of a deposit
fault	A fracture or fracture zone in rock along which movement has occurred
feed ore	Mined rock delivered to the processing plant
flexural strength	A mechanical parameter for brittle material, defined as a material's ability to resist deformation under load
fold	A bend or flexure in a rock unit or series of rock units that has been caused by crustal movements
formation	A body of rock having a consistent set of characteristics (lithology) that distinguish it from adjacent bodies of rock
FS	feasibility study on the Phase II development, prepared by Hanchen International Engineering Design Group Co., Ltd.
g/cm^3	grams per cubic centimetre
GIS	Geographic Information System

Term	Meaning
GPS	Global Positioning System: a global navigation satellite system that provides location, velocity and time synchronisation
hauling	The drawing or conveying of the product of the mine from the working places to the bottom of the hoisting shaft, or slope
IFC	International Finance Corporation/World Bank
JGMD	Jiangsu Mineral Geology Design and Research Institute
joint	A fracture in rock which has no displacement
JORC Code	*Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2012
Jurassic	Time period 200-145 million years ago
k	thousand
karst	A type of topography that is formed on limestone, gypsum, and other rocks by dissolution, and that is characterised by sinkholes, caves and underground drainage
kg	kilograms
km	kilometres
km^2	square kilometres
kV	kiloVolts
kVA	kiloVolt-Amperes
kW	kiloWatts

Term	Meaning
limestone	Rocks of sedimentary origin that primarily are composed of calcium carbonate without or with limited magnesium
log	The record of, or the process of recording, events or the type and characteristics of the rock penetrated in drilling a borehole, as evidenced by the cuttings, core recovered, or information obtained from electric, sonic or radioactivity devices
LoM	Life of Mine
m	metres
M	million
m^3	cubic metres
magmatic	Pertaining to, or derived from, magma
metamorphic rock	A rock formed by transformation of existing rocks subject to elevated heat and pressure
Measured Resource(s)	part of the Mineral Resource(s) for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. A Measured Resource has a higher level of confidence than that applying to either an Indicated Resource or an Inferred Mineral Resource
Mineral Resource	Concentration or occurrence of material of intrinsic economic interest on or inside the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Resources are sub-divided into categories of Inferred, Indicated and Measured in order of increasing geological confidence
masl	metres above sea level

Term	Meaning
mm	millimetres
Modifying Factors	Modifying Factors are considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors
MPa	megaPascals
Mt	million tonnes
Mtpa	million tonnes per annum
nameplate capacity	The maximum processing plant capacity, the intended full-load sustained output
OHS	Occupational Health and Safety
Oolite	A nearly spherical rock ~2 mm particle formed by concentric deposition around a nucleus; oolitic describes a rock formed from oolites
open pit	Mining of a deposit from a pit open to the surface and usually carried out by stripping of overburden materials (equivalent to a quarry)
Ordovician	A time period 485-445 million years ago, follows after Cambrian
Ore Reserve	The economically mineable part of a measured and/or indicated mineral resource(s), which include(s) diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified
overburden	refers to a mixture of weathered rocks and soils generated during the mining process

Term	Meaning
plant availability	an index indicating the percentage of planned production time in which a machine actually produced
PD	Preliminary Design of the Gaoloushan Expansion Project, prepared by Hebei Building Materials Industry Design and Research Institute Co., Ltd.
Probable Ore Reserve(s)	the economically mineable part of Indicated Resource(s) within the pit. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve
Proved Ore Reserve(s)	the economically mineable parts of the Measured Resources, which include diluting materials and allowances of losses. A Proved Ore Reserve implies a high degree of confidence in the modifying factors
phyllite	A type of foliated metamorphic rock created from slate that has fine-grained mica
Quaternary	Most recent time period 2.6 million years ago to the present
RMB	Chinese Yuan, Chinese currency
RoM	Run of Mine, ore coming out of a mine prior to processing
scalpings	Material remaining after aggregate products have been removed
sedimentary rock	A rock formed from the accumulation and consolidation of sediment, usually in layered deposits and which may consist of rock fragments of various sizes, remains or products of animals or plants, products of chemical action or of evaporation, or mixtures of these
shale	A fine-grained sedimentary rock, formed from mud that is a mix of clay and silt
sill	A tabular sheet intrusion of molten rock (magma) that has intruded between older layers of sedimentary rock, a sill does not cut across the pre-existing formations

Term	Meaning
specific gravity	The ratio of its mass to the mass of an equal volume of water
SRK	SRK Consulting (Hong Kong) Limited
stratigraphy	The study of sedimentary rock units, including their geographic extent, age, classification, characteristics and formation
strike	Direction of line formed by intersection of a rock surface with a horizontal plane. Strike is always perpendicular to direction of dip
stripping ratio	The ratio of the volume of waste material required to be handled in order to extract some volume of ore
t	tonnes
vein	Sheet-like body of minerals formed by fracture filling or replacement of lost rock
waste	The part of an ore deposit that is too low in grade to be of economic value at the time of mining, but which may be stored separately for possible treatment later
water absorption	The amount of water that a material can absorb under controlled conditions
weathering	Response of materials once in equilibrium within Earth's crust to new conditions at or near contact with water, air, or living matter
wireframe	A skeletal three-dimensional model in which only lines and vertices are represented, a preliminary stage used in preparing a full three-dimensional model
WRD	waste rock dump
WSCP	Water and Soil Conservation Plan

EXECUTIVE SUMMARY

SRK Consulting (Hong Kong) Limited ("**SRK**") is an associate company of the international group holding company, SRK Global Limited. SRK has been commissioned by Huaibei GreenGold Industry Investment Co., Ltd.* ("**GreenGold**" or the "**Company**") to prepare an Independent Technical Report ("**ITR**" or the "**Report**") on its Gaoloushan construction aggregate project (the "**Project**"). The Project is located in Huaibei City, Anhui Province of the People's Republic of China ("**PRC**") and comprises an operating quarry and a processing plant. This Report will be included in a prospectus relating to an initial public offering ("**IPO**") of shares in the Company and associated capital raising on the Hong Kong Stock Exchange ("**HKEx**").

The scope of work for this Report includes review and reporting on the following technical aspects:

- Geology and aggregate quality;
- Mineral Resources;
- Mining and Ore Reserves;
- Processing;
- Capital and operating costs;
- Marketing;
- Environmental, permits and social impacts; and
- Risk assessment.

Work programme

SRK has reviewed information supplied by GreenGold, including the latest preliminary design ("**PD**"), an independent market study, drilling information, test reports and various other documents. SRK visited the Project site in May, June and November 2021. This Report documents the results of SRK's review and assessment of the Project.

Geology

The Project area forms part of the Suzhou–Xuzhou fold and thrust belt of the southern margin of the North China Block. The regional stratigraphy is Early Palaeozoic limestone, dolomite and shale underlain by older Proterozoic limestone, sandstone and phyllite. These rocks were later intruded by Jurassic granodiorite and diorite, which forms sills between the sedimentary layers. A small subvertical 10 cm-wide fault zone, infilled with calcite veins, strikes southeast through the Project area.

In the Project area, the beds dip between 10° and 30° to the southeast. The target Cambrian limestone and dolomite sequence consists of the oldest Zhangxia Formation (consists of oolitic limestone) with an average thickness of approximately 221 m, the Gushan Formation (consists of dolomitic and oolitic limestone) with an average thickness of approximately 61 m and the youngest Changshan Formation (consists of dolomite and limestone) with an average thickness of approximately 66 m. Together, these three formations form Domain 1 (being D1 Limestone), which has a maximum thickness of 348 m. The oldest, Zhangxia Formation, is intruded by a diorite sill with a maximum thickness of 75 m. The sill comprises Domain 2 (being D2 Diorite). It outcrops in the western portion of the Project.

The Project area has been mapped at a 1:2,000 scale in 2020 and 2021, building on earlier mapping at 1:200,000 and 1:50,000 scales. Seven drill holes for a total of 1,108 m were drilled in the 2020 and 2021 drilling programmes. The mapping and surface sampling programme has indicated that the limestones and dolomites are outcropping bedrock and have a minimal and localised weathering profile to 0.2 m, while the diorite weathering profile has an average thickness of 12.5 m.

Samples taken from the drill cores and exposed surfaces were subjected to testing to determine bulk density, wet compressive strength (water saturated), crushing index, alkali aggregate reactivity and robustness. The samples were cut to the specified size and tested. The results indicate that the quality of the limestone is suitable for use as an aggregate in accordance with the Technical Requirements for Geological Prospecting of Building Stones in Anhui Province (安徽省建築石料用礦地質勘查技術要求) (the "**Anhui Province Standard**") in a range of concrete, asphalt concrete and cement-stabilised macadam products. The diorite has failed to meet the alkali silica reactivity criteria and is not considered suitable for concrete products containing Portland cement, although it is still considered suitable for railway ballast, non-cement containing roadbase, and other applications.

Mineral Resources

SRK conducted geological modelling based on topographic and geological mapping and the results of the 2020 and 2021 drilling programmes. The resource classification is based on the continuity of the limestone and diorite units. Two units have been modelled: the D1 Limestone and D2 Diorite.

SRK is of the opinion that there is sufficient confidence in the continuity and aggregate quality of the D1 Limestone and D2 Diorite domains to classify Indicated Mineral Resources prepared under the guidelines of the JORC Code within the Phase II Mining Licence area. A small proportion on the edge of the resource is classified as an Inferred Mineral Resource. No significant faults or karst cavities that may affect geological continuity were observed. The construction aggregate Mineral Resource estimated by SRK in accordance with the guidelines of the JORC Code as at 30 September 2022 is tabulated in Table ES-1.

Table ES-1: Gaoloushan Construction Aggregate Project Mineral Resource statement as at 30 September 2022

Domain	Mineral Resource Category	Volume	Tonnes
		('000 m^3)	*(kt)*
D1 Limestone	Indicated	60,780	164,108
	Inferred	1,601	4,323
	Total	62,381	168,431
D2 Diorite	Indicated	5,656	14,819
	Inferred	403	1,056
	Total	6,059	15,875
TOTAL	Indicated	66,436	178,927
	Inferred	2,004	5,379
	Total	68,440	184,306

Mining

The quarry is an open pit operation that uses a conventional quarrying method, comprising drilling, blasting, loading and hauling. The quarry operation aims to meet processing plant requirements, which are driven by its rated capacity and market demand.

The previous Phase I Mining Licence, which permitted production of up to 3.5 Mtpa was replaced by a new Phase II Mining Licence issued on 30 June 2021 that covers a larger area and allows the production capacity of up to 8.0 Mtpa. The Company is transitioning from the Phase I to Phase II developments. The construction of the Phase II development will commence in the fourth quarter of 2022.

SRK has reviewed the PD on the Phase II development and considered the level of accuracy of the Modifying Factors described in the PD, supported by the Phase I operation data, is similar to a feasibility study ("FS"), prepared in accordance with the JORC Code guidelines. SRK conducted an open pit optimisation, mine design and production schedule for the Phase II operation based on the Modifying Factors described in the PD and the SRK's Mineral Resource Model. The proposed life of the mine ("LoM") is 18 years, with the ramp-up period taking place from 2022 to 2030 in response to the predicted growth of the market. From 2031, the quarry will operate at full capacity of 8.0 Mtpa.

It is SRK's opinion that the chosen quarrying method is appropriate and the selected mining equipment is reasonable. The quarrying operation is technically feasible, having a low risk of inadequate capacity to meet demand from the processing plant.

Ore Reserve

The construction aggregate Ore Reserve estimate prepared by SRK in accordance with the guidelines considerations of the JORC Code as at 30 September 2022 is presented in Table ES-2. Based on the Modifying Factors, final pit design, the LoM plan from the pit to the processing plant and allowances for mining losses, SRK has classified the economically mineable part of the Indicated D1 Limestone Resource within the pit as Probable Ore Reserve. No D2 Diorite has been declared as Ore Reserve.

Table ES-2: Gaoloushan Construction Aggregate Project Ore Reserve statement as at 30 September 2022

Domain	Ore Reserve Category	Volume	Tonnes
		('000 m^3)	*(kt)*
D1 Limestone	Probable	46,956	126,781

Note: Ore Reserve is inclusive of Mineral Resource; a 2% mining loss is factored.

Processing

The current Phase I Processing Plant has a designed nameplate production capacity of 1,300 t/h (3.6 Mtpa) and has been operating successfully since June 2018. The Phase II Processing Plant is planned with a production capacity of 2,500 t/h (8.0 Mtpa) and commercial production is targeted to commence by the end of fourth quarter of 2023. The process flowsheets of Phase I includes a two-stage closed-circuit crushing process with pre-screening, while the Phase II processing flowsheet is similar, but with one more stage of screening. Mined ore is crushed and screened, and the construction aggregate products comprise four sizes of fractions (0-5 mm, 5-15 mm, 15-25 mm and 25-31.5 mm) and scalpings. The additional screening process in the Phase II Processing Plant will produce two types of products: primary screening and final screening products. The latter is considered as a premium product as less fines or silts are included. The conventional aggregate production process equipment configuration are considered appropriate and reasonable. SRK considers the forecast production targets are achievable.

Markets and Prices

Construction aggregates are relatively low-cost high-volume commodities that are typically sought as close as possible to consumers to reduce transportation costs. Markets are affected by the general economic environment, particularly in the construction industry, which is driven by factors such as the rate of population growth, urbanisation, and government policies. GreenGold commissioned an industry consultant, China Insights Consultancy, to conduct an independent market study ("**Market Study**") covering the macroeconomic environment, the construction industry and the competitive landscape of the construction materials industry in Huaibei City and its "Surrounding Cities" (including Suzhou City and Bozhou City).

The major end consumers of construction aggregate products from the Project are concrete, asphalt concrete and cement-stabilised macadam manufacturers, as well as civil engineering companies. These industries are usually located in cities and near large construction projects. Huaibei City, approximately 23 km away, is the largest market for products from the Project. Two other cities, Suzhou and Bozhou, approximately 31 km and 158 km away from the Project, respectively, are examples of cities that are probably within an economic transport distance.

The sales volume of construction aggregate in Huaibei City and its Surrounding Cities increased from approximately 38.6 million tonnes in 2017 to approximately 44.2 million tonnes in 2018, and decreased to approximately 26.0 million tonnes in 2019, and bounced back to approximately 32.0 million tonnes in 2020 but dropped to 26.8 million tonnes in 2021. The decrease in sales volume in 2019 is mainly because many small and medium quarries without the ability to meet new environmental protection requirements introduced by the central government in 2019 were forced to shut down, which lead to limited supply from suppliers and huge reduction of production volume. It is expected that by 2026, the production volume will reach approximately 35.6 million tonnes with a CAGR of approximately 5.8% from 2021 to 2026. Most survived quarries with qualifications are state-owned enterprises and are actively expanding production capacities in order to meet market demand in Huaibei City and its Surrounding Cities.

A rapid rise in average prices for construction aggregate in Huaibei City and Surrounding Cities between 2017 and 2019, and a sudden fall in 2020. The increases of prices between 2016 to 2020 is mainly resulted from the stringent regulation implemented by China's government in mining for the purpose of environmental protection and safety production. The average price of construction aggregate decreased in 2020 because existing suppliers have expanded production capacity and the situation of construction aggregate shortage in 2019 has been relieved. Between 2017 and 2021, the national average price of construction aggregate was generally lower than the price in Huaibei City and its Surrounding Cities. A price gap between the national and Huaibei region prices is also attributed to limited raw materials supply and stricter mining regulations in the region. The proposed increase in supply by the Company, and possibly competing producers as well, is considered likely to narrow the gap between national and local average prices over the next five years.

Materials that may be used to substitute for natural aggregates include recycled concrete, recycled asphalt, crushed bricks, recycled glass, metallurgical iron and steelmaking slag. These materials are usually used to replace a proportion of the natural aggregate in concrete and asphalt mixes.

SRK has viewed ten sales agreements for aggregate products dated July 2018 to December 2021. They include agreements for purchase of aggregates for concrete and civil engineering companies. The terms of the contracts vary considerably and often constitute a supply agreement that does not include price. Prices for all aggregate products from the Project are sold through direct negotiation with consumers, commonly using set prices that vary frequently according to demand. Prices are generally not stated in contracts unless they are valid for short periods. The cost of freight, which is not included in prices, means that the customers have to bear their own freight cost and will buy aggregate from producers close to their operations.

Average volumes and prices for products from the Project from 2018 to 2021 appear to be consistent, given likely local variations, with those reported in the Market Study.

Environmental, Social and Permits

The operational licences and permits for the current Phase I operation obtained by GreenGold comprise a business licence, work safety licence, site discharge permit and a mining licence. The environmental impact assessment and water and soil conservation plan have been prepared and associated approvals have been granted.

The Phase II Mining Licence covering a larger area and an enabling expanded production capacity of 8.0 Mtpa (Phase II) was granted on 30 June 2021. GreenGold has prepared a plan to obtain or renew the permits and approvals to support the development of the Phase II development. SRK noted that the environmental impact assessment and water and soil conservation plan for the Phase II have been prepared and associated approvals have been granted. According to the PRC legal advisors of GreenGold, there is no legal impediment to obtain the relevant necessary licences, approvals and permits as long as GreenGold meets all relevant laws and regulations, and the application procedures and requirements issued by relevant authorities.

Capital and operating costs

The Project is planned to increase the production capacity to 8.0 Mtpa. The Phase II development capital costs include the mining licence fee, land acquisition, mining equipment, mine road and drainage, processing plant equipment, processing plant foundation and structure, supporting facilities, roads and other infrastructure and designed design and administrative fee. Including a 5% contingency, a total of RMB306.8 million has been budgeted. The Phase II mining licence fee represents a major component of the capital cost, amounting to RMB1,367.7 million. An initial payment of RMB683.9 million has already been made in 2011. A second payment of RMB136.8 million was paid in 2022. The remaining mining licence fee (RMB547.1 million) will be paid annually between 2023 and 2026. An allowance (RMB19.5 million) of the replacement of existing mining fleet replacement between 2027 and 2029 has been budgeted. An additional 1.5% annual operating cost has also been allocated as the sustaining capital. The capital unit cost over the LoM is estimated at RMB/t 12.7. SRK has reviewed the details of the capital cost estimate and considers appropriate capital cost has been budgeted for the Phase II development.

Over the period of 2019-September 2022, annual cash operating cost spanned RMB/t 24.1 in 2019 and RMB/t 21.0 in 2020. The cash operating unit cost increased to RMB/t 26.0 in 2021 and decreased to RMB/t 19.4 in January to September 2022. Between October 2022 and 2031 (when the Project reaches its target production capacity of 8.0 Mtpa), the average operating unit cash cost is forecast at RMB/t 22.7, with a minimum of RMB/t 22.4 and a maximum of RMB/t 24.5. The operating unit cash cost will gradually lower when the production gradually ramps up. In SRK's opinion, the forecast operating costs used for the LoM model are reasonable and are supported by historical costs.

Conclusion

The Phase I Gaoloushan Mine and Phase I Processing Plant have been operating successfully in the past few years and producing limestone construction aggregates for various uses. The Phase I Mining Licence has been replaced by the Phase II Mining Licence that covers a larger area and enables a higher approved production capacity of 8.0 Mtpa to be achieved.

Exploration to date and historical operation show that the quality of the limestone is suitable for the local construction aggregate market. The open pit mining method and the conventional crushing and screening process are commonly used in the construction quarrying industry. SRK considers that the current operation has been running effectively and the proposed Phase II development is technically and economically viable.

1 INTRODUCTION

1.1 Background

SRK Consulting (Hong Kong) Limited ("**SRK**") is an associate company of the international group holding company, SRK Global Limited. SRK has been commissioned by Huaibei GreenGold Industry Investment Co., Ltd.* ("**GreenGold**" or the "**Company**") to prepare an Independent Technical Report ("**ITR**" or the "**Report**") on its Gaoloushan construction aggregate project (the "**Project**"). The Project is located in Huaibei City, Anhui Province of the People's Republic of China, comprising a quarry and a processing plant. This Report will be included in a prospectus relating to an initial public offering of shares in the Company and associated capital raising on the Hong Kong Stock Exchange ("**HKEx**").

1.2 Scope of work

The scope of work for this Report includes review and reporting on the following technical aspects:

- Geology and aggregate quality;
- Mineral Resources;
- Mining and Ore Reserves;
- Processing;
- Capital and operating costs;
- Marketing;
- Environmental, permits and social impacts; and
- Risk assessment.

1.3 Reporting Standard

This Report is to be prepared in accordance with the Rules Governing The Listing of Securities on the HKEx, which permits reporting in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**").

In addition, the Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment under the guidelines of the VALMIN Code (2015).

The authors of this Report are Members or Fellows of either the Australasian Institute of Mining and Metallurgy (AusIMM) and/or the Australian Institute of Geoscientists (AIG) and, as such, are bound by both the VALMIN Code and JORC Codes.

For the avoidance of doubt, this Report has been prepared according to:

- the 2015 edition of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (VALMIN Code)

- the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

All references to currency in this Report are expressed in terms of Chinese Yuan Renminbi ("**RMB**"). No escalation has been applied to either the historical or planned costs as presented in this Report. Accordingly, historical costs are nominal, and planned costs are in terms of 2022 RMB. All years are calendar years (01 January to 31 December). The projection of all coordinates relies on the SGS 2000/Gauss Kruger projection, Central Median 107/Zone 39 datum.

1.4 Reliance on SRK

This Report has been prepared by a multidisciplinary team, comprising consultants and associates from various offices. Their roles, responsibilities and involvement in the ITR are listed in Table 1-1. The lead office for this Report is SRK Consulting (Hong Kong) Limited, with its registered address being Suite A1, 11/F, One Capital Place, 18 Luard Road, Wanchai, Hong Kong.

Table 1-1: SRK team members and responsibility

Consultant/Associate	Role	Office	Date of site visit
Dr. (Gavin) Heung Ngai Chan	Project Management; Report Compilation; Geology and Resource Review; Economic Viability Review Competent Person on Mineral Resource and assuming overall responsibility	SRK Hong Kong	25-26 November 2021
Helen Ray	Aggregate quality and market Review, Geology and Resource Review	Associate, Sydney	No site visit

Consultant/Associate	Role	Office	Date of site visit
Falong Hu	Mining and Ore Reserves Review, Competent Person on Ore Reserve	SRK China	25–27 May 2021
Nan Xue	Environment, Permits and Social Review	SRK China	24–25 June 2021
Lanliang Niu	Processing Review	SRK China	24–25 June 2021
Dr. Michael Cunningham	Overall Peer Review	SRK Australasia	No site visit

1.5 Project team expertise

Dr. (Gavin) Heung Ngai Chan, General Manager (Hong Kong) and Principal Consultant (Project Evaluation), PhD, FAIG

Gavin has over 17 years of academic and commercial experience in geosciences and has worked on numerous deposit styles including construction materials, dimension stones, chromite, gold, sediment-hosted Cu-Co, hard-rock lithium, iron ore, uranium, molybdenum, phosphate, and manganese. Gavin has previously worked in Africa, Asia, Europe and Australia. His expertise lies in geological mapping, geological modelling, resource estimation, geological due diligence, valuation, fatal flaw and project analysis.

Helen Ray, Associate (Industrial Minerals), BSc (Hons), MAppSc, MAIG

Helen has a postgraduate qualification in the weathering of dimension sandstone in heritage buildings. She has skills and experience in a wide range of construction materials, industrial minerals and dimension stone. She has been providing specialist advice on construction materials to government departments, companies and other organisations over more than thirty years. Helen has carried out geological investigations and resource assessments in accordance with the principles of the JORC Code and many market studies on construction aggregates. She has also completed resource assessments including market studies of dimension stone resources in Australia, China and Vietnam and prepared public assessment reports in accordance with the JORC Code.

Falong Hu, Principal Consultant (Mining) BEng, MAusIMM

Falong worked as mining engineer and mine planner in two different international mining companies. He has over 12 years of experience and is familiar with underground and open pit mines' production systems and mine design, scheduling and cost estimates, long-hole blasting and production operation, rock mechanics, ventilation, and back-fill. As a consulting engineer, he accumulated extensive active experience in nearly 100 projects including due diligence review and audit, mine project evaluation and valuation, scoping/pre-feasibility/ feasibility studies, mining optimisation, and competent person reporting on public financial market. His experience relates to minerals including gold, silver, lead, zinc, copper, iron, bauxite, laterite-nickel, sylvine, phosphate and graphite, as well as quartzite, marble, and construction aggregate in China and other parts of Asia, America, Africa and Oceania. He is a modeller on both technical and economic matters and is also proficient in digital modelling by using Geovia Suits, Datamine and Deswik Suits. Falong holds a Bachelor's degree in Mining Engineering from Central South University.

Lanliang Niu, Principal Consultant (Processing), B.Eng. MAusIMM, MCAMRA

Lanliang has over 30 years' experience in processing testing and studies, production management and technical consultancy service. Lanliang is actively involved with the new development and application of processing technologies, facilities and reagents and has received two national awards for his achievements in this area. Since joining SRK, he has been involved in hundreds of independent technical review projects for fundraising and acquisition and has accumulated profound experience on technical reviews of mining projects.

Nan Xue, Principal Consultant (Environmental) MSc, MAusIMM

Nan holds a master's degree in environmental science from Nankai University, in Tianjin. He has twelve years' experience in environmental impact assessment, environmental planning, environmental management, and environmental due diligence. He has been involved in a number of large EIA projects and pollution source surveys for SINOPEC as well as in the environmental planning project funded by UNDP. He has particular expertise in construction project engineering analysis, pollution source calculation, and impact predictions. He also has an acute understanding of equator principles and international finance corporation environmental and social performance standards. After joining SRK, Nan has been involved in a number of IPO and due diligence projects in China, Laos, Russia, Mongolia, Philippines, Indonesia, Kazakhstan, Kyrgyzstan, South Africa, DRC, Ecuador, Chile and Ghana; the clients include the Fuguiniao Mining, Zijin Mining, Hanking Mining, Future Bright Mining, CNMC, China Gold, Shandong Gold.

Michael Cunningham, Associate Principal Consultant (Geology), BSc Hons (Geoscience), PhD (Geology), MAusIMM, MAIG, MGSA, FGSL, MMGEI

Michael (Mike) has over 15 years' experience as a geologist. His post-doctoral research involved evaluation and modelling of active oceanic slope processes and related hazards. Mike has worked in the Irish and British civil services. He has consulted on projects in Australia and overseas (Indonesia, Laos, Sri Lanka, Kyrgyzstan, Mongolia, Tanzania, Congo, Liberia and Malaysia), and on a variety of commodities including gold, iron, graphite, lead, zinc, antimony and coal. His expertise covers 3D modelling of vein, epithermal and banded iron formation (BIF) styles of mineralisation, drill targeting, modelling, Mineral Resource estimation, and modelling and evaluation of Exploration Targets. Mike has also been involved in preparation of Independent Geologists Reports (IGRs), due diligence and valuation studies, and is a well accomplished project manager.

1.6 Effective date and publication date

The Effective Date of this Report is 30 September 2022.

The Publication Date of this Report 30 December 2022.

As informed by the Company, as at the publication date of this Report, there has been no material change since the effective date. This includes, inter alia, no material changes to the Mineral Resource and Ore Reserve estimates of the Project.

1.7 Work programme

The work programme of this commission included:

- Review of the supplied information;
- Site visits by SRK consultants in May, June and November 2021;
- Estimation of Mineral Resources and Ore Reserves; and
- Preparation of this Report.

1.8 Corporate capability

SRK is an independent, international group providing specialised consultancy services. Among SRK's clients are many of the world's mining companies, exploration companies, financial institutions, Engineering Procurement and Construction Management ("**EPCM**") and construction firms, and government bodies.

Formed in Johannesburg in 1974, the SRK Group now employs some 1,400 staff internationally in over 45 permanent offices in 20 countries on six continents. A broad range of internationally recognised associate consultants complements the core staff.

SRK's independence is ensured by the fact that it is strictly a consultancy organisation, with ownership by staff. SRK does not hold equity in any projects or companies. This permits SRK's consultants to provide clients with conflict-free and objective support on crucial issues.

1.9 HKEx public reports

SRK has prepared many public reports for the HKEx. Selected examples are listed in Table 1-2.

Table 1-2: Public reports prepared by SRK for disclosure on the HKEx

Company	Year	Nature
Zijin Gold Mining	2004	Listing on HKEx
Lingbao Gold	2005	Listing on HKEx
China Coal Energy Company	2006	Listing on HKEx
Sino Gold Mining Limited	2007	Dual Listing on HKEx
Xinjiang Xinxin Mining Industry	2007	Listing on HKEx
United Company RUSAL	2010	Listing on HKEx
Citic Dameng Holdings	2011	Listing on HKEx
China Hanking Holdings	2011	Listing on HKEx
China Nonferrous Metal Mining	2012	Listing on HKEx
Wise Goal Enterprises	2013	Very Substantial Acquisition
Future Bright Mining	2014	Listing on HKEx
Agritrade Resources	2015	Very Substantial Acquisition
Feishang Non-metals	2015	Listing on HKEx
China Unienergy	2016	Listing on HKEx
China Mining Resources	2016	Major transaction
Heaven-Sent Gold Group	2019	Listing on HKEx
Pizu Group	2020	Major transaction
China Graphite Group Limited	2022	Listing on HKEx

Source: SRK compilation

1.10 Statement of SRK independence

Neither SRK nor any of the project team members of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with GreenGold with regard to the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SRK's fee for completing this Report is based on a fixed price contract. The payment of that professional fee is not contingent upon the outcome of this Report.

1.11 Legal matters

SRK has not been engaged to comment on any legal matters.

SRK notes that it is not qualified to make legal representations as to the ownership and legal standing of the tenements that are the subject of this Report. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture agreements, local heritage or potential environmental or land access restrictions.

SRK has been provided with legal documentation obtained by GreenGold from Beijing DeHeng Law Offices. The document, 'PRC Legal Opinion', comments on GreenGold's legal rights to the Project, which is the subject of this Report.

SRK's understanding of the current tenure situation is set out in Section 3.2 of this Report.

1.12 Warranties

GreenGold has represented in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

1.13 Indemnities

GreenGold has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by GreenGold or to GreenGold not providing material information
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.14 Reliance on other experts

SRK has not performed an independent verification of the mining licence and land titles. SRK did not verify the legality of any underlying agreements that may exist concerning the permits, commercial agreements with third parties or sales contracts.

1.15 Sources of information

This technical report is based on information made available to SRK by GreenGold, Hanchen International Engineering Design Group Co., Ltd. ("**Hanchen**"), Hebei Building Materials Industry Design and Research Institute Co., Ltd., The 325th Geological Team of Bureau of Geology and Mineral Resources of Anhui Province ("**Team 325**"), China Insights Consultancy ("**CIC**"), and on information collected during the site visit.

1.16 Consents

SRK consents to this Report being included, in full, in GreenGold's prospectus in relation to its proposed listing on the HKEx, in the form and context in which the technical assessment is provided, and not for any other purpose.

1.17 Practitioner consents

The Competent Person who has overall responsibility for this Report and Mineral Resources is Dr. (Gavin) Heung Ngai Chan. He is a Fellow of the Australasian Institute of Geoscientist ("**AIG**"), and a full-time employee of SRK Consulting (Hong Kong) Limited. Dr. Chan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. (Gavin) Heung Ngai Chan consents to the inclusion in the Report of the Mineral Resources in the form and context which it appears.

The information in this Report that relates to Ore Reserves is based on information compiled by Falong Hu, who is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM). He is a full-time employee of SRK Consulting (China) Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Falong Hu consents to the inclusion in the Report of the Mineral Resources in the form and context which it appears.

1.18 Stock Exchange requirements

Dr. (Gavin) Heung Ngai Chan meets the requirements of Competent Person, as set out in Chapter 18 of the Listing Rules. Dr. (Gavin) Heung Ngai Chan:

- Is a Fellow of good standing of AIG;
- has more than five years' experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken by the issuer and its subsidiaries;

- is independent of the issuer applying all the tests in section 18.21 and 18.22 of the Listing Rules;
- does not have any economic or beneficial interest (present or contingent) in any of the reported assets;
- has not received a fee dependent on the findings of this ITR;
- is not officer, employee of a proposed officer for the issuer or any group, holding or associated company of the issuer; and
- takes overall responsibility for the ITR.

1.19 Limitations

SRK, after due enquiry and subject to the limitations of this Report hereunder, confirms the following:

- The input, handling, computation, and output of the geological data and Mineral Resource and Ore Reserve information has been conducted professionally and accurately and to the high standards commonly expected within the Geoscience profession.
- In conducting this assessment, SRK has assessed and addressed all activities and technical matters that might reasonably be considered to be relevant and material to such an assessment conducted to internationally accepted standards. Based on observations, interviews with appropriate staff and a review of available documentation, SRK is, after reasonable enquiry, satisfied that there are no outstanding relevant material issues other than those indicated in this Report. However, it is impossible to dismiss absolutely the possibility that parts of the site or adjacent properties may give rise to additional issues.
- The conclusions presented in this Report are professional opinions based solely upon SRK's interpretations of the documentation received, interviews and conversations with personnel knowledgeable about the site, and other available information, as referenced in this Report. These conclusions are intended exclusively for the purposes stated herein.

For these reasons, prospective readers should make their own assumptions and their own assessments of the subject matter of this Report. Opinions presented in this Report apply to the site's conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions cannot necessarily apply to conditions and features that may arise after the effective date of this Report, about which SRK has had no prior knowledge, nor had the opportunity to evaluate. Certain amounts and percentage figures included in this

Report have been subject to rounding adjustments. As a result, any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

2 CONSTRUCTION AGGREGATE

Construction aggregate is hard granular material that is suitable for use either on its own or with the addition of cement, lime or bituminous binder in the construction industry. Natural aggregate is aggregate derived from mineral and rock sources that has been subject to nothing more than physical processes such as crushing and sizing. The shape, texture and angularity among other physical and chemical characteristics of the aggregate have an impact on the strength and durability of its own or the composite material. Important applications of construction aggregate include ready-mixed concrete, asphalt/bitumen concrete (commonly referred to as asphalt or bitumen), railway ballast, cement-stabilised macadam, concrete products, mortar, drainage courses and bulk fill.

Construction aggregates are generally divided into coarse aggregate, which is usually greater than 5 mm in size (sometimes 4.5 mm), and fine aggregate which is less than or equal to 5 mm (or 4.5 mm) in size.

2.1 Coarse aggregate

Coarse aggregate includes natural gravel and crushed aggregates 5 mm (or 4.5 mm) or larger in size. A wide range of relatively hard rock types are used, such as basalt, dolerite, granite, diorite, limestone, sandstone, and crushed recycled materials.

2.2 Fine aggregate

Fine aggregate is natural sand and/or fine crushed rock. Crushed rock, up to 5 mm in size. is sometimes referred to as manufactured sand or artificial sand.

2.3 Size fractions

The crushed limestone from the Project are manufactured in the following size fractions and their major uses are:

• 0-5 mm sand (fine aggregate) products washed	road base course or manufactured sand feed
• 5-15 mm crushed rock products	asphalt concrete
• 15-25 mm crushed rock products	concrete aggregate
• 25-31.5 mm crushed rock products	concrete aggregate
• Scalping, soil and fines removed during screening	road base course or low grade building materials

SRK understands that overburden, including a mixture of weathered rocks and soils is also saleable and its major use is road sub-base course.

3 PROJECT DESCRIPTION

3.1 Location and accessibility

The Project, comprising a quarry and a processing plant, is located in approximately 18 km southeast of city centre of Huaibei City, Anhui Province of PRC. The Project is centred at geographical coordinates of longitude 116.9393º E, latitude 33.8562º N (Figure 3-1). The Project has been in operation successfully since 2018, with a permitted production capacity of 3.5 Mtpa (Phase I). GreenGold plans to raise the annual production capacity to 8.0 Mtpa (Phase II). The construction of the Phase II development will commence in the fourth quarter of 2022, and the Phase II processing plant will begin commissioning in the third quarter of 2023.

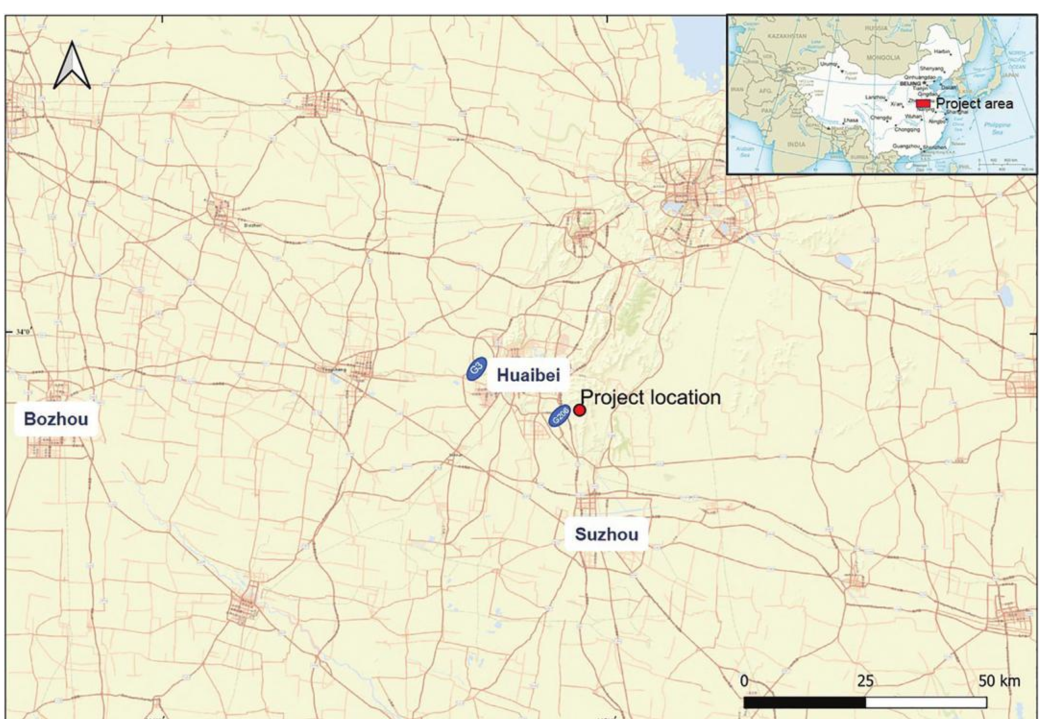
Huaibei City is a prefecture-level city in northern Anhui Province, which borders Suzhou to the southeast and Bozhou to the west (Table 3-1, Figure 3-1 and Figure 3-2).

Table 3-1: Surrounding major cities in Anhui Province

City	Population *(million)*	Transport Distance from quarry *(km)*	2021 Nominal GDP *(billion RMB)*
Huaibei	1.97	23	122.3
Bozhou	5.00	158	197.3
Suzhou	5.32	31	216.8

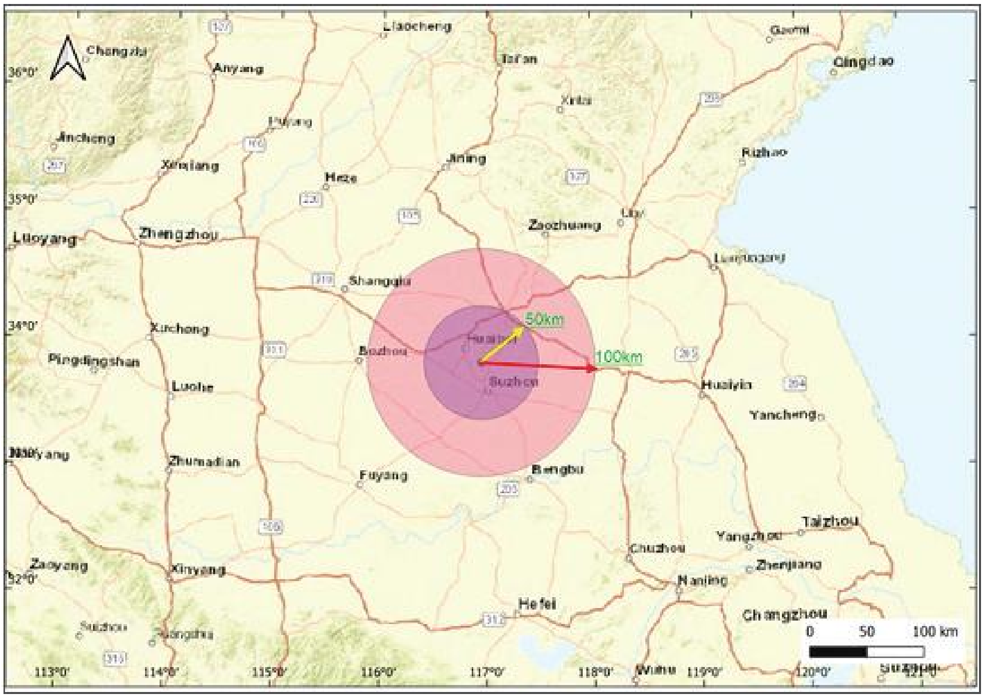
Source: CIC, Anhui Province the 7th censuses

Figure 3-1: Project location



Source: SRK, ESRI maps

Figure 3-2: Surrounding major cities



Source: SRK, ESRI maps

3.2 Mining licence

The Mining Licence for the Project is held by Huaibei Tongming Mining Company Limited (Tongming). Sixty-seven percent of the shares of Tongming is currently owned by GreenGold and the rest is owned by Anhui Leiming Blasting Engineering Company Limited (Leiming).

The Phase II mining licence (C3406002021067160152182) replaced the Phase I Mining Licence was granted to Tongming on 30 June 2021 and is valid until 30 June 2024. The new Mining Licence covers a larger area spatially than the previous one, measuring 0.8777 km^2 laterally and extending vertically from 50 to 216 metres above sea level (m ASL). The approved annual production capacity has also been increased from 3.5 Mtpa to 8.0 Mtpa. The details of the Phase II mining licence are tabulated in Table 3-2 and Table 3-3. The licence boundaries are shown in Figure 3-3.

Pursuant to the "Notice on the Listing and Assignment of Limestone Mines for Building Stones in Gaoloushan Mining Area, Lieshan District, Huaibei City, Anhui Province"《安徽省淮北市烈山區高樓山礦區建築石料用灰岩礦採礦權掛牌出讓公告》issued by the Natural Resources and Planning Bureau of Huaibei City on 24 November 2020 and the Transfer of Mining Rights Agreement dated 21 January 2021, Tongming has obtained the mining rights at the acquisition price of RMB1367.7 million in respect of Phase II Gaoloushan Mine for a period of 19.7 years or approximately until 30 March 2041.

Table 3-2: Mining licence details

Mining Licence No.	**C3406002017027130143848**
Owner of Mining Licence	Huaibei Tongming Mining Company Limited
Name of Mine	Gaoloushan aggregate mine
Mining Method	Open pit
Production Capacity	8.0 Mtpa
Area of Mine	0.8777 km^2
Mining Elevations	216~50 m asl
Period of Validity	30 June 2021 to 30 June 2024

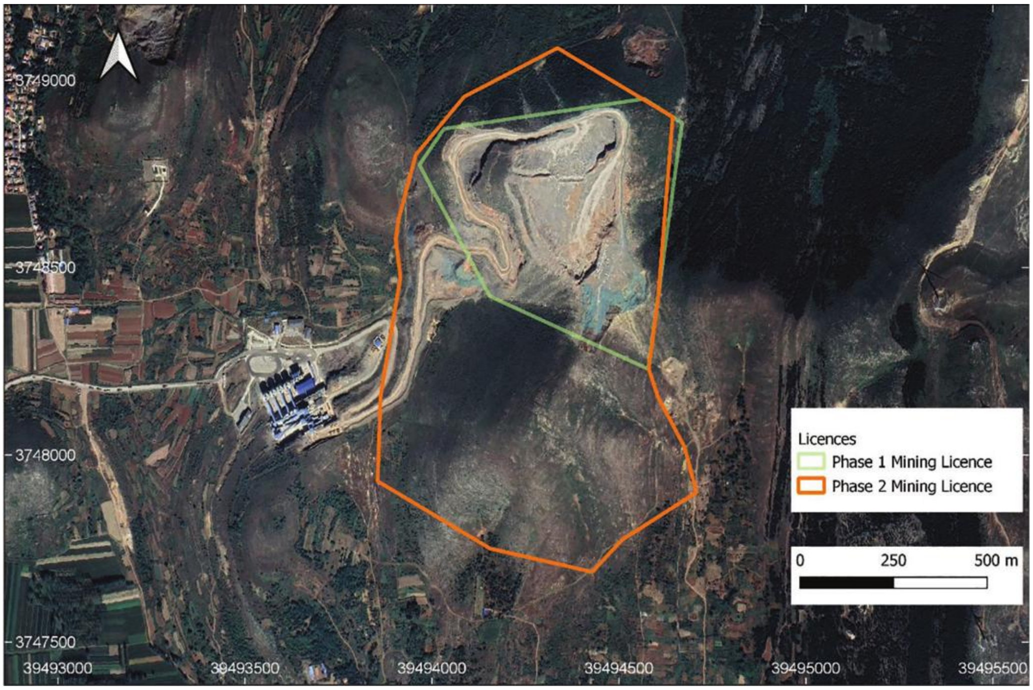
Source: Mining Licence, compiled by SRK

Table 3-3: Mining licence coordinates

Vertex	**East**	**North**
1	3748021.20	39494675.31
2	3748155.79	39494603.99
3	3748229.76	39494579.73
4	3748413.02	39494604.37
5	3748901.85	39494643.93
6	3749086.18	39494335.92
7	3748956.26	39494086.06
8	3748800.61	39493956.50
9	3748630.65	39493911.39
10	3748575.74	39493902.95
11	3748475.70	39493915.71
12	3748158.11	39493862.84
13	3747929.98	39493854.54
14	3747750.28	39494154.92
15	3747687.49	39494428.89
16	3747772.42	39494507.53
17	3747900.27	39494707.72

Source: Mining Licence, compiled by SRK

Figure 3-3: Mining licence boundary

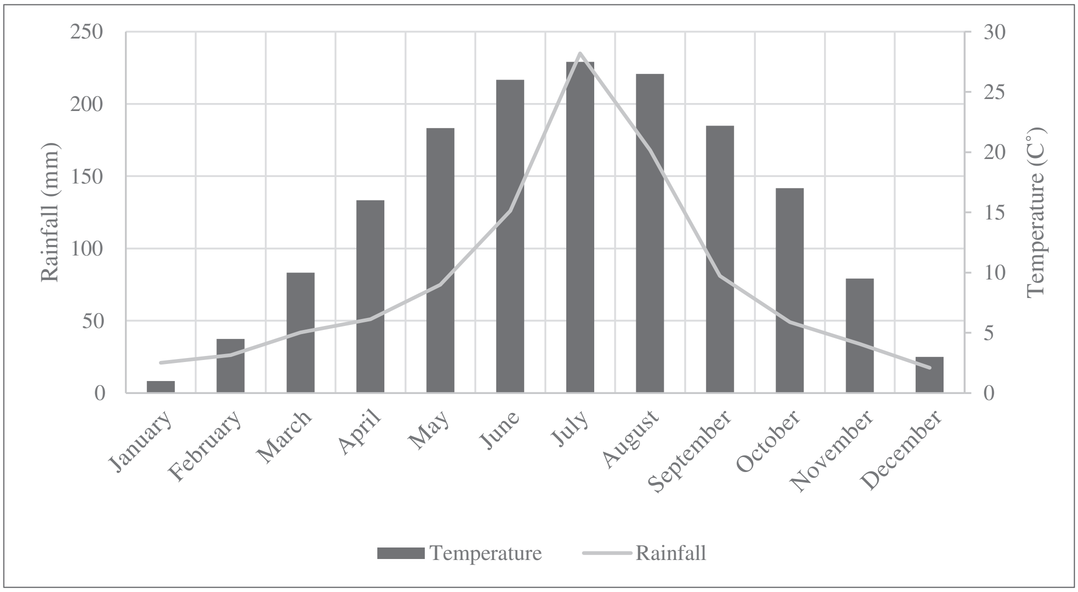


Source: SRK, Google satellite image (acquired in September 2019)

3.3 Climate, physiography and infrastructure

The city of Huaibei is the neighbouring city close to the Project area, which has a monsoon- influenced humid subtropical climate, with temperatures, ranging from -4°C to 33°C and an average temperature of 15°C. The annual precipitation is 910 mm, mainly concentrated in summer between June and August. The driest month is December. The winter extends from December to late February. Climatic conditions are not extreme and mining operations are continuous throughout the year (Figure 3-4).

Figure 3-4: Huaibei climate showing average monthly temperature and precipitation



Source: www.climate-data.org (accessed on 10 June 2021)

The Project area is in north–south-trending limestone hills, rising approximately 200–300 m above the surrounding plain. The elevations within the Project area vary between 30 and 247 m asl. The slopes within the Project area are gentle and range from 6° to 25°. The land use in the area is predominantly agricultural, industrial and mining practices.

Figure 3-5: Overview of the project area, looking northwest

Source: SRK site visit, May 2021

There is a ready pool of labour in the area, which can provide sufficient for the project development. The Project area is also located in a well-developed area, providing infrastructural support to the quarry and processing plant operation.

3.4 History

In July 2016, an exploration programme was conducted over the area, including geological mapping and resource estimation by Wanyuan.

In December 2016, mining rights were obtained by way of public tender from Department of Land and Resources of Huaibei City.

In 2016, Tongling Chemical Group Chemical Research and Design Institute Co. Ltd. was commissioned to undertake a feasibility study on the Project.

In February 2017, the Phase I mining licence, covering an area of 0.336 km^2 with an approved annual production capacity of 3.5 Mtpa was granted.

In January 2018, trial production commenced.

In June 2018, commercial production commenced.

In June 2020, Land and Resource Bureau of Huaibei commissioned East China Metallurgical Institute of Geology and Exploration (ECGE) to carry out a detailed exploration beyond the current mining licence area. The objective of the exploration programme was to investigate the construction resource in the proximity of the current mining licence area.

In January 2021, a mining right, covering the previous mining licence area and its vicinity, covering a total of 0.8777 km^2 and an approved annual production capacity of 8.0 Mt was granted by way of public tender. Pursuant to the Mining Rights Transfer Agreement dated 21 January 2021 entered between the National Resources and Planning Bureau of Huaibei City and Huaibei Mining Company Limited (TongMing Mining), the mining rights is granted for a period of 19.7 years from the date of obtaining the relevant mining licence.

In May 2021, Hanchen completed a feasibility study of the Phase II development with a designed annual production capacity of 8.0 Mtpa ("**FS**").

In June 2021, the Phase II mining licence was granted.

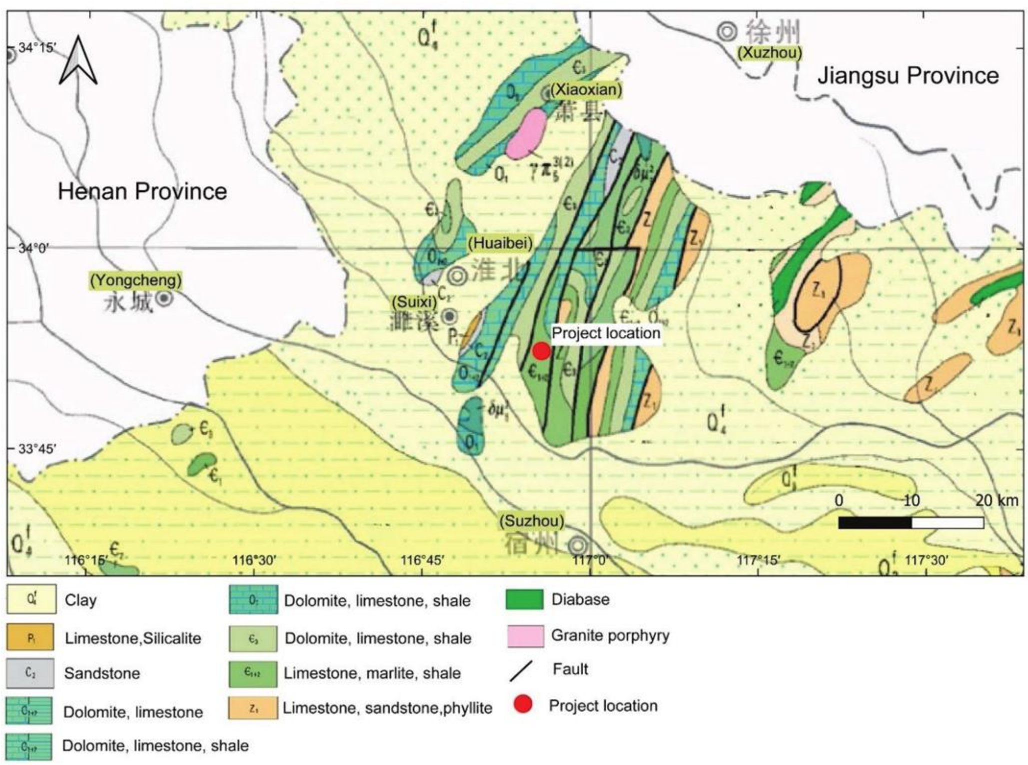
In April 2022, Hebei Building Materials Industry Design and Research Institute Co., Ltd. prepared the next level program of technical study, a preliminary design of the Gaoloushan Expansion Project (Phase II) with a designed annual production capacity of 8.0 Mtpa ("**PD**").

4 GEOLOGICAL SETTING

4.1 Regional geology

The Project area forms part of the Suzhou–Xuzhou fold and thrust belt of the southern margin of the North China Block (Figure 4-1). The regional stratigraphy is represented by the Middle-Lower Ordovician and Cambrian limestone, dolomite and shale, underlain by Proterozoic limestone, sandstone and phyllite. The stratigraphy is further cut by Jurassic granodiorite and diorite. These intrusive rocks tend to occur as sills and are concordant to the stratigraphy. Structurally, regional fault systems tend to trend north-northeast.

Figure 4-1: Regional geological map



Source: Anhui Geological Map (2002)

4.2 Local geology

The Project area and its vicinity is underlain by a series of conformable Cambrian sedimentary succession, dipping gently (10°--30°) towards southeast (110°-120°), from old to young (Figure 4-2):

- The Xuzhuang Formation, consists of sandstone, limestone and shale, with an average of thickness of approximately 146 m.
- The Zhangxia Formation comprises oolitic limestone, dipping at 115° with an average thickness of approximately 221 m.
- The Gushan Formation is composed of dolomitic and oolitic limestone, with an average thickness of 61 m.
- The Changshan Formation consists of dolomite and limestone, with an average thickness of approximately 66 m.
- The Fengshan Formation consists of two members. The Lower Member is composed of argillaceous dolomite, and dolomite limestone with an average thickness of 66 m. The Upper Member comprises intercalated dolomitic limestone and argillaceous limestone with an average thickness of 130 m.

A diorite sill with a maximum thickness of 75 m cuts the Zhangxia Formation rocks. The sill can be traced from the western to the northeastern part of the licence area for up to 1,000 m. Drilling has revealed that the sill has extended along the beds of the Zhangxia Formation, but appears to diminish towards the east.

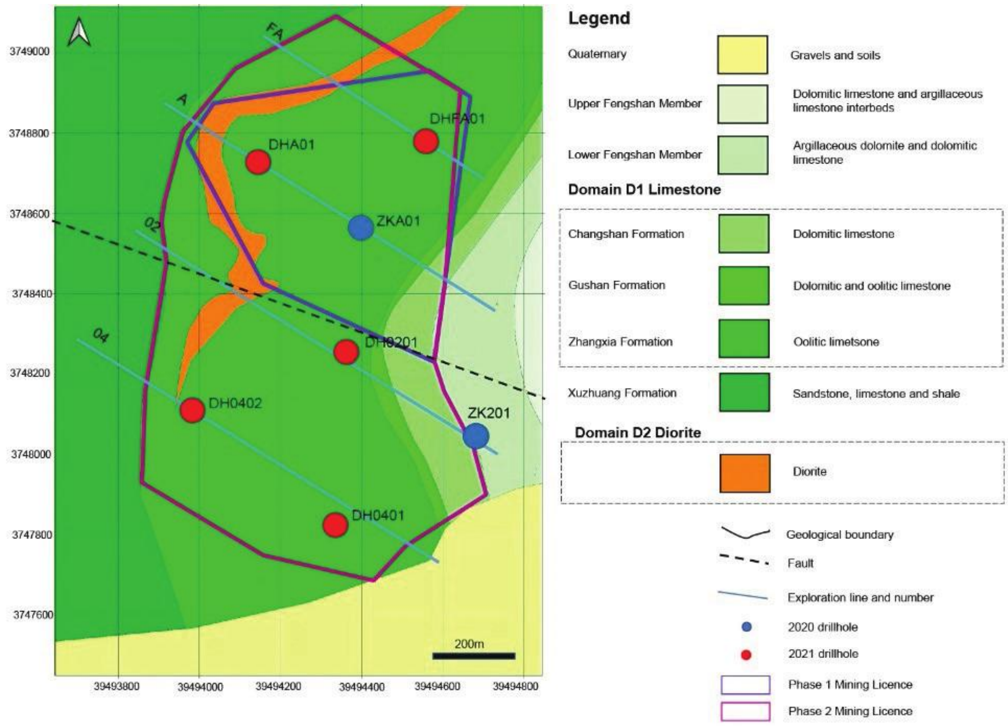
Physical and chemical tests of samples taken from the surface and drill holes together with the successful operation in the past few years have demonstrated that all the limestone within the licence area is suitable for use as construction aggregates, whereas exploration data to date show that the diorite can also be used as construction aggregate, but is restricted to certain applications, such as rail ballast or road base (Figure 4-2 and Figure 4-3). Two domains have been defined as follows:

- D1 Limestone, limestones from the Cambrian Zhangxia, Gushan and Changshan Formations.
- D2 Diorite, diorite sill, cutting the Zhangxia Formation.

Quaternary sediments have covered the southeastern part of the licence area and are scattered on slopes and low-lying areas.

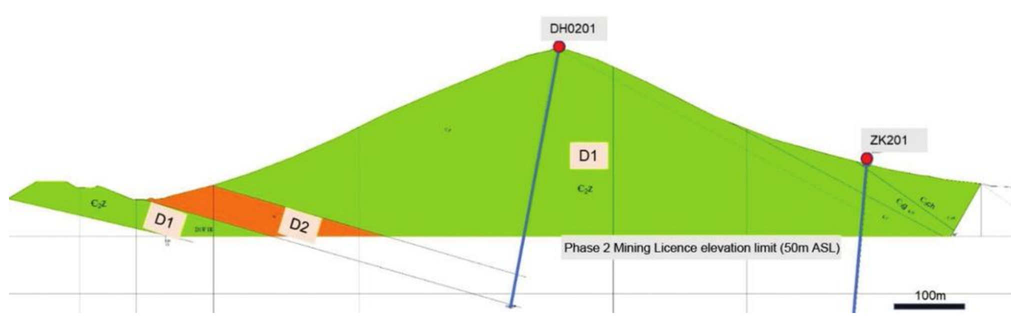
A minor subvertical fault, striking to the southeast, has bisected the Project area. Field observation showed that the fault zone is approximately 10 cm wide and is commonly filled by calcite veins.

Figure 4-2: Simplified geological map of the Project area



Source: modified after Team 325 (2021)

Figure 4-3: Cross section of exploration Line 02



Source: modified after Team 325 (2021)

4.3 Previous exploration

Since the 1970s, regional exploration and prospecting work, including regional geological mapping campaigns at scales of 1:200,000 and 1:50,000, have been conducted. In July 2016, an assessment of potential construction aggregate resource was conducted by Wanyuan. In 2018 and 2019, annual resource reports were compiled by Wanyuan.

In June 2020, Land and Resource Bureau of Huaibei engaged East China Metallurgical Institute of Geology and Exploration (ECGE) to carry out an exploration (the 2020 exploration programme) over the entire current project area and its vicinity to ascertain the potential resource beyond the current licence boundary. The work programme included a topography survey, geological mapping, hydrogeological, geotechnical and environmental investigations, and two drill holes with a total length of 393.5 m (Figure 4-2).

In 2021, SRK was commissioned by GreenGold to review the previous exploration work. A resource definition sampling programme (the 2021 exploration programme), comprising surface mapping, sampling and drilling was recommended. The surface sampling and drilling were focussed on validating the previous exploration work and improving confidence in the geological model, as well as obtaining data of adequate quality to define a Mineral Resource in accordance with the JORC Code (2012). GreenGold accepted the recommendations, including five drill holes (714.6 m) and engaged Team 325 to perform the programme.

The following section describes the results of the 2020 and 2021 exploration programmes.

4.4 Exploration results

4.4.1 Geological mapping

Geological mapping was conducted at a 1:2,000 scale initially by ECGE in June 2020 and revised by Team 325 in May 2021.

4.4.2 Survey

A topographic survey at a scale of 1:2,000 was conducted by real-time kinematic GPS. The same method was employed to survey drill hole, trench and sample locations. All surveying was completed on CSGS 2000/Gauss Kruger projection, Central Median 107/Zone 39 datum.

4.4.3 Drilling and sampling

Given the simple stratigraphy, exploration lines were laid at a 300 m spacing. The orientation of the exploration lines was south-southeast at 120°. Two drill holes were drilled nominally along each exploration line (Table 4-1 and Figure 4-2).

In the 2020 and 2021 exploration programmes, all drill holes were initially drilled using 110 mm diameter diamond drill core, which was subsequently reduced to 77 mm core, after passing through the shallow surface weathered zone. All holes were inclined holes with azimuth of 300° and dipping angles of 80-85°. A downhole survey was taken every 50 m. The average core recovery of the seven holes is around 95%.

Test samples for physical properties were routinely collected. The sampling frequency was one set of samples for compressive strength and bulk density measurements every 20 m and one sample every 40 m for water absorption.

After reviewing the drilling information and inspection on the drill cores during the site visit, SRK considers that the drilling quality is suitable for Mineral Resource estimation purposes (Table 4-1, Figure 4-4).

Table 4-1: Drill hole details

Year	Hole ID	Easting	Northing	Elevation *(RL m)*	Depth *(m)*	Team
2020	ZKA01	39494407	3748530	195	178.3	ECGE
2020	ZK201	39494681	3748018	78	215.2	ECGE
2021	DHFA01	39494557	3748787	190	234.9	325
2021	DHA02	39494103	3748707	147	76.2	325
2021	DH0402	39493973	3748131	106	59.9	325
2021	DH0201	39494373	3748249	210	225.5	325
2021	DH0401	39494318	3747818	94	118.1	325

Figure 4-4: Resource definition drilling

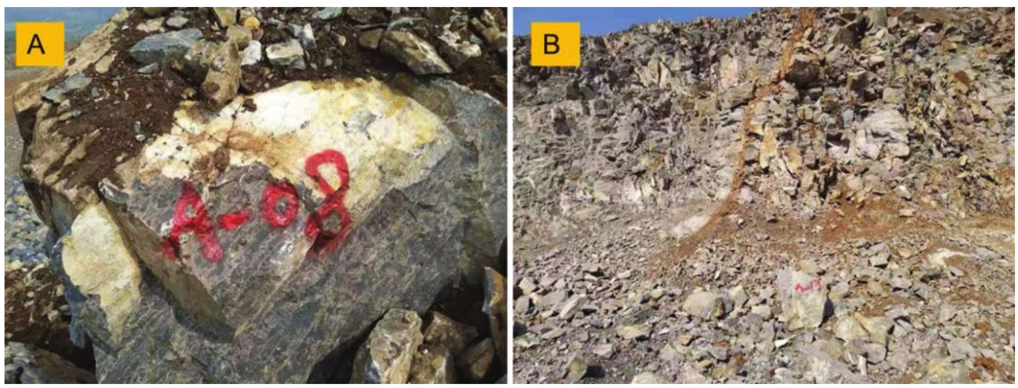
Source: Team 325, May 2021

Note: A: DHA02 drilling was underway: B: DHA02 drill cores, showing the limestone cores (each row is approximately 1 metre long).

4.4.4 Surface sampling

In the 2020 and 2021 exploration programmes, physical properties test samples were collected from the fresh surface rocks along the exploration line every 20 m to 100 m, depending on the orientations between the exploration line and bedding (Figure 4-6).

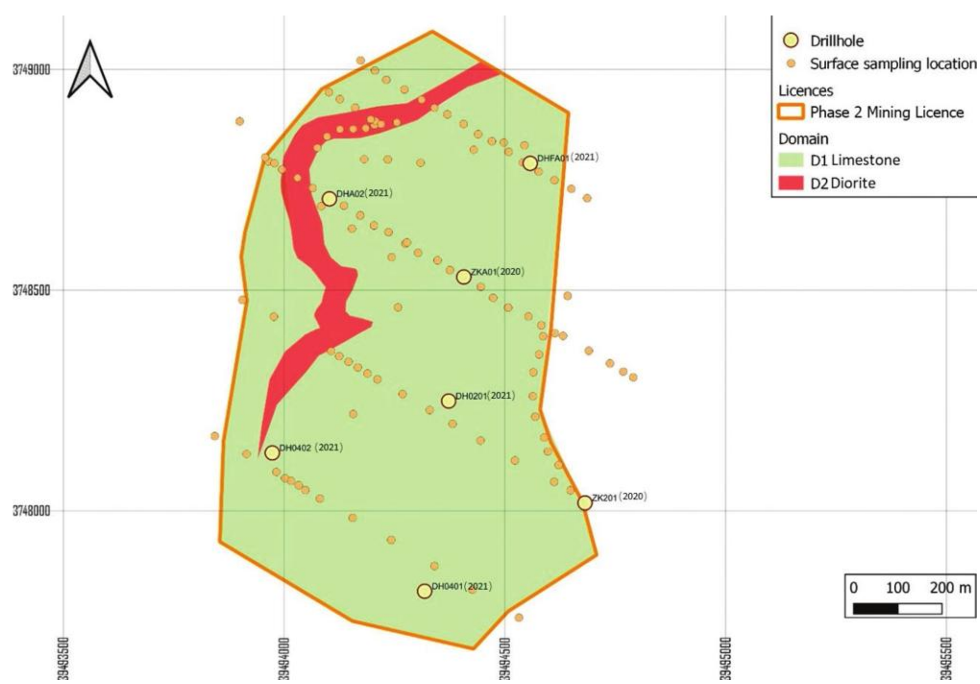
Figure 4-5: Surface sampling



Source: Team 325, May 2021

Note: A: Surface sample; B: Surface sampling line.

Figure 4-6: Surface sampling along the exploration lines



Source: modified after Team 325 (2021)

4.4.5 Weathering and karst

Geological mapping, drilling and surface field investigations have revealed that most of Project area is exposed bedrock. In Domain D1, the weathering zone is scattered in some localised areas, with thickness ranging from 0.1 m to 0.2 m. In Domain D2, diorite tends to develop a deeper weathered zone, with an average thickness of 12.5 m. The weathered zone is marked by weathered rocks, filled with orange soils.

Karst is a type of landscape that forms on limestone, gypsum and other rocks as a result of localised dissolution of the rock mass, and is characterised by a variety of large- and small-scale features such as dolines, caves, underground drainage, flutes, runnels and enlarged joints. The above karst features are not present in the Project area. However, minor cavity dissolution was observed in the drill holes. The volume of the dissolution of each drill hole has been estimated, with an average of 1.31% (Table 4-2).

Table 4-2: Cavity dissolution statistics

Hole_ID	**Collar elevation** *(m)*	**Total depth** *(m)*	**Estimated volume** *(%)*
ZK201	78.0	215.2	1.60
ZKA01	195.0	178.2	0.04
DHFA01	189.0	234.9	1.57
DHA02	147.2	76.2	1.80
DH0201	210.0	225.5	1.37
DH0402	105.6	59.9	1.80
DH0401	93.7	118.1	0.97
	Average	1.31	

Source: ECC (2020) and Team 325 (2021)

4.4.6 Construction materials testing

Consumers such as concrete manufacturers and construction companies require aggregates that are consistent in quality and meet specific requirements for strength, durability and safety. The specifications set by the biggest consumers (concrete manufacturers) are usually the most stringent and thus are the most important when assessing the quality of an aggregate resource. A range of construction materials properties tests were undertaken to provide information on the quality of the stone and its suitability for various commercial applications.

In the 2020 exploration programme, tests were performed at the laboratory of Anhui Branch of China National Geological Exploration Centre of Building Materials Industry (CNGM laboratory), an independent accredited laboratory located in Hefei, Anhui Province.

In the 2021 exploration programme, laboratory tests were carried out at the laboratory of Jiangsu Mineral Geology Design and Research Institute (JMGD laboratory), an independent accredited laboratory located in Xuzhou, Jiangsu Province. In the 2020 exploration programme, samples taken from drill cores and the surface were subjected to tests for bulk density, wet compressive strength (water saturated), crush index and robustness. The samples were cut to the specified size and tested according to procedures set in the Chinese National Standard of Pebble and Crushed Stone for Construction (GB/T 14685-2011).

In the 2021 exploration programme, additional construction materials properties tests were performed as required under the latest Anhui provincial standard, namely "Technical Requirements for Geological Prospecting of Building Stones in Anhui Province, China (Natural Resources Bureau of Anhui Province, 2020)". The additional properties tests consist of water absorption, soundness, alkali silica reactivity and radioactivity. The samples were prepared and tested according to the same Chinese National Standard procedures as in 2020 (GB/T 14685-2011).

Table 4-3: Construction materials properties tests

Laboratory	**Item**	**No. of Samples**		**Sample size**
		Surface	**Drill core**	
CNGM (2020)	Bulk density	45	66	Surface sample: 50 mm × 50 mm × 50 mm
	Wet compressive strength (Water saturated)	234	124	Drill core sample: Φ50 mm * 50 mm
	Crushing index	2		Particle size 1-3 cm, 45 kg/sample
	Robustness			
JMGD (2021)	Bulk density	34	12	Φ 50 mm * 50 mm
	Wet compressive strength (Water saturated	102	36	
	Water absorption	34	6	
	Crushing index	7	3	Particle size 1-3 cm, 20 kg/sample
	Soundness	7	3	
	Alkali silica reactivity/alkali carbonate reactivity	–	10	D1: Φ9 ± 1 mm × 35 ± 5 mm, 10 kg/sample D2: Powder, 10 kg/sample
	Radioactivity	–	6	Powder, 1 kg/sample

Source: SRK compilation, GB/T 14685-2011, ECC (2020) and Team 325 (2021)

Note: Φ represents sample core diameter.

The tests carried out on the samples are described below.

Bulk density

Bulk density measures the unit weight of the stone. Density varies significantly among different rock types because of differences in mineralogy and porosity. The objective of bulk density testing is to indicate the strength or quality of the material. The bulk density test also provides information on different domains for the Mineral Resource estimation.

Wet (water saturated) compressive strength

When the aggregate is immersed in water, the strength of rock can be reduced. The wet compressive strength is the maximum compressive load that a water saturated rock can withstand without crushing or deforming. It is a major factor in measuring the ability of rock to carry loads in building materials and other applications and is thus required by architects and engineers.

Water absorption

Water absorption is a measure of the amount of water that an aggregate can absorb into its pore structure. Pores that absorb water are also referred to as "water permeable voids". Water absorption can be used as an indicator of aggregate durability and resistance to staining and salt attack.

Crushing index

The aggregate crushing test evaluates the resistance of aggregates against a gradually applied load. It is expressed as a percentage by weight of the crushed (or finer) material obtained when the test aggregates are subject to a specified load under standardised conditions. The test is used to evaluate the crushing strength of rock in processing and construction.

Soundness

Soundness tests aim to determine aggregate's resistance to disintegration by weathering. The tests involve repeatedly submerging aggregate samples in a saturated solution of sodium sulphate, then drying and weighing them. The final result is expressed as a weighted average weight percentage loss for each sample.

Alkali aggregate reactivity

This test includes two type methods, which are Alkali Carbonate Reactivity (ACR) and Alkali Silica Reactivity (ASR). ACR is used for samples collected from the D1 limestone domain, and is not suitable for the siliceous aggregate, while ASR is used for samples from the D2 diorite domain, which is not suitable for the carbonate aggregate. The test provides a means of detecting the potential of an aggregate intended for use in concrete for undergoing alkali-silica reaction resulting in potentially internal expansion.

Radioactivity

Some rocks have naturally high levels of radioactivity. China has specified requirements for natural building materials, particularly indoor areas. The test measures the amount of radionuclides in the rocks and their potential use restrictions.

Sulphate content

High sulphate content in aggregates can adversely influence the setting process of concrete leading to expansion, cracking, loss of strength and possibly disintegration. The test measures the sulphate content of the rocks.

4.4.7 Local aggregate quality requirements

It is common for construction material consumers, especially highway authorities, to specify according to provincial rather than national standard specifications. The provincial standards are usually identical or very similar to national standards, but sometimes there may be variations that reflect locally available materials or conditions.

SRK understands that the transport distance for the aggregate is generally within 100-150 km. The aggregate should meet the demand of the local market and the provincial standard. The Anhui Provincial Standard of Technical Requirements for Geological Prospecting of Building Stones (Natural Resources Bureau of Anhui Province, 2020) (Anhui Provincial Standard, 2020) states that this standard is applicable to construction aggregate projects, located within Anhui Province. The requirements of Anhui Provincial Standard are depicted in Table 4-4 and Table 4-5. A comparison with the national standard (GB/T 14685 – 2011 – Pebble and crushed stone for construction) shows that the Anhui Provincial Standard does not differ from the national standard.

Table 4-4: Wet compressive strength requirements for construction aggregates by rock type

Item	Index Sedimentary rock	 Metamorphic rock	 Magmatic rock
Wet compressive strength (MPa)	≥30	≥60	≥80

Source: Anhui Provincial Standard (2020)

Table 4-5: Quality requirements for construction aggregates for use in concrete

Item	Index Class 1	Class 2	Class 3
Bulk density (g/cm^3)	≥2.60	≥2.60	≥2.60
Water absorption (%)	≤1.0	≤2.0	≤2.0
Soundness (% loss)	<5	<8	<12
Crushing index (% fines)	≤10	≤20	≤30
SO_3 (%)	≤0.5	≤1.0	≤1.0
Alkali reactivity		<0.10%	

Source: Anhui Provincial Standard (2020)

Note: Class 1 is suitable for concrete with strength class greater than C60; Class 2 is suitable for concrete with strength class from C30 to C60 and anti-freezing and impermeability requirements; Class 3 is suitable for concrete with strength class less than C30. C30-C60 represent different types of high-strength and high-performance concretes.

The Anhui Provincial Standard for radioactivity adheres to the national standard "GB 6566-2010 Limit of Radionuclide in Building Materials". Construction aggregates are divided into three categories according to their radioactivity levels, with restrictions on the application for which they may be used if they exceed certain values (Table 4-6).

Table 4-6: Radioactivity requirements for construction aggregates

Class	Values	Restrictions
Class A	IRa≤1.0 and Iγ≤1.3	No restrictions
Class B	IRa≤1.3 and Iγ≤1.9	Cannot be used for houses, flats, hospitals, schools, and other commercial buildings
Class C	IRa≤2.8	Can only be used on building exteriors

Source: GB 6566-2010 Limit of Radionuclide in Building Materials

Note: IRa is internal exposure index and Iγ is the external exposure index.

4.4.8 Results

Table 4-7 shows the physical properties test results from the 2020 and 2021 exploration campaigns.

Table 4-7: Physical properties results

Domain	Statistics	Bulk density (g/cm³)	Wet compressive strength (MPa)	Water absorption (%)	Crushing index (%)	Soundness (%)	Alkali reactivity (%)
D1 Limestone	Number of samples	140	434	35	7	7	6
	Minimum	2.51	18.0	0.14	8.20	0.00	0.028
	Maximum	2.82	179.6	1.65	11.00	6.00	0.065
	Mean	2.70	65.2	0.57	9.53	2.00	0.040
	Standard deviation	0.04	27.3	0.39	0.94	1.70	0.017
D2 Diorite	Number of samples	17	62	5	3	3	4
	Minimum	2.49	17.2	0.54	7.20	1.00	0.135
	Maximum	2.68	154.2	2.25	28.6	2.00	0.310
	Mean	2.62	82.2	1.42	17.80	1.67	0.227
	Standard deviation	0.06	28.9	0.61	8.74	0.47	0.084

Source: ECC (2020) and Team 325 (2021)

Bulk density

The bulk densities of the 140 limestone samples tested range from 2.51 g/cm^3 to 2.82 g/cm^3 with a mean of 2.70 g/cm^3. Only two samples were slightly below the specified limit of 2.60 g/cm^3. The values obtained are typical for limestone and dolomitic rocks. and the samples tested are considered satisfactory for use as concrete aggregate.

The diorite is slightly less dense than the limestone, with the 17 samples tested ranging from 2.49 g/cm^3 to 2.68 g/cm^3 with a mean of 2.62 g/cm^3 and slightly higher variability than the limestone. While the mean value falls within the required value of $\geq$2.6 g/cm^3, the bulk density of the diorite is a little lower than would normally be expected for a fresh volcanic rock. The bulk density of this diorite is considered suitable for most applications such as railway ballast, asphalt concrete, road sub-base and landscaping.

Wet (water saturated) compressive strength

The wet compressive strength of the 434 limestone samples tested varied from 18.0 MPa to 179.6 MPa with a mean of 65.2 MPa. The mean value is well within the standard specified requirement of greater than or equal to 30 MPa for sedimentary rocks. While a very small number of samples (13) , representing 3 % of the samples analysed were below the specification, the overall results indicate that limestone aggregate produced from this quarry is likely to be satisfactory overall.

The wet compressive strength of the 62 diorite samples ranges from 17.2 MPa to 154.2 MPa, averaging 82.2 MPa. While the mean strength meets the requirements of the provincial code, the test results are relatively low and variable for a magmatic rock such as diorite. This material is still significantly stronger than the limestone and may be suitable for applications such as railway ballast, asphalt concrete, road sub-base and landscaping.

Water absorption

The mean water absorptions for the limestone and diorite samples are 0.57% and 1.42% respectively. The set limit for Class 1 aggregate is less than 1.0% while the limits for Classes 2 and 3 aggregates are less than 2.0%.

The water absorption of the limestone is generally suitable for concrete aggregates, but a small proportion may be unsuitable for high-strength concrete (C60 or above).

The water absorption of the diorite samples is considered not suitable for Class 1 aggregate but is generally suitable for Classes 2 and 3 aggregates.

Crushing index

The crushing index of the seven limestone samples ranged from 8.2 to 11.0 with a mean of 9.53. One of the samples taken in 2020 is above the maximum value of 10 for Class 1 aggregate. The results overall are acceptable for all three classes of aggregate.

Three diorite samples were tested for crushing index. All three samples meet the requirements for Class 3 aggregate but only one meets the requirements for Class 1 aggregate.

Soundness

Seven limestone samples were tested for soundness. All samples met the required value for Class 2–3 aggregate while one sample exceeded the maximum allowed value of 5% loss for Class 1 aggregate. Overall the limestone is considered suitable for use in all three classes of aggregate.

Only three samples of diorite were tested for soundness. All samples were well within the specifications for Classes C1 to C3 aggregate.

Alkali aggregate reactivity

Six limestone samples and four diorite samples were tested for alkali aggregate reactivity. The results have indicated that the limestone samples have met the requirements of the Anhui Provincial Standard.

The alkali silica reactivity (ASR) results for the four diorite samples indicate that two samples clearly do not meet the requirements of the Anhui building stone specifications and two samples have marginal results. This means that the diorite samples have the potential to react with Portland cement and therefore be unsuitable for use in ready-mixed concrete.

The alkali silica reactivity should not affect the use of the diorite aggregate in applications that do not involve Portland cement, for example railway ballast, landscaping, road sub-base etc., as long as the other specifications for those applications are met.

Radioactivity

Three samples were taken from each of the domains for the radioactivity test. The test results (Table 4-8) show that the radioactivity levels of these samples are very low and are classified as Class A, with no restrictions on their use.

Table 4-8: Radioactivity analysis results

Sample_ID	Domain	^{226}Ra	^{232}Th	^{40}K	I_{Ra}	I_r
DHFA01-FS01	D1 Limestone	2.8	1.9	11.6	0.0	0.0
DHA02-FS01	D1 Limestone	4.9	1.3	21.0	0.0	0.0
DH0402-FS01	D1 Limestone	1.5	2.5	30.0	0.0	0.0
DHFA01-FS02	D2 Diorite	11.1	12.6	569.8	0.1	0.2
DHA02-FS02	D2 Diorite	11.2	11.1	487.0	0.1	0.2
DH0402-FS02	D2 Diorite	14.5	11.0	494.2	0.1	0.2

Source: ECC (2020) and Team 325 (2021)

Sulphate content

A total of 10 samples were analysed to determine their chemical compositions. The samples were crushed, sub-sampled and assayed by X-ray fluorescence (XRF) for major elements (CaO, MgO, K_2O, Na_2O, SiO_2, Al_2O_3, Fe_2O_3, FeO, SO_3, Cl), and Loss on Ignition (LOI).

The assay results indicate that rocks from domains D1 and D2 contain very low levels of SO_3 (less than 0.5%, Table 4-9) and their sulphate content is suitable for all types of concrete (Table 4-5).

Table 4-9: Chemical analyses

Sample_ID	Domain	CaO (%)	MgO (%)	K_2O (%)	Na_2O (%)	SiO_2 (%)	Al_2O_3 (%)	Fe_2O_3 (%)	FeO (%)	SO_3 (%)	P_2O_5 (%)	Cl (%)	TiO_2 (%)	LOI (%)
DHFA01-H1	D1	47.06	6.55	0.05	0.02	0.68	0.17	0.10	0.08	0.04	0.01	0.04	0.01	44.83
DHFA01-H3	D1	48.88	3.70	0.30	0.03	2.36	0.84	0.42	0.14	0.03	0.01	0.03	0.03	42.46
DHA02-H2	D1	50.36	4.16	0.09	0.01	0.56	0.24	0.37	0.14	0.03	0.02	0.04	0.01	43.95
DH0402-H1	D1	50.64	3.50	0.12	0.01	1.27	0.44	0.40	0.18	0.16	0.02	0.03	0.14	43.30
DH0201-H1	D1	31.03	17.13	0.17	0.04	1.24	0.44	0.46	0.08	0.02	0.05	0.07	0.02	45.90
DH0201-H2	D1	46.72	6.32	0.05	0.02	0.49	0.19	0.18	0.08	0.05	0.01	0.04	0.00	44.72
DHFA01-H2	D2	8.18	4.40	2.63	3.52	55.05	13.73	5.34	3.56	0.14	0.19	0.01	0.43	6.22
DHA02-H1	D2	4.85	5.20	2.93	4.17	59.24	14.28	6.38	3.88	0.01	0.21	0.01	0.61	1.36
DH0201-H3	D2	6.56	4.44	2.95	3.49	57.65	14.62	5.80	3.73	0.09	0.21	0.01	0.58	4.06
DH0201-H4	D2	6.83	3.70	3.15	3.86	57.71	14.34	6.05	3.77	0.04	0.21	0.02	0.56	3.63

Source: ECC (2020) and Team 325 (2021)

4.4.9 SRK comments on the project aggregate quality

An appropriate series of tests was carried out to determine the suitability of the rocks in Domains 1 and 2 for use as construction aggregate. The samples were tested and accessed according to the Anhui Provincial Standard, which is similar to the national standard. These tests are considered generally being used in the local market.

The results of the testing indicate that the limestone test results meet the requirements of the Anhui Provincial Standard for at least Classes 2 and 3 aggregates and generally Class 1 aggregate. In some cases, a small proportion of samples are outside the requirements. Careful mining and quality control should be undertaken to ensure consistent quality of products.

The test results indicate that the diorite is less dense and has higher water absorption and crushing index than the limestone. It also has a relatively low compressive strength for a magmatic rock. The alkali aggregate reactivity test results indicate that there is considerable doubt about its suitability for use as concrete aggregate, which is the most important product of the Project. While it may not be suitable for concrete, it may be suitable for lower specification applications, such as railway ballast, asphalt concrete, road sub-base and landscaping.

It is noted that in some cases, aggregates that do not meet national or regional concrete aggregate specifications are still used in certain applications. Any variations to the accepted qualities should be based on satisfactory local experience of materials and performance.

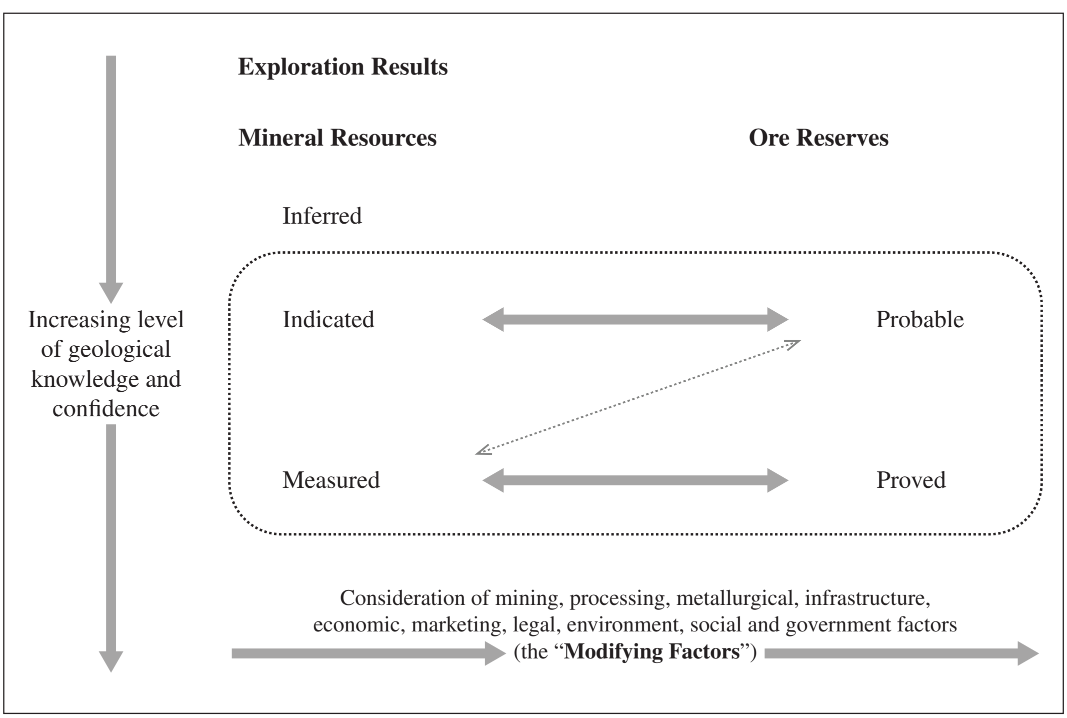
5 MINERAL RESOURCES ESTIMATION

5.1 Introduction

SRK is satisfied with the exploration work completed 2020 and 2021, which included diamond drilling, surface sampling, topographical survey and geological mapping. The sampling and laboratory analytical procedures are considered appropriate. The quality of the data obtained is considered to meet the requirements of construction aggregates in Anhui Province standard, and also be in accordance with the JORC Code (2012).

The JORC Code (2012) states that, "*A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction*". Mineral Resources are classified as Inferred, Indicated and Measured according to increasing degrees of geological confidence (Figure 5-1).

Figure 5-1: General relationship between exploration results, Mineral Resources and Ore Reserves



Source: JORC Code, 2012.

5.2 Database compilation and validation

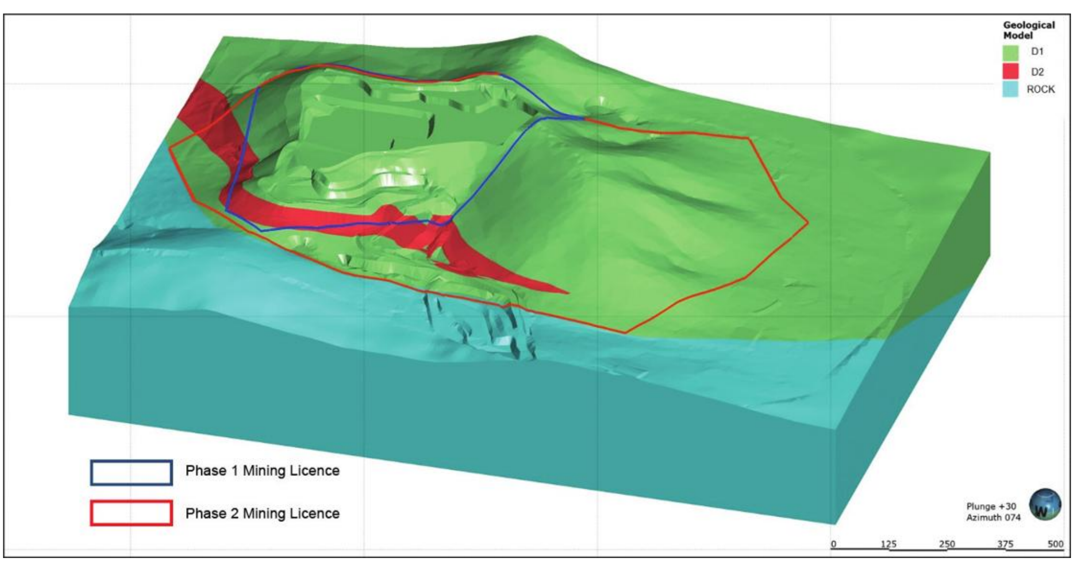
Geological maps, cross sections, drill hole geological logging, laboratory test results and topographic map were provided in *MapGIS*, a Chinese GIS software package, and Excel spreadsheet format. SRK digitised and compiled the provided data into a database that was further viewed and validated in *Leapfrog*, a 3D modelling software package.

5.3 Geological modelling

SRK constructed three-dimensional (3D) wireframe models based on topographic maps at 1:2,000 scale, drill hole and the geological map at a scale of 1:2,000, using *Leapfrog* software. The modelling procedures included import of the compiled drill hole database, together with the geological and topographic maps, into *Leapfrog*. Wireframes were constructed from the drill hole data and stratigraphic contacts from mapping. Figure 5-2 is a snapshot (oblique view) of the Leapfrog model. Three units have been modelled, from the top to bottom: D1 Limestone, D2 Diorite and the Xuzhuang Formation sandstone, a minor sandstone unit which is not the target construction materials unit, occurs at the bottom of the stratigraphic succession.

In addition, a weathering surface has been modelled, based on the drill hole logging results. The surface weathering zone mainly includes gravels and soils. The weathered zone in Domain D1 is scattered within individual local areas with a very shallow thickness of 0.10 m to 0.20 m, while in Domain D2, diorite tends to develop a deeper weathered zone, with an average thickness of 12.5 m.

Figure 5-2: Oblique view of geological model



Source: SRK

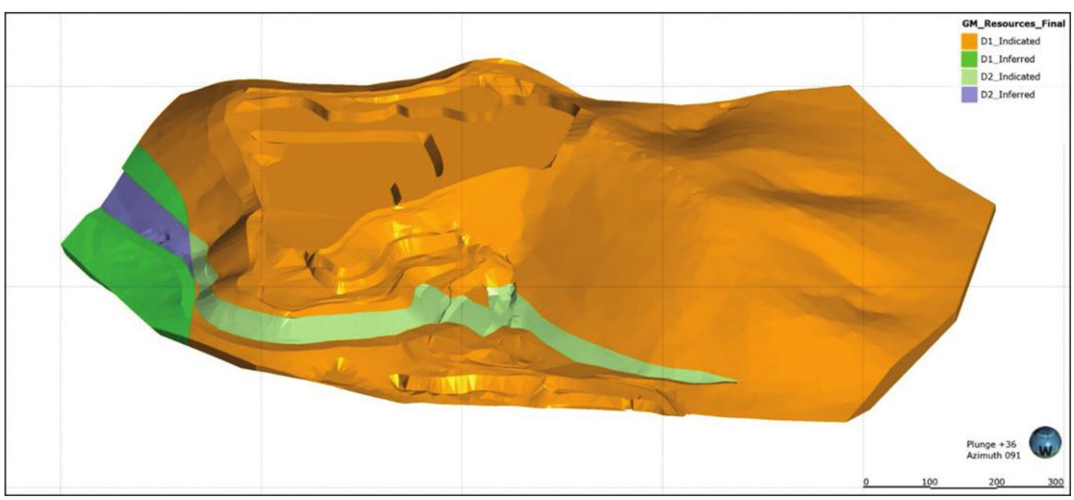
5.4 Mineral Resource classification

For this aggregate Project, Resource classification reflects the degree of confidence in the geological continuity, sample density, data quality, surface mapping and drilling spacing. The strata are generally dipping to the southeast with a gentle angle of around 20°. There were no significant faults and karst caves observed except a minor fault (10 cm wide), bisecting the Project area during the surface mapping and drilling exploration that may affect the geological continuity.

SRK is of the opinion that there is sufficient confidence in the continuity and aggregate quality of the Domains D1 and D2 to classify Indicated Mineral Resources with a buffer of 250 m for drill hole and surface sampling positions. A relatively small area with a lower confidence in the continuity of the data has been classified as Inferred Mineral Resource. No Measured Mineral Resource has been defined as insufficient drill hole and surface sampling to support higher degree of geological confidence.

Figure 5-3 provides a snapshot from the Leapfrog model showing the distribution of the Indicated and Inferred Mineral Resources for the Project.

Figure 5-3: Mineral Resource classification



Source: SRK

5.5 SRK's Mineral Resource Statement

The Mineral Resource has been limited to the area within the Phase II Mining Licence. The latest topography of the Project area as at 30 June 2021 was used to clip the defined aggregate Mineral Resources to reflect the resources extracted from the current pit. Production between 30 June 2021 and 30 September 2022 has been depleted from the Mineral Resource.

Table 5-1 presents the construction aggregate Mineral Resource estimated by SRK as at 30 September 2022.

Table 5-1: Gaoloushan construction aggregate Project–Mineral Resource statement as at 30 September 2022

Domain	Mineral Resource Category	Volume *('000 m^3)*	Tonnes *(kt)*
D1 Limestone	Indicated	60,780	164,108
	Inferred	1,601	4,323
	Total	62,381	168,431
D2 Diorite	Indicated	5,656	14,819
	Inferred	403	1,056
	Total	6,059	15,875
TOTAL	Indicated	66,436	178,927
	Inferred	2,004	5,379
	Total	68,440	184,306

Source: SRK

Note: Both D1 Limestone and D2 Diorite domains are considered generally suitable for the production of construction aggregates with different potential applications; bulk density used: 2.70 t/m^3 for D1, and 2.62 t/m^3 for D2.

6 MINING

6.1 Introduction

The existing quarry is a conventional open pit operation. The quarry operation aims to meet processing plant requirements, which are driven by its rated capacity and market demand.

The Phase I Mining licence that permitted production of up to 3.5 Mtpa has been replaced by the Phase II mining licence. The new Mining Licence is larger in size and has an expanded permitted production capacity of up to 8.0 Mtpa.

A PD on the Phase II development was completed by Hebei Building Materials Industry Design and Research Institute Co., Ltd., a qualified and independent consultancy in April 2022. The level of accuracy of the Modifying Factors, supported by the Phase I operational statistics described in the PD is considered by SRK to be similar to a feasibility study ("**FS**"), prepared in accordance with the JORC Code (2012). The Company plans to gradually ramp up from 2022 to 2030. From 2031, the quarry will operate at full capacity of 8.0 Mtpa to match the same production capacity of the processing plant.

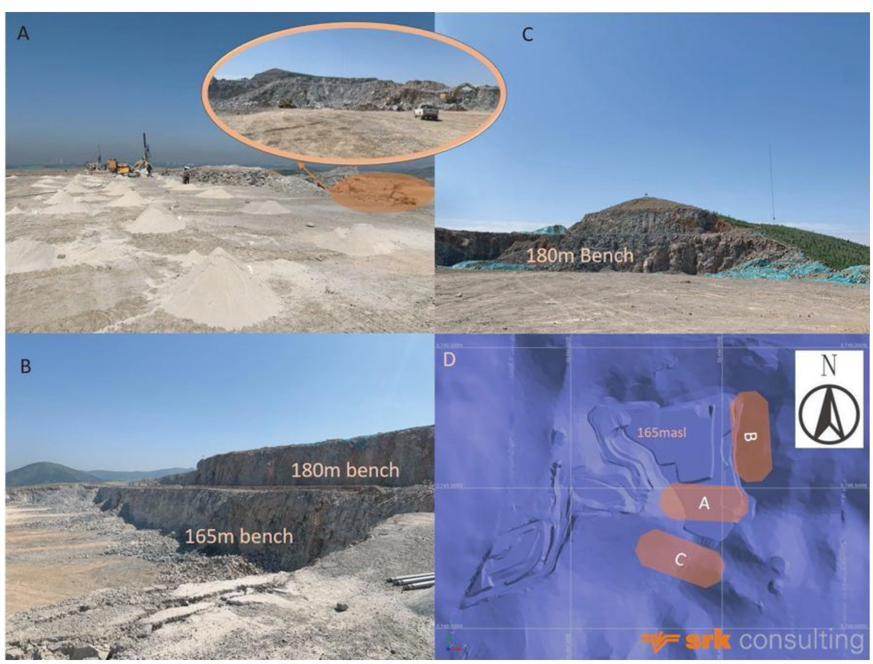
6.2 Current operation

Overburden mining commenced in mid-2017 and first ore was mined in the fourth quarter of the same year. Successful operation has continued since 2017 and produced over 11 Mt ore for the processing plant. In 2020, the annual production reached 4.2 Mt in response to the strong market demand. This production history has given GreenGold with a solid understanding of the mining conditions and operability of the pit as well as the processing plant's response to the ore. The current operation experience also builds a solid foundation for the Phase II development.

At the time of the site visit in May 2021, the quarry formed an open pit mining area. A work bench was developed at the 165 m asl level with a work face line of approximately 100 m in length.

Loading and clearance were also taking place. On the 180 m asl level, drilling was being conducted by the contractor (Figure 6-1). To date, a total of approximately 2,570 m long haul roads have been constructed and connected to the Phase I Processing Plant. The roads have an average gradient of 5% and their widths are approximately 11m (Figure 6-2).

Figure 6-1: Quarry conditions



Source: SRK site visit, May 2021

Notes:

A: Drilling and loading by the contractor; insert showing ore loading;

B: benches at 165 m asl and 180 m asl levels;

C: 180 m asl bench;

D: location map, showing the existing pit.

Figure 6-2: Quarry current conditions

Source: SRK site visit, May 2021

Notes:

A: Workshop, haul road leading to the processing plant;

B: downhill haul road;

C: haul road condition;

D: haul road plan view.

6.3 Mining method and equipment

A conventional open pit mining method has been employed for the Phase I operation, comprising drilling, blasting, loading and haulage. The mining sequence is from top to bottom and two benches operate simultaneously.

Drilling and blasting are handled by a professional contractor, Leiming Blasting. The contractor is responsible for drilling, hole survey, explosive transportation, charging, stemming and blasting. The acceptable lump size is 1,000 mm. Any oversize ore is further broken down by hydraulic hammers at the work face. No explosive magazine is on site (Figure 6-1).

Leiming Blasting currently holds two down-the hole hammer (DTH) drill rigs, with mobile air compressors, and one new Epic DTH drill rig is on stand-by. The dimensions of the blast holes are 150 mm wide and 17.5 m deep. The blast holes are arranged in rectangular or quincunx patterns, with spacing of 4.5-6 m and a burden of 4-4.5 m.

GreenGold is responsible for loading and haulage to the processing plant. Loading is carried out by three 2.7 m^3 hydraulic excavators and two front-end loaders. Loaded ores are hauled to the processing plant by 14 x 50 t articulated haulage truck. Other key mining equipment owned by GreenGold includes a watering truck and a road roller.

Mining occurs according to the demand from the processing plant. No stockpile is on site.

The same mining method is proposed for the Phase II operation, utilising a total of 28 x 55 t articulated haulage trucks, 7 excavators and 4 front-end loaders. The current Phase I mining fleet is scheduled to be replaced every 10 years. A historical coal ash dump is located within the blast buffer zone of the northern margin of the pit. A small portion of ore (0.4%) is therefore to be mined by the mechanical excavation method rather than the drill-and-blast method.

Table 6-1: Existing and proposed mining fleet

Equipment	Model	Capacity	Existing	Planned	Total
Articulated haulage truck	TL875C	55 t	14	14	28
Excavator	Cat 349 D2/LOVOL 480 ED ZSE00969	3.2 m^3	3	4	7
Front-end loader	L955F	3.0 m^3	2	2	4
Road roller	XS223JE	22 t	1	1	2
Watering truck		10 m^3	1	2	3

Source: PD and GreenGold

It is SRK's opinion that the selected conventional open pit mining method is appropriate and is considered a low-risk solution. The existing and planned mining equipment is reasonable for the 8.0 Mtpa production capacity.

6.4 Optimisation

Open pit optimisation presents a range of nested open pit shells representing increasing product price or Revenue Factor (RF) to guide the selection of the optimal open pit shell that best suits the owner's business objectives. A RF = 1.0 is the theoretical optimum pit shell on which to base open pit designs. SRK has used the Lerchs-Grossman 3D algorithm in Whittle software (LG 3D) for the optimisation process. The LG 3D optimiser determines a set of resource blocks with the maximum value per tonne, creating an optimised open pit shell from a 3D resource block model. Input parameters used for the Whittle open pit optimisation process, open pit design and production scheduling have been coded into the mining models, which include mining cost, processing cost, general and administration cost, product sales prices, pit slope angles and the mining licence surficial and elevation boundaries. The marketability of the D1 Limestone has been supported by the sales records and the Market Study, while the diorite is generally suitable for the production of construction aggregates with the exception of concrete products, its marketability remains uncertain. A market study, covering the topics of supply and demand, customer and competitor analysis, price and volume forecast, customer specifications, testing and acceptance requirements and probably trial sales are required to demonstrate the marketability of diorite. Therefore, only D1 Limestone Indicated Mineral Resource has been considered in Ore Reserve conversion. All other materials are classified as waste.

The Mineral Resource model (MRM) within the current mining elevation limit was re-coded and validated in Whittle. The difference between the original MRM and the re-coded mining model is within 0.2% in tonnage, which in SRK's opinion is acceptable. The re-coding included:

- Re-blocking the MRM into 10 × 10 × 5 (X × Y× Z) to represent the selective mining unit (SMU) and an efficient/effective Whittle processing timeframe
- Adding waste rock at a specific gravity of 2.60 t/m^3
- Other minimum re-coding for the Whittle optimisation requirements, such as rock type coding based on both ore type and resource classification.

The mining licence spatial limit was also considered during the optimisation.

The key inputs into the open pit optimisation are presented in Table 6-2.

Table 6-2: Open pit optimisation inputs

Item	**Unit**	**Inputs**
Mining Cost	RMB/t total material moved	10.4
Processing Cost	RMB/t ore	3.9
General and administration cost	RMB/t ore	1.4
Tax and royalty	RMB/t ore	5.9
Mining loss	%	2.0
Weighted average products sales price	RMB/t	103.5
Overall slope angle	degree	50.0

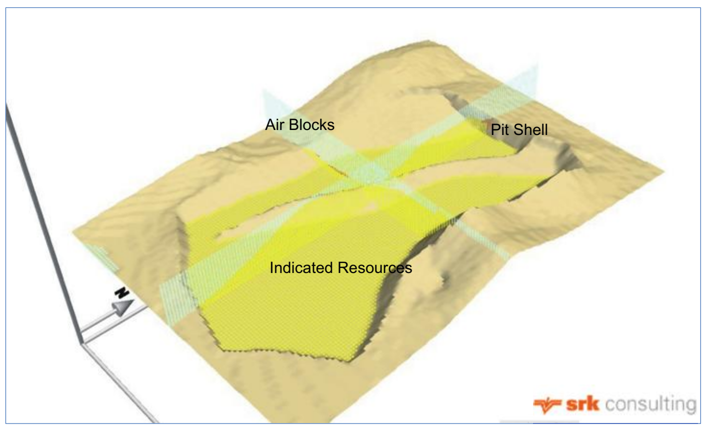
Source: GreenGold and Market Study, reviewed by SRK

The costs for the optimisation are based on the best information available at the time of the optimisation. The costs for mining, processing, general and administration are based on the actual operating costs in 2020. These costs are considered reasonable and are within typical range of similar projects in China. An allowance of 2% mining loss is assumed, but with no assumed processing loss. The processing plant produces a range of products. A weighted average selling price of RMB103.5/t is assumed based on the Market Study forecast and historical sales records. An overall slope angle (OSA) of 50 degrees is selected.

Using the inputs described above, the LG 3D open pit optimiser tool was run and produced an optimum open pit at different product prices, which are referred to as revenue factors (RFs).

Revenue Factor 1.0 was achieved for open pit shell 16, which was selected as the base case because the ultimate open pit shell was achieved at RF 1.0 when the Whittle economic return is maximised. At Revenue Factor 1.0, the marginal cost for an additional unit of product is equal to the net revenue received for that additional unit of product. The isometric view of the optimisation result of open pit shell 12 is presented in Figure 6-3.

Figure 6-3: Isometric view of open pit shell 16 (RF 1.0)



Source: SRK

6.5 Detailed mine design

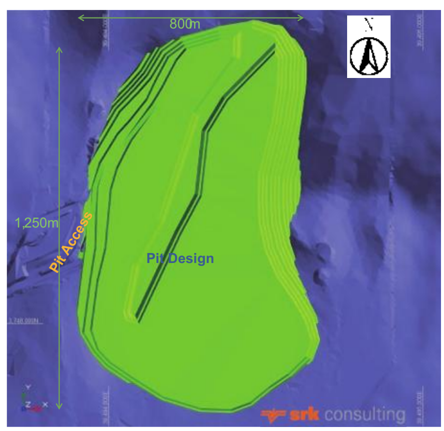
The detailed mine design was carried out using the selected LG 3D open pit shell (RF 1.0) as a guide. The proposed open pit design includes the practical geometry required in the quarry, including open pit access and haulage ramp to all open pit benches, open pit slope design, benching configurations in Table 6-3. The plan view of the open pit design is presented in Figure 6-4, while a comparison between the open pit design and LG 3D shell is shown in Figure. The open pit design indicates that above 80 m asl, the mining operation will result in the removal of the hill. Below 80 m asl, the operation will be an open pit excavation. The open pit access is at 80 m asl on the east pit edge.

Table 6-3: Detailed open pit design parameters

Item	Unit	Parameter
Bench height	m	15
BFA	°	65
Safety berm	m	5
Catch berm	m	8
Minimum bench width	m	60
Ramp width	m	14
Road gradient	%	9
OSA	°	50

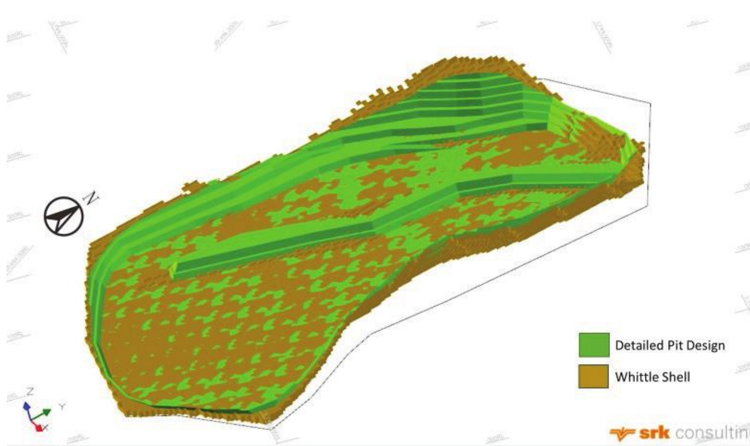
Source: PD, compiled by SRK

Figure 6-4: Plan view of open pit design



Source: SRK

Figure 6-5: Isometric view of open pit design and Whittle optimisation



Source: SRK

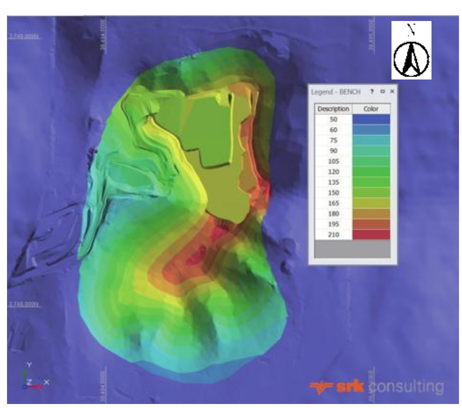
The Mineral Resources and waste materials within the open pit design on each beach are presented in Table 6-4. The mine design of the current mining operation is shown in Figure 6-6.

Table 6-4: Materials Interval within the open pit design

Bench name	Toe Elevation *(m ASL)*	Crest Elevation *(m ASL)*	Indicated D1 Resource *(kt)*	Indicated D2 Resource *(kt)*	Inferred D1 Resource *(kt)*	Inferred D2 Resource *(kt)*	Overburden/ Waste *(kt)*
B200	195	above	1,209	–	–	–	25
B185	180	195	3,251	–	–	–	9
B170	165	180	7,349	–	–	–	10
B155	150	165	12,321	–	–	–	11
B140	135	150	15,034	35	–	–	89
B125	120	135	16,675	547	15	–	211
B110	105	120	17,886	1,520	129	4	481
B95	90	105	19,738	2,278	62	202	673
B80	75	90	21,284	3,554	69	154	311
B65	60	75	20,339	2,357	74	26	27
B50	50	60	12,654	352	17	–	13
Total			147,801	10,543	366	330	1,770

Source: SRK

Figure 6-6: Benches interval and current operation



Source: SRK

6.6 Mine scheduling

SRK has re-scheduled the production based on the parameters and mining sequence proposed in the PD against Mineral Resources estimated by SRK and open pit design, and the project goal proposed by the Company, which plans to achieve the target production capacity of 8.0 Mtpa by 2031.

The mining sequence is downwards bench by bench. Two work benches operate simultaneously. The minimum lag distance between two benches is 50 m, and the minimum mining width is 60 m. The existing haul road within the quarry will remain at the inception of the Phase II development. SRK has divided the designed pit into four zones for the mine scheduling (Figure 6-7):

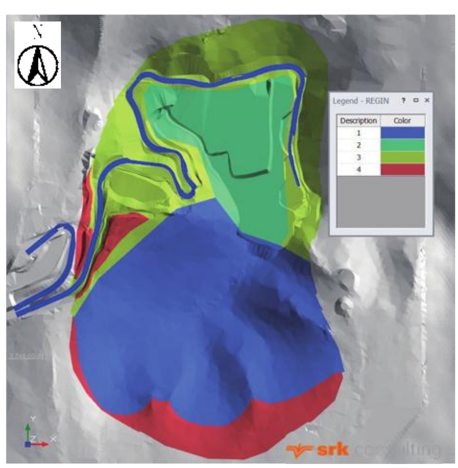
Zone 1: Adjoining to the existing Phase I pit. This zone is selected as the initial mining area. The designed bottom elevation of 90 m asl.

Zone 2: Existing Phase I pit. The existing pit will operate in conjunction with Zone 1. To achieve this, the current work face in Zone 1 will advance into Zone 2. The bottom of this zone is the same as Zone 1, i.e. 90 m asl.

Zone 3: Enclosure of the existing haul road. This zone is to preserve this existing haul zone. Mining will advance to this zone when the materials within Zones 1 and 2 are extracted. The bottom of this zone as the same as zone 1 and 2.

Zone 4: Below Zone 1, 2 and 3. This zone will form a horizontal platform and become a pit. A new downhill haul road will be developed. The bottom of this pit is 50 m asl.

Figure 6-7: Mine schedule development

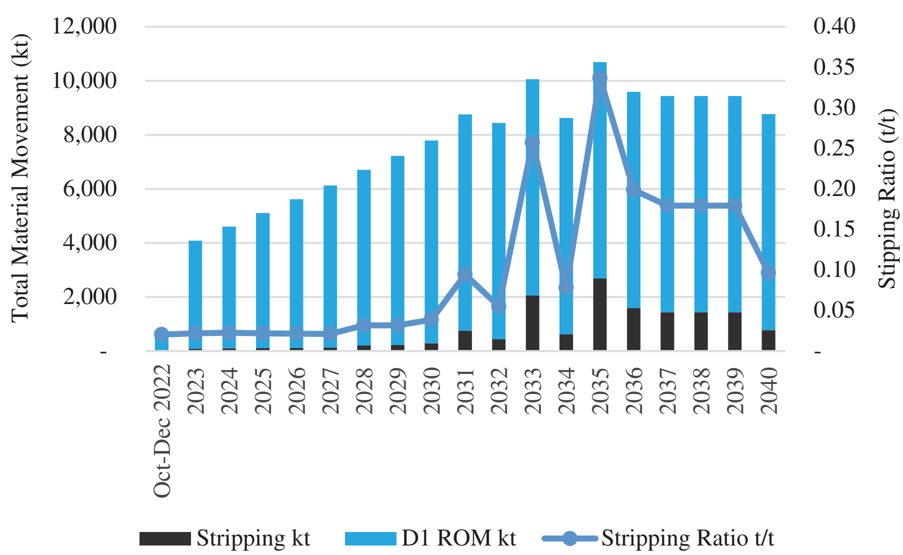


Source: SRK

SRK has scheduled the production based on the sequence of development of these four zones, the defined D1 Limestone Mineral Resources and the Company production targets, which plans to achieve the target production capacity of 8.0 Mt by 2031. All D1 Limestone Inferred Mineral Resource and D2 Diorite Indicated and Inferred Mineral Resources are treated as waste.

The annual life-of-mine (LoM) open pit mining schedule for the quarry is presented in Table 6-5 and Figure 6-8. The LoM is approximately 18 years and the stripping ratio is 0.11.

Figure 6-8: Production schedule over LoM



Source: SRK

Table 6-5: Production schedule

Year	Run-of-Mine (kt)	Stripping (kt)	Total Material Movement (kt)	Stripping Ratio (t/t)
LoM Total	126,781	14,521	141,301	0.11
2022 Oct-Dec	779	15	794	0.02
2023	4,000	87	4,087	0.02
2024	4,502	102	4,604	0.02
2025	5,000	109	5,109	0.02
2026	5,500	118	5,618	0.02
2027	6,000	127	6,127	0.02
2028	6,500	206	6,706	0.03
2029	7,000	223	7,223	0.03
2030	7,500	290	7,790	0.04
2031	8,000	756	8,756	0.09

Year	Run-of-Mine	Stripping	Total Material Movement	Stripping Ratio
	(kt)	*(kt)*	*(kt)*	*(t/t)*
2032	8,000	441	8,441	0.06
2033	8,000	2,059	10,059	0.26
2034	8,000	625	8,625	0.08
2035	8,000	2,695	10,695	0.34
2036	8,000	1,590	9,590	0.20
2037	8,000	1,435	9,435	0.18
2038	8,000	1,435	9,435	0.18
2039	8,000	1,435	9,435	0.18
2040	8,000	771	8,771	0.10

Source: SRK

7 ORE RESERVE

The definition of Ore Reserves in accordance with the JORC Code (2012) is as follows:

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

The conversion from Mineral Resources to Ore Reserves is presented in Figure 5-1.

The definition of economically mineable ore is based on the results of open pit optimisation. Open pit optimisation was used to identify the optimum economic open pit shape based on the highest projected cash flow.

7.1 Modifying factors

The following modifying factors were used by SRK to determine the Ore Reserve:

- Optimal pit shell: included the Mineral Resources within the economic pit limits.
- Open pit design: the conversion factor for the Ore Reserve between the optimised open pit shell and the practical mine design has been accounted for in this parameter.
- Mining loss: a 2% mining loss rate was adopted, which is consistent with the operational records.
- The diorite has certain potential applications, but its marketability remains uncertain. No diorite has therefore been included in the Ore Reserve.
- The scope of the mining rights. The mining rights of the Phase II area is valid for a period of of 19.7 years until 30 March 2041 (see Section 3.2). However, for the sake of simplicity, the LoM is assumed to be ended by 31 December 2040.

7.2 Ore Reserve estimates

The estimated Ore Reserve based on the considerations of Mineral Resources and Modifying Factors is summarised in Table 7-1.

Table 7-1: Ore Reserve estimation

Description	Tonnage *(kt)*
Indicated Mineral Resource (D1 Limestone only)	169,395
Indicated Resource in optimal pit shell	154,126
Indicated Resource in designed pit	144,801
Mining loss	-2,956
Mine plan up to the validity of the mining rights	-13,416
Ore Reserve as at 30 June 2021	131,429
Ore Reserve as at 30 September 2022	126,781

Source: SRK

7.3 Ore Reserve statement

The construction aggregate Ore Reserve estimate in accordance with the JORC Code (2012) by SRK as at 30 September 2022 is presented in Table 7-2. This is based on the considerations of Modifying Factors, the PD, the LoM plan from the pit to the processing plant final pit design and allowances for losses. The economically mineable part of the Indicated Mineral Resource within the pit has been classified as Probable Reserve. The Ore Reserve figures have been depleted to account for mining up to the 30 September 2022.

Table 7-2: Gaoloushan Construction Aggregate Project Ore Reserve statement as at 30 September 2022

Domain	Reserve Category	Volume *('000 m^3)*	Tonnes *(kt)*
D1	Probable	46,956	126,781

Note:

Ore Reserve is inclusive of Mineral Resource; a 2% mining loss is factored.

8 PROCESSING

8.1 Introduction

The current Phase I processing plant with a nameplate capacity of 3.6 Mt has been in operation successfully since 2017. A range of fine and coarse crushed aggregates: 0–5 mm, 5–15 mm, 15–25 mm and 25–31.5 mm, as well as scalpings are produced.

A feasibility study (FS) incorporating the construction of a new plant with a nameplate capacity of 8.0 Mtpa was completed in May 2021. The next level program of technical study, a preliminary design (PD) was completed in April 2022. The construction of the Phase II processing plant will begin in the fourth quarter of 2022. Trial production will commence by the end of the third quarter of 2023 with commissioning by the end of the fourth quarter of 2023. The existing processing plant and the proposed approximate location of the Phase II processing plant are shown in Figure 8-1.

Figure 8-1: Existing and proposed approximate location of the Phase II processing plant, looking west

Source: SRK site visit, June 2021

8.2 Process flowsheet

The process flowsheet of the Phase I operation adopts a two-stage closed circuit process with pre-screening, and the Phase II flowsheet proposes a similar process, but with an additional stage of screening. A summary flowsheet of Phase II is provided in Figure 8-2 and described below.

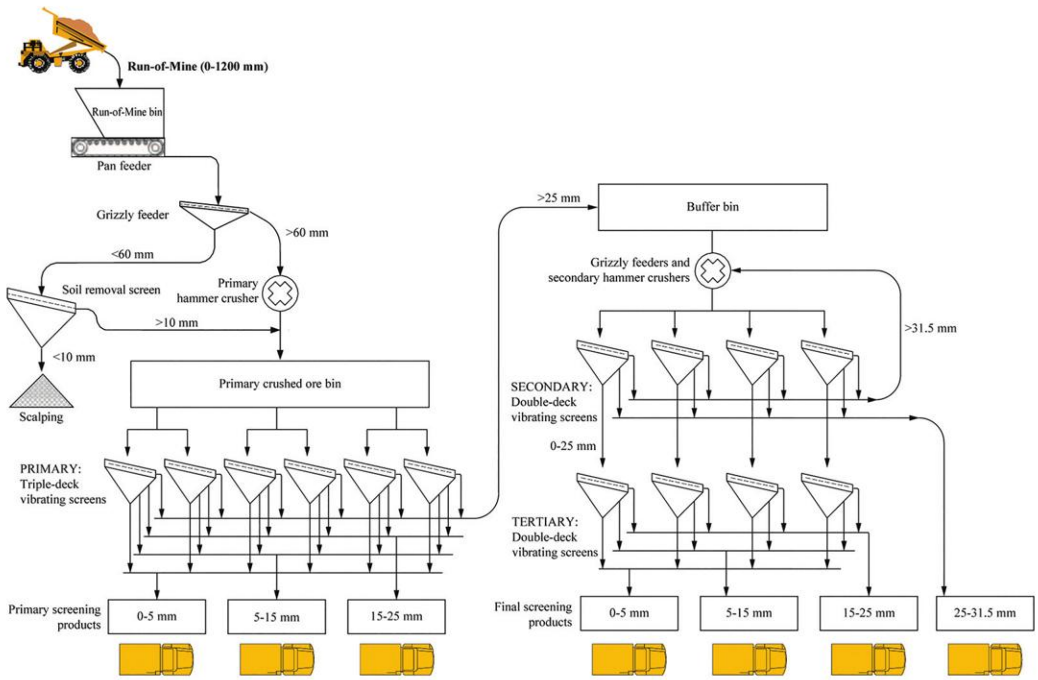
Mined ore is hauled and tipped into the Run-of-Mine (ROM) bin. From there, the material is fed and screened by a pan feeder and a grizzly feeder. The oversize (>60 mm) is fed into a hammer crusher for primary crushing, while the undersize is screened for scalping by a vibrating screen (10 mm). The scalpings are stockpiled for future sale. The material removed by scalping is combined with the material after the primary crushing, and is transported by a belt conveyor to the primary screening workshop (Figure 8-3).

The material is fed into six sets of circular primary vibrating screens, and is divided into four sizes of fractions: 0–5 mm, 5–15 mm, 15-25 mm and >25 mm as the primary screening products. The >25 mm fraction is transported to the secondary screening workshop and is fed into a hammer crusher for secondary crushing. The material is then fed into four sets of secondary circular vibrating screens. The 25–31.5 mm fraction is conveyed to the respective product silos for storage. The >31.5 mm fraction will return to the secondary hammer crusher.

The 0–25 mm fraction is fed into four tertiary vibrating screens and is divided into three fractions, 0–5 mm, 5–15 mm and 15–25 mm. The screened fractions known as final screening products are then stored in their respective silos. The final screening products are considered as premium products as less fines or silts are included. Aggregate products are released to customers' trucks through the silo bottom slide gates (Figure 8-4).

In SRK's opinion, the conventional construction aggregate processing flowsheet is reasonable and is appropriate for processing the ores from the quarry over the LoM.

Figure 8-2: Phase II processing flowsheet



Source: PD modified by SRK

Figure 8-3: Phase I processing plant

Source: SRK site visit, June 2021

Notes:

A: Primary hammer crusher

B: Secondary hammer crusher

C: Scalping vibrating screen

D: Stage 1 vibrating screens

Figure 8-4: Phase I processing plant

Source: SRK site visit, June 2021

Notes:

A: Stage 1 screening workshop

B: Silos

8.2.1 Processing equipment

The current processing plant is located approximately 100 m to the west of the current mining licence boundary. The proposed Phase II processing plant is located to the immediate west of the current processing plant. The Phase II plant site is high in the south and low in the north. The ground elevation is approximately 50–100 m ASL. In SRK's opinion, the proposed site meets the new layout requirements.

The Phase II production plant facilities are the same as for Phase I, including ROM bin, primary crushing workshop, secondary crushing workshop, scalping removal workshop, scalping shed, primary screening workshop, secondary screening workshop, tertiary screening workshop, final product silos and dust removal system. Other infrastructure comprises water supply and electrical supply.

The key equipment in the existing processing plant is currently in good condition and is shown in Table 8-1, and the main equipment of the Phase II processing plant is shown in Table 8-2.

Table 8-1: Key existing processing plant equipment

No.	Type	Model	Motor Power *(kW)*	Quantity
1	Grizzly feeder	JSZD6026	12	1
2	Primary hammer crusher	JSPCD2226	800	1
3	Secondary hammer crusher	JSPCD1616	220	1
4	Scalping removal vibrating screen	JSYZ1870	22	1
5	Primary vibrating screen	JSYZ3280	45	4
6	Secondary vibrating screen	JSYZ2680	37	1
7	Silo	10,000 t		4

Source: GreenGold

Table 8-2: Key Phase II proposed processing plant equipment

No.	Type	Motor Power	Quantity
1	Pan feeder	220kW	1
2	Grizzly feeder	60kW	1
3	Primary hammer crusher	1,250kW	1
4	Secondary hammer crusher	800kW	2
5	Primary rotary vibrating screen	110kW	6
6	Secondary rotary vibrating screen	90kW	4
7	Scalping removal screen	110kW	1
8	Tertiary rotary vibrating screen	90kW	4
9	Silo	20,000t	7

Source: PD

8.3 Plant operating status

8.3.1 Historical production

The current processing plant is claimed to have a designed capacity of 3.6 Mtpa, estimated based on 250 working days, 11 working hours per day and 1,300 t/h hourly processing throughput capacity.

The operation has a history of regular production with a two 8-hour shifts per day and the remaining time is for regular maintenance. In the period of 2018–2021, the average hourly processing throughput remained at a similar order of magnitude of 875–950 t/h; and the utilisation rate spanned 92.3-119.9% (Table 8-3). The sales statistics and product size fractions are presented in Table 8-4 and Table 8-5.

Table 8-3: Historical operation statistics

	Unit	2018	2019	2020	2021
Tonnes processed	Mt	3.63	3.30	4.29	3.50
Average hourly plant throughput	t/h	925*	951	920	835
Plant operating hours	h	2,734*	3,220	4,459	4,221
Designed Nameplate capacity	Mt	3.58	3.58	3.58	3.58
Utilisation	%	101.7	92.3	119.9	97.7

Source: GreenGold

* Hourly plant throughput and plant operating hours were not recorded in January-June 2018.

Table 8-4: Historical sales statistics

Products (kt)	**2018**	**2019**	**2020**	**2021**	**Jan-Sept 2022**
Sand powder (0–5 mm)	985	965	1,255	1,047	1,012
Construction aggregate (5–15 mm)	793	816	1,167	982	881
Construction aggregate (15–25 mm)	1,200	1,066	1,336	936	962
Construction aggregate (25–31.5 mm)	506	310	314	359	299
Scalping	23	60	96	41	36
Total	3,508	3,217	4,169	3,366	3,190
Others	77	33	79	79	77

Note: mixture of weathered rocks and soil

Source: GreenGold

Table 8-5: Product size fractions

Proportion (%)	**2018**	**2019**	**2020**	**2021**	**Jan-Sept 2022**	**Average**
Sand powder (0–5 mm)	28.1	30.0	30.1	31.1	31.7	30.2
Construction aggregate (5–15 mm)	22.6	25.4	28.0	29.2	27.6	26.6
Construction aggregate (15–25 mm)	34.2	33.1	32.0	27.8	30.2	31.5
Construction aggregate (25–31.5 mm)	14.4	9.6	7.5	10.7	9.4	10.3
Scalping	0.7	1.9	2.3	1.2	1.1	1.4

Source: GreenGold

8.3.2 Forecast production

The proposed Phase II processing plant has a designed nameplate capacity of 8.0 Mtpa. The hourly processing capacity is 2,500 t/h, and the designed operating conditions are 13 hours per day and 250 working days per year.

Preparation work begun in the third quarter of 2021. By the end of the third quarter of 2023, trial production will commence, and commercial production will begin by the end of the fourth quarter of 2023.

In 2022, production from the Phase I processing plant with an annual production target of 3.5 Mt. By the end of the third quarter of 2023, trial production will begin at the Phase II processing plant while production will continue at the Phase I processing plant. From 2024, the production targets of Phase II processing plant will gradually increase at a rate of 0.5 Mt per year and finally reach the target annual production capacity of 8.0 Mt by 2031. From 2023, the Phase I processing plant will contribute 3.5 Mt annually of the production targets respectively target until it is targeted to be fully decommissioned by 2026. The modest growth of the production target corresponds to the forecast market demand (Table 8-6).

In SRK's opinion, the production targets are achievable given the consistent throughput hourly capacity of the Phase I processing plant. The development of the Phase II processing plant supports the progressive increase of production targets from 3.5 Mt in 2022 to 8.0 Mt in 2031.

Table 8-6: Production Target

Production Target *(Mtpa)*	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031-2040**
Phase I	3.5	3.5	3.5	3.5	3.5	0.0	0.0	0.0	0.0	0.0
Phase II	0.0	0.5	1.0	1.5	2.0	6.0	6.5	7.0	7.5	8.0
Total	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0

Source: GreenGold

The target product size fractions are shown in Table 8-7. SRK considers that the proposed processing flowsheet of Phase II Processing Plant is appropriate and the proportion of products of various specifications is in line with the historical operation statistics and can be adjusted by changing the size of the screen to fit the market demand.

Table 8-7: Target product size fractions and quantity

Products	**Proportion**	**Quantity** *(Mt)*
Sand powder (0–5 mm)	30.00%	2.4
Construction aggregate (5–15 mm)	25.50%	2.04
Construction aggregate (15–25 mm)	33.00%	2.64
Construction aggregate (25–31.5 mm)	10.00%	0.8
Scalping	1.50%	0.12
Total	100.00%	8

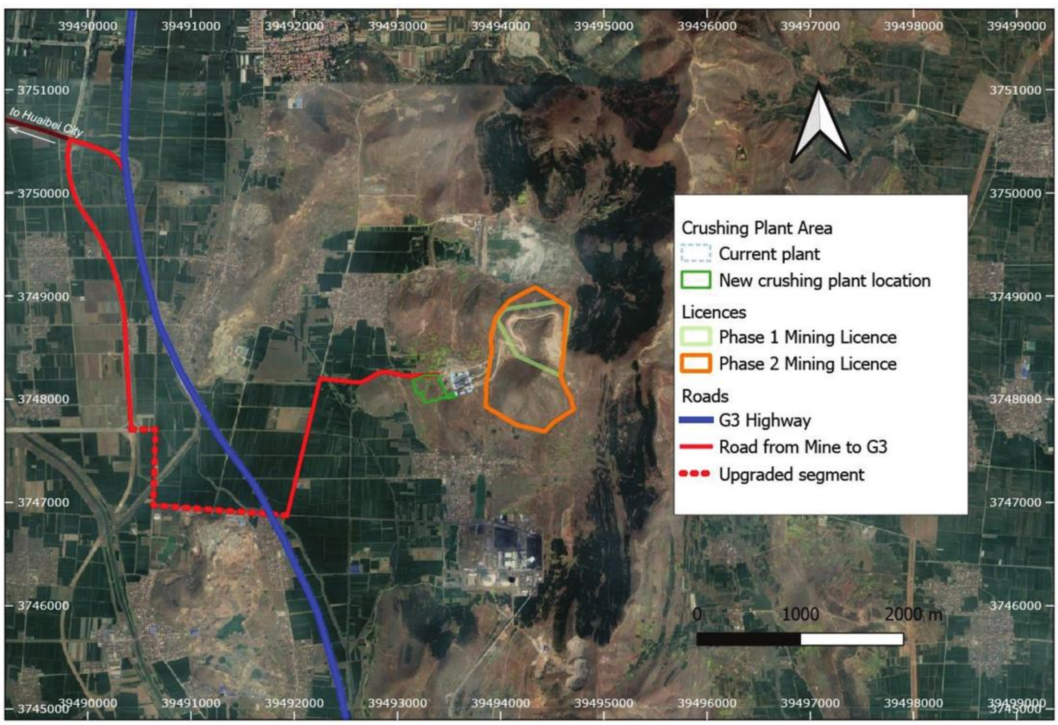
Source: GreenGold

9 PROJECT INFRASTRUCTURE

9.1 Project layout

The Project is currently fully developed and includes administration, mining, processing, dormitory, canteen and workshops. The sites have reticulated power and water. The Phase II development will be developed on the basis of the current set-up. The Phase II processing plant is located to the immediate west of the Phase I processing plant, covering an area of approximately 114,703 m^2 and requires approximately 103,703 m^2 of newly acquired land. The general layout is shown in Figure 9-1.

Figure 9-1: Current and proposed Phase II development project layout



Source: GreenGold, Google satellite imagery, SRK compilation

9.2 Roads

The Project area is easily accessible from Huaibei City centre via a series of paved roads for approximately 23 km (Figure 3-2 and Figure 9-1).

Access to Suzhou in the south and Xuzhou in the north is via the G3 highway and other all-weather roads. The Project area and the nearest G3 highway entrance is via a series of public paved roads for approximately 9 km. Part of this connecting road, measuring approximately 2 km was upgraded in the period of January–September 2021. The road network is appropriate for the Company's growth plan.

In the Project area, a total of approximately 2,570 m long haul roads have been constructed to date, connecting the pit to the Processing Plant. The roads have an average gradient of 5% and their widths are approximately 11m. The haul road system will continue expand as the Project progress.

9.3 Power supply

The Project's current power supply is via a 10 km-long 10 kV line with a nearby substation. The incoming station is equipped with a 3,150 kVA transformer, providing electricity to the Phase I processing plant, the quarry and other facilities. The electric power requirement of the quarry is minimal, and its main use is for the dewatering pump. Temporary connection with the electricity supply at the processing plant will be set up when needed. Based on the development plan, two 10kV substations will be built to supply electricity to the Phase II processing plant. The estimated annual power usage is 3,063,000 kWh. The power supply is considered reliable for the current operation and the designed power supply infrastructure is considered to have sufficient capacity to support the development plan.

9.4 Water supply

The water for production is limited to drilling, dust control, landscaping, firefighting and vehicle washing. Such water is sourced from the Huaibei City recycled water system through a 2.5 km-long 160 mm drainage pipe. A 300 m^3 storage tank has been installed on site and a 800 m^3 new storage tank and a pumping station will be constructed and connected to the current recycled water system. The Phase I domestic water supply is via a well equipped with a pump and a back-up pump. The drained water is stored in a settlement pond with a capacity of 200 m^3. The estimated daily domestic water use for Phase II is 5.0 m^3 and production water use is 316 m^3 respectively. The PD proposes that the current domestic water supply infrastructure will continue supporting the Phase II domestic water use, while the new pumping station will be used to support the Phase II production water use. SRK considers the designed water supply system is reasonable and the water supply to be adequate for the current operation and the development plan.

9.5 Diesel supply

Diesel is mainly used in the mining fleet and canteen. Diesel prices are at a discount to the prices published by the Chinese National Development and Reform Commission. Diesel is purchased and supplied by a local supplier through a long-term supply contract. The fuel is delivered to the Project site on an as-and-when-needed basis.

SRK considers the existing diesel supply logistics to be adequate to support the current operation and the development plans.

9.6 Maintenance

Regular repair and maintenance of processing and mining equipment are carried out by the in- house technicians. Major repairs can be conducted by off-site contractors.

9.7 Quality control setup

No product quality control or laboratory is built on site. The product quality is tested by customers according to the sales contracts.

9.8 Site buildings and mine services

The site buildings consist of a 4-storey administration office, a 2-storey dormitory, canteen, toilet and weighing station, covering a total of 4,547.94 m^2 gross floor area.

The plant buildings and mine services infrastructure comprise electric vehicle charging station, air compressor room, cooling pond, settling pond, waste facility, pumping room, electricity control room, weighing area and vehicle wash-down facility.

The PD proposes to continue to make use of the existing site buildings for the Phase II development. SRK considers the current site buildings to be sufficient to provide a basis for the Company's Phase II development plans.

9.9 Waste rocks

No waste dumps are designed. The waste rocks, comprising a mixture of weathered materials and soil from the weathering profile are usually temporarily stockpiled and are sold by auction regularly.

9.10 Explosive Magazine

No explosive magazine is built on site. The blasting materials are managed and handled by Leiming Blasting.

10 MARKETS AND PRICES

10.1 Economic outlook

Important applications of construction aggregate include ready-mixed concrete, asphalt/bitumen concrete (commonly referred to as asphalt or bitumen), railway ballast, cement-stabilised macadam, concrete products, mortar, drainage courses and bulk fill. The largest consumers of these products are the construction industry, particularly infrastructure.

The market for construction aggregate is related to the general economic environment, particularly the construction industry, which is driven by major economic indicators, including the rate of population growth, urbanisation, and government policies. GreenGold commissioned an investment consultant, China Insights Consultancy, to conduct an independent Market Study (CIC, 2022) covering the macroeconomic environment, the construction industry and the competitive landscape of the construction materials industry in China and Huaibei city and surrounding areas. Statistics quoted in this section are drawn from that report unless otherwise noted.

10.1.1 World markets and trade

The Global Aggregates Information Network (GAIN, 2019) estimated global construction aggregate production to be approximately 50 billion tonnes per annum. As construction aggregates are relatively low-cost, high-volume commodities, they are sourced as close as possible to markets to reduce transport costs.

The vast majority of construction aggregate production is not traded internationally unless suitable materials are not found locally. United Arab Emirates is the largest exporter of construction aggregates by value, followed by Norway and Belgium. The largest importer of construction aggregates by value is Kuwait, followed by Netherlands, Singapore and Qatar.

10.1.2 China

China is the second largest economic power in the world behind the United States in terms of GDP expressed in current dollar terms. According to IMF figures (IMF, 2022) China's gross domestic product (constant prices) grew very strongly in the first decade of this century, then growth dropped gently to approximately 6.7% in 2016 then to approximately 8.0% in 2019. A sharp drop to approximately 2.2% was triggered by the COVID-19 pandemic in 2020. In 2021, a strong recovery to 8.1% growth was reached. In 2022 and 2023, a stabilising growth of 3.2% and 4.4% are forecast respectively.

10.1.3 Anhui Province

The Project is located close to Huaibei in the northern part of Anhui Province. Anhui Province is part of the Yangtze River Delta Economic Zone and has a population of approximately 61.1 million in 2021, which is forecast to grow to about 61.5 million people by 2026. The rate of urbanisation was approximately 54.3% in 2017, increasing to approximately 59.4% in 2021 and is forecast to reach approximately 64.9% in 2026.

The nominal GDP of Anhui was RMB2,967.6 billion in 2017, rising to RMB4,295.9 billion in 2021 (a CAGR of 9.7%) and is forecast to reach approximately RMB5,813.0 billion in 2026 (a CAGR of 6.2%).

The gross output value of the construction industry in Anhui Province was RMB682.9 billion in 2017, growing at approximately 11.6% CAGR to RMB1,058.4 billion in 2021. It is forecast to rise at a CAGR of 9% to approximately RMB1,631.6 billion by 2026, stimulated mainly by increasing urbanisation. This compares to national CAGRs of 8.2% and 6.7% respectively.

Investment in the infrastructure construction industry in Anhui and surrounding cities have significantly higher current and forecast rates of growth than the whole of China.

10.1.4 Huaibei and surrounding Cities

Huaibei is a prefecture-level city of 2.1 million people, located approximately 18 km to the northwest (Figure 3-1) of the Project site. It is the closest and largest market for products from the Project. According to the Market Study, Huaibei had a nominal GDP of approximately RMB94.3 billion in 2017 and increasing to approximately RMB122.3 billion in 2021 at CAGR of 6.7%, which is faster than the national average. It is forecast that the nominal GDP will grow steadily at a CAGR of 6.4% between 2021 and 2026, mainly driven by the increasing urbanisation rate.

Economic transport distances from quarries by truck can be as far as 100-150 km from a mine site if there are no suitable aggregate supplies closer to consumers. Suzhou and Bozhou, also prefecture-level cities, located approximately 31 km and 158 km from the Project respectively, are both larger than Huaibei in terms of population.

Depending on competition and transport pricing, all three cities and several smaller cities and towns are potentially markets for products from the Project. Road and infrastructure projects within economic transport distance are also significant markets for the quarry. Contracts viewed by SRK suggest that aggregate products are transported at least 60 km from the quarry. Products have been sold to Bozhou, approximately 150 km to the west of the Project site.

The nominal GDP of Bozhou grew at a CAGR of approximately 9.9% between 2017 and 2021 and is forecast to grow at approximately 6.2% between 2021 and 2026. The nominal GDP of Suzhou grew at a CAGR of approximately 8.3% between 2017 and 2021 and is forecast to grow at approximately 5.9% between 2021 and 2026.

Strong growth in fixed assets investment in Huaibei has been underpinned by support, including subsidies, from the provincial government for the construction and upgrade of industrial projects, urban infrastructure, urban renewal and public service industries. Major projects identified by the Market Study include two major high-speed railways and two highways. Fixed asset investment increased from approximately RMB105.6 billion in 2017 to approximately RMB153.2 billion in 2021, a CAGR of approximately 9.7%. The fixed assets investment is forecast to rise to approximately RMB228.6 billion in 2026, a more moderate but still strong CAGR of approximately 8.3% between 2021 and 2026.

The fixed assets growth of Suzhou and Bozhou are also strong, projected to increase with a CAGR of approximately 9.7% and approximately 6.1% respectively for the period between 2021 and 2026.

10.2 Construction industry

10.2.1 China

The products of the Project are consumed dominantly by the construction industry, particularly manufacturers of concrete, asphalt concrete and cement stabilised macadam. Hence aggregate demand is closely related to the growth of the construction industry and its primary components and infrastructure.

Between 2017 and 2021, the gross output value of the construction industry in China grew from approximately RMB21,394.4 billion to approximately RMB29,307.9 billion, at a CAGR of approximately 8.2% and is forecast to increase to approximately RMB40,477.9 billion by 2026, a CAGR of approximately 6.7% between 2021 and 2026. The Chinese Government is providing stimulus to the construction industry in the form of new urbanisation and infrastructure initiatives to help mitigate the effects of the coronavirus. The Market Study concludes that the growth rate of gross output of the construction industry in China is likely to slow down and stabilise in the coming years.

Investment in infrastructure in China increased from approximately RMB14,000.5 billion in 2017 to approximately RMB15,281.4 billion in 2021. Between 2021 and 2026 it is forecast to rise at a CAGR of approximately 2.0% to RMB16,864.1 billion.

Investment in the fixed asset rose from approximately RMB10,979.9 billion in 2017 to approximately RMB14,760.2 billion in 2021, a CAGR of approximately 7.7%. It is forecast to rise to approximately RMB19,359.7 billion by 2026, a CAGR of approximately 5.6%. The growth of fixed asset investment is driven by increasing population and urbanisation as well as the general economic environment.

China produced approximately 19.7 billion tonnes of construction aggregate in 2021, valued at approximately RMB1,789.4 billion. Production volume grew at a CAGR of approximately 1.7% between 2017 and 2021, and is forecast to increase at a CAGR of 4.2% to approximately 24.3 billion tonnes by 2026. Production value grew at approximately CAGR of 19.8% from 2017 to 2021 and is forecast to rise at approximately 7.3% from 2021 to 2026. Events that negatively impacted growth in recent years were quarry closures resulting from an increase in mining and environmental regulation causing a supply shortfall in 2018 and the COVID epidemic in 2020.

10.2.2 Huaibei Region

Three major markets for natural construction aggregate in Huaibei, Suzhou and Bozhou are asphalt concrete, ready-mixed concrete and cement stabilised macadam.

Fixed asset investment has grown strongly in Huaibei City and nearby cities, and is forecast to continue at a slower, but still strong, rate in the next five years, influenced by population growth and increasing urbanisation. Real estate investment in Huaibei was approximately RMB23.8 billion in 2021, with a CAGR of approximately 20.7% from 2017 to 2021 and is forecast to decrease by approximately 12.1% between 2021 and 2026. The 2021-2026 outlooks for Suzhou and Bozhou are estimated at approximately 10.6% and 8.1% respectively.

The growth of fixed asset investment in Huaibei City is being supported by measures such as encouraging investment by the local real estate industry and promotion of urban renewal and infrastructure projects, and a Five-year Real Estate Development Plan issued in 2020. The government of Anhui Province also issued the "Key project investment plan for 2020 for Anhui Province", in which there are 232 planned construction projects in Huaibei City with a total project investment of RMB40.6 billion. Projects include the railway construction of Huaibei, Suzhou and Bengbu Cities and the construction of Huaibei No. 1 Middle School.

Road construction mileage in Huaibei City and Surrounding Cities, a major element of the engineering construction sector and a major consumer of the mine's products, grew at approximately 5.7% CAGR from 2017 to 2021 and is forecast to rise steadily at a slightly higher rate of 6.1% in the period to 2026 in Huaibei. In the period from 2021 to 2026 mileage is expected to grow at approximately 4.6% in both Bozhou and Suzhou. The focus of Government policy has moved from highway construction to rural road construction, resulting in slower growth than real estate investment.

10.3 Construction aggregate

The volume of construction aggregate production in Huaibei and surrounding cities rose from approximately 38.6 Mt in 2017, rising to approximately 44.2 Mt in 2018. It then dropped to approximately 26.0 Mt in 2019 with the closure a number of quarries by the new environmental protection policies and regulations. The following year volume rose to approximately 32.0 Mt, and then decreased to 26.8 million tonnes in 2021. Production is forecast to rise at a strong CAGR of approximately 5.8% to approximately 35.6 Mt by 2026 (Table 10-1). The forecast rapid rise is reported in the Market Study to be the result increasing production capacity, mainly in existing mines. For example, the Company has planned to build a new processing plant to increase its production capacity from 3.5 Mtpa to 8 Mtpa.

The production value of construction aggregate in Huaibei City and surrounding cities fluctuated but showed a general rise between 2017 and 2020 from RMB2,709.3 million to RMB3,200 million. However the production value decreased to RMB2,340.8 million in 2021, mainly related to the temporarily shrinking demand of construction aggregates and locally reduced selling price. It is forecast to rise at a CAGR of approximately 7.8% by 2026 to approximately RMB3,411.7 million.

Table 10-1: Production volume and average price of construction aggregate in Huaibei City and surrounding cities

Production Volume	Unit	2017	2021	2026 estimate	CAGR 2017-2021	CAGR 2021-2026
					%	%
Production volume	Mt	38.6	26.8	35.6	-8.7	5.8
Average price	RMB/t	70.1	87.3	89.6	5.6	0.5

Source: Market Study

10.3.1 Consuming industries

In most construction aggregate quarries the extracted rock is processed in a processing plant either on or very close to the site and sold directly to consumers "at the mine gate" or, more commonly, to transport companies or wholesalers. The major market sectors for construction aggregate products are ready-mixed concrete, asphalt concrete and cement stabilised macadam manufacturers.

The demand for products from the Project is strongly influenced by the production volumes of concrete and macadam products in Huaibei and surrounding cities, which are summarised in Table 10-2. All three products had relatively strong growth in the period 2017 to 2021 and a slight slowing but still significant growth from 2021 to 2026.

Table 10-2: Production volume of manufactured construction materials in Huaibei City

Production Volume	Unit	2017	2021	2026 estimate	CAGR 2017-2021	CAGR 2021-2026
					%	%
Ready-mixed concrete	m^3	5.7	6.5	7.8	3	4
Asphalt concrete	Mt	0.8	1.0	1.4	6.2	6.4
Cement-stabilised macadam	Mt	3.1	3.7	4.4	4.6	3.7

Source: Market Study

The prices of construction materials are summarised in Table 10-3. The prices of all three products had strong growth between 2017 and 2019, influenced by the closure of some cement manufacturing plants by new environmental regulations, then decreased in 2020. The outlook for concrete and macadam prices from 2021 to 2026 is for relatively slow growth. The prices of asphalt concrete and ready-mixed concrete have been higher in Huaibei City than the average for China in recent years due to raw material costs, but the difference is expected to decrease in the forecast period as raw material supply increases. The Market Study considers that the average price of construction aggregate, concrete and CSM products of the Company is within the market price range of the industry.

Table 10-3: Average price of manufactured construction materials in Huaibei City

Average price	2017	2021	2026	CAGR 2017-2021	CAGR 2021-2026
	RMB/t	*RMB/t*	*RMB/t*	*%*	*%*
Ready-mixed concrete	454.7 (RMB/m^3)	482.7 (RMB/m^3)	493.3 (RMB/m^3)	1.5	0.4
Asphalt concrete	378.2	432.2	487.1	3.4	2.4
Cement-stabilised macadam	110.8	132.0	146.1	4.5	2.0

Source: Market Study.

According to the Market Study, the Group is the fifth largest producer of asphalt concrete producing approximately 81,900t which is approximately 7.4% of the market share in 2020. The top three companies account for approximately 61.8% of production.

In 2021 Huaibei had approximately 28 ready-mixed concrete manufacturers. The top five account for approximately 31.7% of the production volume. The Group had contributed approximately 3.1% of the total production volume in the Huainei market, producing approximately 202.2 thousand cubic meters ready-mixed concrete in 2021.

10.4 Other potential applications for products from the mine

Other products that could be produced from the mine, (and are likely already being sold) include roadbase (a mix of coarse and fine aggregates or scalpings), larger rock products such as gabion stone, armourstone, landscaping boulders and fill. These products generally require less processing and command lower prices but could be a significant portion of production volumes.

10.5 Competition

10.5.1 Competing materials

Materials that may be used to substitute for natural aggregates include recycled concrete, recycled asphalt, crushed bricks, recycled glass, and metallurgical iron and steelmaking slag. To ensure the quality of the concrete, these materials are usually used to replace a proportion of the natural aggregate in concrete and asphalt mixes. Natural sands, when available, have been widely used as fine aggregate in concrete but their use is being discouraged on environmental grounds in favour of fine crushed rock (manufactured sand).

10.5.2 Competing quarries

According to the market study, the total volume of construction aggregates produced in Huaibei City and Surrounding Cities in 2021 was 26.8 Mt, valued at RMB2,340.8 million. The two largest companies produced 5.0 Mt (18.7%) and 4.0 Mt (14.9%) respectively in 2021, compared to 3.4 Mt (12.9%) production by the Company. The Company is the third largest producer, supplying approximately 12.9% of the market share by volume. The five largest companies accounted for approximately 63.3% of the 26.8 Mt total aggregate production volume in Huaibei in 2021. Three of the five largest quarries, including the Project, are located in Lieshan District in the eastern part of the city, and two are located in the Duji District in the northern part of the city. The rise of the Company's production limit from 3.5 Mtpa to 8 Mtpa may help to increase its market share, although this may be impacted if other producers' limits are also increased.

The FS and Market Study have noted that government authorities in the Huaibei region have restricted or closed a number of older, non-compliant construction aggregate mines on safety and environmental grounds. This produced a temporary supply shortfall and higher prices that have been seen as an opportunity for surviving companies to increase market share. Being a relatively new operation, the Project is considered unlikely to have significant issues with compliance.

10.6 Demand

The key drivers of the construction materials industry in Huaibei City and surrounding cities include:

- growing demand from downstream markets including infrastructure construction and real estate
- new construction demand from the promotion of new infrastructure
- increasing urbanisation and rural revitalisation, often backed by government

Some potential market risks highlighted by the Market Study include:

- changes in government policies and regulations, e.g. environmental regulations, that may increase production costs
- increasing caution in the real estate market due to the impact of debt problems in companies such as China Evergrande and potentially other real estate developers
- government efforts to control the overheating of the housing market that may also impact the growth rate of demand for construction materials.

Given the continuing urbanisation and infrastructure development in the Huaibei region and forecast growth of the concrete and cement-stabilised macadam production markets, it is considered that there will be sufficient market demand for the limestone products of the Project over the forecast period.

10.7 Contracts

The limestone extracted from the Gaoloushan mine is usually mined and crushed according to customer orders hence there is limited product storage on site. All products are prepaid and picked up at the processing plant. In accordance with usual industry practice, customers bear transport costs. Due to changes in the tax structure around 2016, most aggregate is sold to wholesalers rather than directly to individual buyers (Market Study).

SRK has viewed ten major sales agreements for crushed limestone products dated July 2018 to December 2021. They included agreements for purchase of aggregates for civil engineering, construction materials, trading, and logistics companies. The terms of the contracts are similar and often constitute a supply agreement that does not include price.

The agreements are summarised in Table 10-4.

Table 10-4: Summary of ten major sales contracts

Buyer/s	Location	Date	Expiry	Specifications/ Price (RMB/t)	Quantity	Comments
civil engineering, construction materials, trading, and logistics	Huaibei City and Suzhou City	July 2018- December 2021	Not stated	Not stated/Market prices – private contract	Not stated	Daily supply according to pickup plan

Source: GreenGold SRK compilation

10.8 Prices

All limestone products from the mine are sold through direct negotiation with consumers commonly using set prices that vary frequently according to demand. Prices are generally not stated in contracts unless they are for short periods. The prices discussed here are mine gate prices, not including freight. The cost of freight means that most consumers will buy aggregate from producers as close as possible to their operations. The Market Study indicates that freight costs are relatively stable and decreased slightly between 2017 and 2021.

Average prices for construction aggregate products in Huaibei City and surrounding cities rose rapidly from approximately RMB70.1/t in 2017, rising rapidly to RMB110/t in 2019, then dropping to RMB100.0/t in 2020 and RMB87.3/t in 2021, a CAGR of 5.6% between 2017 and 2021. The prices are forecast to increase at a modest CAGR of 0.5% between 2021and 2026 to RMB89.6/t by 2026.

The rapid rise in average prices in Huaibei and surrounding cities between 2017 and 2019, and sudden fall in 2020, have been attributed to implementation of strict environmental regulations and possibly also increased safety regulation closing quarries and creating a supply shortfall. In 2021, the average price of all construction aggregate have decreased an average of 9.6% compared with the prices in 2020. GreenGold considers that the drop in prices is partly due to the upgrade construction of the part of the connecting road (see Section 9.2). A lower price was attained in order to compensate the customers for the extra time required to reach the site. The price gap between the national and Huaibei region prices is also attributed to limited raw materials supply and stricter mining regulations. The proposed increase in supply by the Company and possibly competing producers as well is considered likely to narrow the gap between national and local companies over the next five years.

Due to the nature and crushing characteristics of limestone as well as demand, coarser size fractions of limestone aggregate are more expensive than the finer fractions, with the <5 mm fraction much cheaper that larger fractions.

Average volumes and prices for products from the mine from 2019 to September 2022 are presented in Table 10-5. The prices achieved appear to be reasonable and are consistent, given likely local variations, with those reported in the Market Study.

Table 10-5: Sales volumes and prices for aggregate products from the Project

Products	**2019** Average selling price *RMB/t*	**2020** Average selling price *RMB/t*	**2021** Average selling price *RMB/t*	**2022 Jan-Sept** Average selling price *RMB/t*
Sand powder (0-5 mm)	83	73	61	63
Construction aggregate (5-15 mm)	107	93	80	82
Construction aggregate (15-25 mm)	111	100	87	88
Construction aggregate (25-31.5 mm)	109	95	81	84
Scalping	54	47	39	41
Others	22	21	19	17

Source: GreenGold

Note: Others refer to mixture of weathered rocks and soil

10.8.1 Forecast prices

According to the Market Study, annual average prices for construction aggregate in Huaibei City and its surrounding cities (excluding transport costs) rose rapidly from around approximately RMB70.1/t in 2017, to approximately RMB110.0/t in 2019, then dropping to approximately RMB100.0/t in 2020, and dropped further to RMB87.3/t in 2021, with a CAGR of 5.6% between 2017 and 2021. Prices are forecast to increase at a CAGR of approximately 0.5% between 2021 and 2026 and reach approximately RMB89.6/t by 2026. The price of construction aggregate decreased in 2020 because existing suppliers have expanded production capacity, and because local government initiated the remediation process of abandoned quarries, which generated large amount of rubbles which could be used to produce construction aggregates. Hence, the situation of construction aggregate shortage in 2019 has been relieved.

The Market Study does not include a forecast for each type of limestone product from the Project. For the last quarter of 2022, SRK has assumed the prices are as same as the weighted average prices of the first three quarters of the year. For the period of 2023-2026, SRK has used the Market Study growth rate to derive the forecast prices for limestone from the Project, using the weighted average prices of the first three quarters of 2022 as the base numbers. From 2027 onwards, the price is assumed to remain the same. The prices of primary and final screening products are assumed the same.

Table 10-6: Forecast prices (RMB) for limestone from the Project

	Oct-Dec 2022	2023	2024	2025	2026	Long Term Price
Growth rate (%)		3.0	2.5	2.5	2.0	
Sand powder (0-5 mm)	64	65	66	67	69	69
Construction aggregate (5-15 mm)	84	84	85	87	89	89
Construction aggregate (15-25 mm)	90	90	92	93	95	95
Construction aggregate (25-31.5 mm)	87	86	88	89	91	91
Scalping	39	42	42	43	44	44
Others	16	16	17	18	18	18

Source: Market Study, GreenGold and SRK

Note: Others refer to overburden and waste generated during the mining process.

11 ENVIRONMENTAL, SOCIAL AND PERMITS

11.1 Operational licences and permits

The previous Phase I mining licence, which permitted production of up to 3.5 Mtpa, was replaced by a new Phase II mining licence on 30 June 2021 that covers a larger area and allows the production capacity of up to 8.0 Mtpa. The Company is currently transitioning from the Phase I to Phase II developments. The construction of the Phase II related mine roads and drainage is targeted to complete by the end of the fourth quarter of 2023. Trial production of the Phase II processing plant will commence by the end of the third quarter of 2023. Commissioning of the new processing plant will begin by the end of the fourth quarter of 2023.

As there are significant changes to the production capacity of the operation, the current Phase I operational licences and permits remain valid, but are required to be renewed as the Phase II development progresses. These licences and permits include, but are not limited to, Work Safety Licence, Water Use Permit, Site Discharge Permit and Land/Forest Use Permit. Land acquisition is also required for the proposed Phase II development.

This chapter presents a review of the current relevant operational licences and permits and the status of application of various licences and permits of the Phase II operation.

The operational licences and permits currently being held by GreenGold are listed below:

- Business Licence (No. 91340600MA2MUW7Y4B) – issued to Huaibei Tongming Mining Company Limited by the Market Supervision Bureau of Xiangshan District, Huaibei City on 30 March 2020.

- Mining Licence (C3406002017027130143848) – issued to Huaibei Tongming Mining Company Limited by the Land Resources Bureau of Huaibei City. The Mining Licence is valid from 30 June 2021 to 30 June 2024. The permitted mining method is open pit mining. The production scale and area are 8.0 Mtpa and 0.8777 km^2, respectively.

- Work Safety Licence (No. [2021]Y067) – issued to Huaibei Tongming Mining Company Limited by Anhui Province Emergency Management Department on 13 May 2021. The Work Safety Licence is valid from 08 June 2021 to 07 June 2024.

- Site Discharge Permit (No. 91340600MA2MUW74B001W) – issued to Huaibei Tongming Mining Company Limited by the Ecological Environmental Bureau of Huaibei City on 24 November 2020 and is valid until 23 November 2023. The Site Discharge Permit for Phase II will be applied for in July 2022 and is expected to be granted in December 2022.

- Two Water Use Permits (No. C340604G2021-0009 and No. C340604S2021-0010) were issued to Huaibei Tongming Mining Company Limited by the Huaibei City Water Bureau on 27 October 2021. Both permits are valid until 26 October 2026. One permit states that the approved source of supply is groundwater with an annual allocation of 35,000 m^3, and another permit states the approved source of supply is surface water with an annual allocation of 245,000 m^3.

- Land Use Permit (No. Wan(2019)0009546) was issued to Huaibei Tongming Mining Company Limited on 27 March 2019. The Permit is valid until 26 March 2069. The land use type is industrial use and the area is 207,281.30 m^2.

11.2 Environmental and Social Review Process, Scope and Standards

The process for the verification of the environmental compliance and conformance of the Project comprised a review and inspection of the Project's environmental management performance against:

- Chinese national environmental regulatory requirements; and

- Equator Principles (World Bank/International Finance Corporation "(IFC)" environmental and social standards and guidelines) and Internationally Recognised Environmental Management Practices.

The methodology applied for this environmental review of the Project consisted of a combination of documentation review, site visit, and interviews with Company technical representatives. The site visit for the environmental review was undertaken from 24 to 25 June 2021.

11.3 Status of Environmental Approvals

The basis of environmental policy in China is contained in the 2004 Constitution of the PRC. Pursuant to Article 26 of the Constitution, the state protects and improves the environment in which people live and the ecological environment. It prevents and controls pollution and other public hazards. The state organises and encourages afforestation and the protection of forests.

The following are other Chinese laws that provide environmental legislative support to the Minerals Resources Law of the People's Republic of China (1996) and the Environmental Protection Law of the PRC (2014):

- Environmental Impact Assessment (EIA) Law (2016).

- Law on the Prevention & Control of Atmospheric Pollution (2015).

- Law on the Prevention & Control of Noise Pollution (1996).

- Law on the Prevention & Control of Water Pollution (2017).
- Law on the Prevention & Control of Environmental Pollution by Solid Waste (2016).
- Forestry Law (1998).
- Water Law (2016).
- Land Administration Law (2004).
- Protection of Wildlife Law (2016).
- Regulations on the Administration of Construction Project Environmental Protection (2017).

In accordance with Chinese legislation, the Project will be subjected to a comprehensive Environmental Impact Assessment (EIA) to assess the environmental impacts of the proposed development on the human and natural environment prior to the commencement of mining operations.

The Company has provided SRK with an EIA report for the Phase I operation that was produced by Anhui Tongji Environmental Technology Company Limited. The EIA report for the Phase I operation was approved by Huaibei City Environmental Protection Bureau on 13 March 2017. The opinion of Environmental Final Checking and Acceptance for the 3.5 Mtpa Project was issued on 15 July 2018. SRK understands that, according to the relevant Chinese laws and regulations, an EIA report should be compiled and approved prior to the commencement of the construction of a project. SRK has also been provided the EIA report for the Phase II operation which was compiled by Anhui Shuanghong Engineering Consulting Company Limited in March 2022. The EIA report for the Phase II operation was approved by Huaibei City Lieshan District Ecological and Environmental Bureau on 19 April 2022.

The Water and Soil Conservation Plan (WSCP) for the Phase I operation was produced by Xuancheng Jianghe Water Engineering Design and Consulting Company Limited in January, 2017. The WSCP approval for the Phase I operation was issued by Huaibei City Water Bureau on 16 February 2017. The Phase II WSCP was prepared by Anhui Diyan Ecological Technology Company Limited in December 2021. The Phase II WSCP approval was issued by Huaibei City Lieshan District Agriculture and Water Bureau on 21 December 2021.

11.4 Environmental Conformance and Compliance

SRK has reviewed the Phase I and Phase II EIA reports and considered that such report have been prepared in accordance with the relevant Chinese laws and regulations. SRK has conducted an environmental site visit to the Project area and checked against recognised international industry environmental management standards, guidelines, and practices.

SRK observed that the Project area was being developed and/or operated in accordance with the Project's environmental management and approval conditions.

11.5 Key environmental and social aspects

In the following sections, SRK provides comments on the Project's proposed environmental management measures.

11.5.1 Site ecological assessment

The landform and topography in the Project area are commonly changed by mining activities, waste rock dumps, haulage roads, office buildings and dormitories, and other infrastructure. The development of the Project may also result in an impact on or loss of flora and fauna habitats. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land may be polluted and the land utilisation function will be changed, causing an increase in land desertification, water loss and soil erosion.

The EIA reports for the Project included an ecological baseline study, which revealed that there was basically no vegetation cover within the evaluation area, but only a few herbaceous plants and shrubs. Due to the significant previous human activities in and around this area, the habitat has changed considerably and many animals have been disturbed and migrated to other places. No rare and endangered animal species were seen in this area. The Project's EIAs have also proposed that ecological protection measures should be taken in order to reduce and manage the potential impacts.

11.5.2 Waste rock management

According to the Phase II PD, the waste rock will be sold as products and there is no waste rock dump (WRD) on site. The PD proposes that the stripped covered soils should be stored temporarily for rehabilitation. The EIA reports state that the waste rock is partially backfilled in the historical illegal mined-out area and partially stored in the temporary WRD for future environmental treatment after the mine's closure. At the time of the site visit in June and December 2021, SRK observed that there was no WRD but only some stripped soil was piled up on site. The Company stated that the waste rock generated by mining activities are sold regularly, which is consistent with the sales records.

One potential risk to the environment from waste rock is acid rock drainage (ARD), which is created when reducing sulphide minerals are exposed to air, precipitation and bacteria and, through an oxidation reaction, produce sulphuric acid during mining, transportation, processing, waste rock discharge, and tailings storage. ARD has the potential to introduce acidity and dissolved metals into water, which can be harmful to surface and groundwater. The EIA report for the Phase I operation states that the waste rock from the Project belongs to Class 1 general industrial solid waste. Furthermore, no evidence was observed during the site visit of any leaching or acid rock drainage impacts.

11.5.3 Water Management

The Project area is located on the northern slope of Gaolou Mountain in Songtong Town, Lieshan District, Huaibei City, which is part of the Huaihe River basin with a relatively developed surface water body. The Jigou River and Zhahe River are located to the west of the Project area, both flowing southward and feeding into the Sui River. The Jigou River is located about 2.8 km west of the Project area and flows from northwest to southeast. It was artificially excavated and eventually flows into the Sui River. The Jigou River is a seasonal river and has a width of approximately 30m. The Zhahe River is located at about 5km west of the mine site and flows from northwest to southeast.

The current water for mining, processing and production of the Phase I operation is provided by the Water Plant of Huaibei Lingyun Electric Power Industry Corporation. The domestic water consumption is pumped by a self-provided well. According to the Phase II PD, the water for production and vehicle washing is provided by the municipal water treatment plant. The groundwater will be used as a source of domestic water.

The potential negative impact of the Project on surface water and groundwater is mainly due to the arbitrary discharge of untreated production and domestic wastewater. In addition, mining activities may also cause changes to groundwater levels. The main wastewater pollution sources of the Project include run-off from the quarry and processing plant, sewage from the maintenance workshop, and domestic sewage.

The Phase II PD states that the open pit drains will be installed and run-off will be drained to settling ponds to manage potential water pollution risk before being discharged into the nearby rivers. The wastewater from the processing plant will be treated by the settling pond, before being re-used for production. Domestic sewage is treated and discharged or re-used for greening.

The EIA reports for the Project propose the following management measures:

- Construct drains and settling sedimentation ponds for the open pit and industrial site, for reuse or discharge;

- Collect WRD leachate and rainwater from the mine site, for sedimentation and reuse or discharge;

- Collect the wastewater from the washing of transportation vehicles, for sedimentation and re-use; and

- Collect domestic sewage and re-use it for agricultural irrigation and as fertiliser.

During the site visit, SRK inspected the settling ponds that were constructed in the industrial site and on the haul road. SRK believes that the measures recommended in the EIA reports and the PD are reasonable. In addition, SRK recommends that quality monitoring be undertaken of the groundwater and surface water resources within the Project area (including upstream and downstream of the Project area), and also any site water discharges.

11.5.4 Dust and Noise Emissions

The dust emission sources for the Project are mainly from mining, loading and unloading, crushing and movement of vehicles, and mobile equipment. The Phase II PD and EIA reports for the Project proposes the measures to reduce the impact of fugitive dust, including water spraying, dust collector installation, workshop sealing, road maintenance, greening, vehicle speed limits, etc. During the site visit, SRK observed that dust collectors were installed for the crushers and the industrial site was sprinkled by water truck.

The main sources of noise emissions for the Project are from drilling, explosions, excavators, air compressors, loaders, crushers, vibrating screens and vehicles. The Phase II PD and EIA reports for the Project propose noise management measures including enclosure of highly noisy equipment, selection of low noise equipment, layout optimisation, greening, etc.

11.5.5 Hazardous Materials Management

Hazardous materials have the characteristics of being corrosive, reactive, explosive, toxic, flammable and potentially biologically infectious, and pose a potential risk to human and/or environmental health. Hazardous materials will be generated mainly during a mining project's construction and, mining, and include hydrocarbons (i.e. fuels, waste oils, and lubricants), chemical and oil containers, batteries, medical waste, and paint. The hazardous materials for the Project mainly comprise fuels and waste oils. During the site visit, SRK noted a temporary hazardous waste storage room next to the maintenance workshop.

SRK recommends that the Company should collect the waste oil generated by the Project and hand it over to a qualified contractor for disposal. SRK also recommends that the collected waste oil and fuel storage should adopt measures such as hardening the ground and setting up secondary containment facilities to reduce the risk of pollution caused by leakage.

11.5.6 Occupational Health and Safety

A well-developed and comprehensive safety management system comprises site inductions, site policies, safe work procedures, training, risk/hazard management (including signage), use of personal protective equipment (PPE), emergency response processes, incident/accident reporting, an onsite first aid/medical centre, designated safety responsibilities for site personnel and regular safety meetings.

SRK has reviewed the Safety Assessment Reports as provided by the Company and is of the opinion that the reports cover items that are generally in line with recognised Chinese industry practices and Chinese safety regulations. SRK notes that the measures proposed by the safety assessment reports could be the basis for operational OHS management systems and procedures.

SRK has had no sight of historical occupational health and safety (OHS) records for the Phase I operation as part of this review. SRK recommends that the Company should maintain a safety record and develop incident analysis reports for the mitigation of possible future injuries. The proposed reports analysed the cause of injuries and identify measures to prevent reoccurrence, which is in line with internationally recognised OHS accident monitoring practice.

11.5.7 Site Closure Planning and Rehabilitation

The Chinese national requirements for rehabilitation and mine closure are covered by Article 21 of the Mineral Resources Law of the PRC (1996), the Rules for Implementation of the Mineral Resources Law of the People's Republic of China (2006), the Mine Site Geological Environment Protection Regulations (1 May 2009), and the Land Rehabilitation Regulation (2011) issued by the State Council. In summary, these legislative requirements cover the need to conduct land rehabilitation, to prepare a site closure report, and submit a site closure application for assessment and approval.

According to the Chinese legal requirements, a Geological Environment Protection and Land Reclamation Plan is required for the Project's development. In addition, a mine geological environment treatment and restoration fund account should be established by the mine.

The Geological Environment Protection and Treatment Plan for the Phase I operation was produced by Xuzhou Wanyuan Geological and Mineral Research Company Limited in January, 2017.

Such plan has been updated and incorporated into the Geological Environment Protection and Land Reclamation Plan, covering both the Phase I and Phase II development. The new Plan was compiled by Anhui Province Geological and Mineral Exploration Bureau 325 Brigade and approved by the National Resources and Planning

Bureau of Huaibei City in June, 2021. The total static investment of geological environment protection and land reclamation for the Project is RMB19,832,600, and the total dynamic investment is RMB23,973,800. According to the Plan, the amount of annual deposit is RMB1,195,000.

11.5.8 Social aspects

The Project is located in Lieshan District, Huaibei City, Anhui Province. The general surrounding land of the Project comprises mainly forest and wasteland.

The main administrative body for the Project is the Anhui Provincial Government, with some delegation of environmental regulation to the city of Huaibei and Lieshan District. According to the provided documentation and Company statement, SRK has not had sight of any historical or current non-compliance notices and or other documented regulatory directives in relation to the development of the Project. The Company states that there are no natural reserves or significant cultural heritage sites within or surrounding the Project area; and the EIA reports also do not report any natural reserves or protected cultural heritage sites in this area.

The EIA report for the Phase I operation states that most of the surveyed public support the construction and implementation of this project, and there is no opposition. SRK also recommends the conducting of detailed analysis on the concerns of stakeholders, and design and implement a public consultation and disclosure plan to ensure that local communities continue to participate in project construction and operation.

11.6 Conclusion

SRK has reviewed the EIAs, operational licences and permits and considered the EIAs was prepared in accordance with the relevant Chinese laws and regulations.

The Company has already completed the EIA, WSCP Geological Environment Protection and Land Reclamation Plan and Safety Assessment Report for the Phase II development.

In conclusion, the current operation is supported by the relevant EIA, operational permits and licences. The plan prepared by the Company to obtain the required permits and approvals to support the construction and development of the Phase II operation appears to be reasonable.

12 CAPITAL AND OPERATING COSTS

12.1 Capital cost

In the period of 2019-September 2022, a total of RMB972.7 million capital cost has been incurred (Table 12-1). The forecast capital cost projections from October 2022 to 2030 are presented in Table 12-2. These capital cost projections prepared by GreenGold are based on the PD (regarded as a FS-level study by SRK), the mining licence agreement and a series of tender documents received from EPCM contractors.

The capital cost of the Phase II development totals RMB306.8 million, of which RMB46.8 million has been allocated to land acquisition. New mining equipment will be procured progressively in response to the production targets (RMB 19.9 million). The haul road, drainage, digital mine management system and mining platform will be developed and a total of RMB7.4 million has been budgeted. The development of the Phase II Processing Plant, including processing plant and supporting facilities construction and equipment installation, will begin in 2022. A total of RMB209.7 million has been allocated. Other costs including detailed design and construction administrative cost amount to RMB8.6 million and a 5% contingency has also been budgeted (mining licence fee exclusive).

The Phase II mining licence fee represents the major component of the capital cost, amounting to a total of RMB1,367.7 million. In the first quarter of 2021, an initial payment of RMB683.9 million was already made. The second payment of RMB136.8 million was paid in 2022. The remaining mining licence fee (RMB547.1 million) will be paid annually between 2023 and 2026 in accordance with the mining licence agreement.

Sustaining capital for the Project has included two components. The existing mining fleet is scheduled to be replaced between 2027 and 2029, and an allowance of RMB19.5 million (RMB 15.9 million in 2027 and RMB3.6 million in 2029) has been made. The processing plant equipment and other equipment will require ongoing replacement and refurbishment over the LoM. An additional 1.5% annual operating cost has also been budgeted as the sustaining capital. In the period of October 2022-2030, the sustaining capital amounts to RMB35.3 million.

SRK has reviewed the breakdown of the capital cost forecast and considered that appropriate capital has been allocated to support the Phase II development. The basis of the capital cost estimation is considered reasonable. The capital unit cost over the LoM is RMB/t 12.7.

Table 12-1 2019-September 2022 capital costs (RMB million)

	2019	2020	2021	Jan-Sept 2022	Total
Land-related fee	63.8	–	–	37.2	101.0
Mining equipment	–	–	–	3.9	3.9
Mine road, drainage and others	1.4	23.8	10.6	1.1	36.9
Processing plant equipment	2.3	0.4	2.2	–	4.9
Processing plant foundation and structure	0.1	–	–	–	0.1
Supporting facilities (power and water supplies and dust removal facility)	0.3	–	–	–	0.3
Processing plant roads and other infrastructure	–	–	–	–	0.0
Detailed design, construction and supervision	0.3	0.0	1.2	3.5	5.0
Mining licence fee	–	–	683.9	136.8	820.6
Total	68.1	24.3	697.9	182.4	972.7

Source: GreenGold

Table 12-2 Forecast capital costs (RMB million)

	Oct-Dec 2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Land-related fee	14.9	(5.3)	–	–	–	–	–	–	–	9.6
Mining equipment	2.3	–	2.3	–	4.8	–	4.4	–	2.3	16.0
Mine road, drainage and others	2.6	4.5	–	0.3	–	–	–	–	–	7.4
Processing plant equipment	28.9	14.5	–	4.8	–	–	–	–	–	48.2
Processing plant foundation and structure	20.3	71.1	10.2	–	–	–	–	–	–	101.5
Supporting facilities (power and water supplies and dust removal facility)	–	34.0	–	3.8	–	–	–	–	–	37.8
Processing plant roads and other infrastructure	6.7	13.3	2.2	–	–	–	–	–	–	22.2
Detailed design, construction and supervision	1.1	4.1	–	–	–	–	–	–	–	5.1
Contingency	3.8	7.7	0.7	0.4	0.2	0.0	0.2	0.0	0.1	13.3
Subtotal	80.5	143.8	15.4	9.4	5.0	0.0	4.6	0.0	2.4	261.2
Mining licence fee	–	136.8	136.8	136.8	136.8	–	–	–	–	547.1
Sustaining	0.3	1.4	1.5	1.7	1.9	17.9	2.2	6.0	2.5	35.3
Total	80.8	282.0	153.7	147.8	143.6	17.9	6.8	6.0	4.9	843.6

Source: GreenGold

12.2 Operating cost

12.2.1 Historical operating cost

The historical operating cost profile for the period 2019 to September 2022 is presented in Table 12-3 and Figure 12-1. Over this period, annual cash operating cost spanned RMB/t 24.1 in 2019 and RMB/t 21.0 in 2020. The cash operating unit cost increased to RMB/t 26.0 in 2021 and decreased to RMB/t 19.4 in January to September 2022.

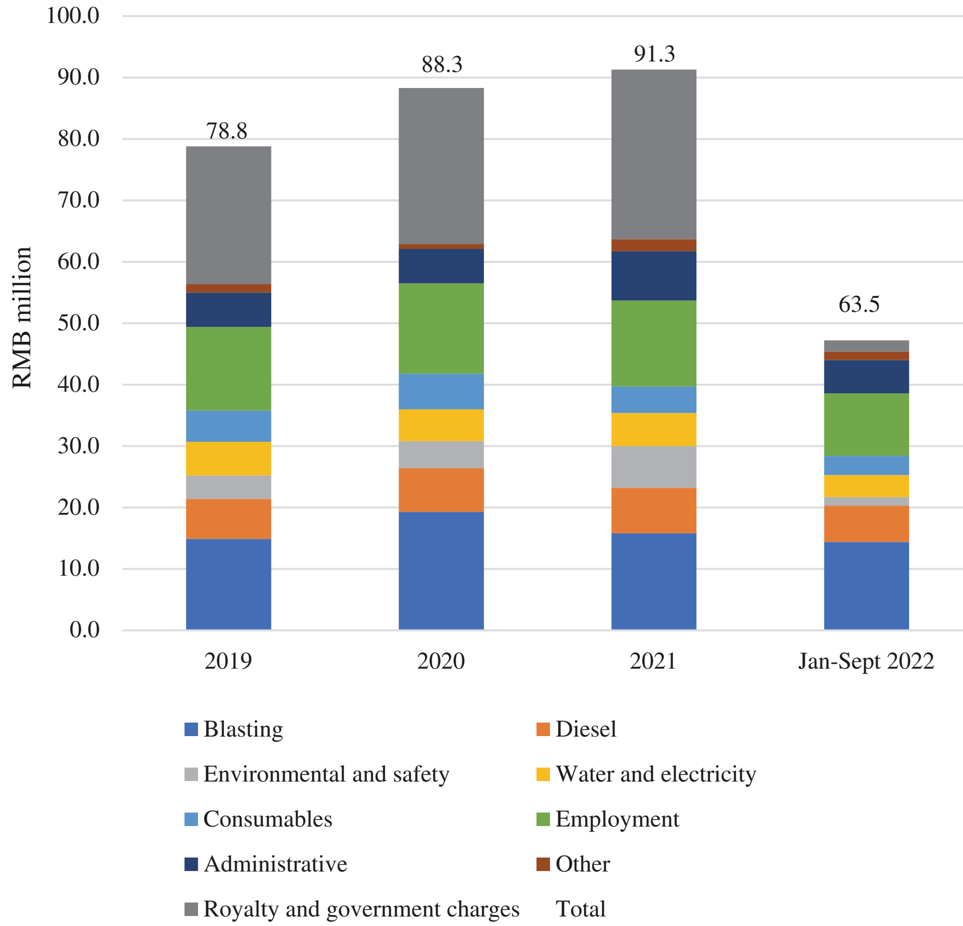
The key cost components comprise blasting, royalty and government charges and employment. The Project is an owner-operated operation except the drilling and blasting is handled by the contractor, Leiming. The contractor is responsible for drilling, hole survey, explosive transportation, charging, stemming and charging and breaking the rocks to a minimum size of 1,000 mm. Employment includes salaries and benefits for the mining and processing labours. The royalty and government charges include resource tax, city maintenance and construction levy, education levy, stamp duty, environmental tax and property tax. Other costs include diesel for the mining fleet and other vehicles, environmental and safety, water and electricity and consumables.

Table 12-3 Historical cash operating cost (2019 to September 2022)

Cash operating cost		**2019**	**2020**	**2021**	**Jan-Sept 2022**
Blasting	RMB million	14.9	19.3	15.8	14.4
Diesel	RMB million	6.5	7.1	7.4	5.9
Environmental and safety	RMB million	3.8	4.4	6.8	1.4
Water and electricity	RMB million	5.5	5.2	5.4	3.6
Consumables	RMB million	5.1	5.8	4.3	3.1
Employment	RMB million	13.6	14.7	14.0	10.2
Administrative	RMB million	5.6	5.6	8.0	5.4
Other	RMB million	1.4	0.8	2.0	1.4
Royalty and government charges	RMB million	22.4	25.4	27.6	18.2
Total	RMB million	78.8	88.3	91.3	63.5
Operating cash unit cost	RMB/t	24.1	21.0	26.0	19.4

Source: GreenGold

Figure 12-1 Historical cash operating cost (2019 to September 2022)



Source: SRK analysis

12.2.2 Forecast operating cost

The forecast operating cost between October 2022 and 2031 are tabulated in Table 12-4. The forecast provided by GreenGold is based on:

- contracts between GreenGold and contractors and suppliers;
- actual operating costs between 2018 and September 2022;
- royalty and government charges; and
- PD.

Between October 2022 and 2031 (when the Project reaches its target production capacity of 8.0 Mtpa), the average operating unit cash cost is forecast at RMB/t 22.7, with a minimum of RMB/t 22.4 and a maximum of RMB/t 24.5. The operating unit cash cost will gradually lower when the production gradually ramps up (Table 12-4).

In SRK's opinion, the Project is a simple and conventional operation and the forecast operating costs used for the LoM model are reasonable and are supported by historical costs. The forecast cash operating cost is in the same order of magnitude of projects of similar scales. The Phase II processing flowsheet is similar to the current Phase I processing flowsheet, with a set of larger size equipment and an additional set of vibrating screens. There is an opportunity for further modest decrease in the longer-term operating costs, when the production gradually increases to 8.0 Mtpa.

Table 12-4 Forecast operating cost

Production Profile	Unit	Oct-Dec 2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Limestone	Mt	0.8	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5	8.0
Waste	Mt	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.8
Total materials moved	Mt	0.8	4.1	4.6	5.1	5.6	6.1	6.7	7.2	7.8	8.8
Cash operating cost											
Blasting	RMB million	3.6	18.6	20.9	23.2	25.5	27.8	30.5	32.8	35.4	39.8
Diesel	RMB million	2.3	10.8	12.2	12.8	14.4	15.7	17.2	18.5	19.9	22.4
Environmental and safety	RMB million	0.7	3.8	4.3	4.7	5.2	5.7	6.2	6.7	7.2	7.9
Water and electricity	RMB million	1.7	8.7	9.8	10.9	11.9	13.0	14.1	15.2	16.3	17.4
Consumables	RMB million	1.4	7.0	7.9	8.8	9.7	10.5	11.5	12.4	13.3	14.7
Transportation of workforce	RMB million	–	–	–	–	–	–	–	–	–	–
Employment cost	RMB million	1.8	9.1	9.8	10.4	11.1	11.6	12.2	12.8	13.3	13.8
Product marketing and transport	RMB million	–	–	–	–	–	–	–	–	–	–
Administrative	RMB million	2.1	9.4	10.6	11.8	13.0	14.1	15.3	16.5	17.7	18.9
Other	RMB million	0.6	3.1	3.3	3.5	3.7	3.9	4.1	4.3	4.5	4.7
Royalty and government charges	RMB million	4.9	20.3	23.0	25.8	29.0	32.4	35.1	37.7	40.3	43.5
Contingency allowances	RMB million	–	–	–	–	–	–	–	–	–	–
Total	RMB million	19.1	90.8	101.8	112.0	123.4	134.9	146.2	156.8	168.0	183.0
Operating cash unit cost	RMB/t	24.5	22.7	22.6	22.4	22.4	22.5	22.5	22.4	22.4	22.9

Source: GreenGold

12.3 Economic analysis

An analysis of the economic viability of the Project has been conducted. The analysis is based on the capital and operating costs, the production schedule (Table 6-5 and Table 8-6) presented in this Report. A base case scenario of the Project from 30 September 2022 to the end of the LoM was constructed. It is important to note that the purpose of the analysis is only to demonstrate the economic viability of the Project. The derived net present values (NPVs) do not indicate the fair market values or the profitability of the Project. In the base case analysis, the forecast sale price (Table 10-5) and a discount rate of 10% were used. The discount rate used in the base case analysis was based on the considerations of the real, risk free, long-term interest rate (2.8% for the ten year PRC Government Bond Rate), mining project risk (2% to 4%) and country risk (2% to 4%).

The analysis shows that the after-tax (25% corporate income tax) NPV at a discount rate of 10%, returned a positive NPV as of 30 September 2022. Any finance costs or company debt have not been taken into account in this analysis. The breakeven analysis shows that the NPV will become zero when the weighted average sales price of all products reach RMB/t 30.3. The estimated payback period is 7.3 year.

A post-tax sensitivity analysis has also been undertaken with respect to the capital and operating costs and sales revenue (Table 12-4, Table 12-5 and Table 12-6). The analysis shows that:

- A 1% increase in operating cost will result in a negative 0.46% change in NPV.
- A 1% increase in capital cost will result in a negative 0.37% change in NPV.
- A 1% increase in sales price will result in a positive 1.62% change in NPV.

The NPV of the post-tax cash flows for the Project at different discount rates in RMB are set out in Table 12-7.

The economic analysis of the Project together with the sensitivity analysis have demonstrated that the Project is economically viable and justified the reporting of Ore Reserves determined in Section 7. At the forecast production rates, it will take approximately 18 years to exhaust the Reserves.

Table 12-5: Post-tax NPV twin-sensitivity analysis (capital cost vs operating cost) RMB million

		Operating cost sensitivity										
		25%	**20%**	**15%**	**10%**	**5%**	**0%**	**-5%**	**-10%**	**-15%**	**-20%**	**-25%**
Capital cost sensitivity	25%	1,867	1,922	1,977	2,032	2,086	2,141	2,196	2,251	2,306	2,361	2,416
	20%	1,911	1,966	2,021	2,076	2,131	2,186	2,240	2,295	2,350	2,405	2,460
	15%	1,956	2,011	2,065	2,120	2,175	2,230	2,285	2,339	2,394	2,449	2,504
	10%	2,000	2,055	2,110	2,165	2,219	2,274	2,329	2,383	2,438	2,493	2,548
	5%	2,045	2,100	2,154	2,209	2,264	2,318	2,373	2,428	2,482	2,537	2,592
	0%	2,089	2,144	2,199	2,253	2,308	2,362	2,417	2,472	2,526	2,581	2,636
	-5%	2,134	2,188	2,243	2,298	2,352	2,407	2,461	2,516	2,570	2,625	2,680
	-10%	2,178	2,233	2,287	2,342	2,396	2,451	2,505	2,560	2,614	2,669	2,724
	-15%	2,223	2,277	2,332	2,386	2,441	2,495	2,550	2,604	2,659	2,713	2,768
	-20%	2,267	2,322	2,376	2,430	2,485	2,539	2,594	2,648	2,703	2,757	2,811
	-25%	2,312	2,366	2,420	2,475	2,529	2,584	2,638	2,692	2,747	2,801	2,855

Source: SRK analysis

Table 12-6: Post-tax NPV twin-sensitivity analysis (operating cost vs sales price) RMB million

		Sales price sensitivity										
		25%	**20%**	**15%**	**10%**	**5%**	**0%**	**-5%**	**-10%**	**-15%**	**-20%**	**-25%**
Operating cost sensitivity	25%	3,033	2,844	2,655	2,467	2,278	2,089	1,901	1,712	1,523	1,334	1,146
	20%	3,091	2,901	2,712	2,523	2,333	2,144	1,955	1,765	1,576	1,387	1,197
	15%	3,148	2,958	2,768	2,578	2,389	2,199	2,009	1,819	1,629	1,439	1,249
	10%	3,206	3,015	2,825	2,634	2,444	2,253	2,063	1,872	1,682	1,491	1,300
	5%	3,264	3,073	2,881	2,690	2,499	2,308	2,117	1,925	1,734	1,543	1,352
	0%	3,321	3,130	2,938	2,746	2,554	2,362	2,171	1,979	1,787	1,595	1,403
	-5%	3,379	3,187	2,994	2,802	2,609	2,417	2,225	2,032	1,840	1,647	1,455
	-10%	3,437	3,244	3,051	2,858	2,665	2,472	2,279	2,086	1,893	1,700	1,507
	-15%	3,495	3,301	3,107	2,914	2,720	2,526	2,333	2,139	1,945	1,752	1,558
	-20%	3,552	3,358	3,164	2,969	2,775	2,581	2,387	2,192	1,998	1,804	1,610
	-25%	3,610	3,415	3,220	3,025	2,830	2,636	2,441	2,246	2,051	1,856	1,661

Source: SRK analysis

Table 12-7: Post-tax NPV twin-sensitivity analysis (capital cost vs sales price) RMB million

		Sales price sensitivity										
		25%	**20%**	**15%**	**10%**	**5%**	**0%**	**-5%**	**-10%**	**-15%**	**-20%**	**-25%**
Capital cost sensitivity	25%	3,100	2,908	2,717	2,525	2,333	2,141	1,950	1,758	1,566	1,374	1,183
	20%	3,144	2,953	2,761	2,569	2,377	2,186	1,994	1,802	1,610	1,419	1,227
	15%	3,189	2,997	2,805	2,613	2,422	2,230	2,038	1,846	1,655	1,463	1,271
	10%	3,233	3,041	2,849	2,658	2,466	2,274	2,082	1,890	1,699	1,507	1,315
	5%	3,277	3,085	2,894	2,702	2,510	2,318	2,126	1,935	1,743	1,551	1,359
	0%	3,321	3,130	2,938	2,746	2,554	2,362	2,171	1,979	1,787	1,595	1,403
	-5%	3,366	3,174	2,982	2,790	2,598	2,407	2,215	2,023	1,831	1,639	1,448
	-10%	3,410	3,218	3,026	2,835	2,643	2,451	2,259	2,067	1,875	1,684	1,492
	-15%	3,454	3,262	3,071	2,879	2,687	2,495	2,303	2,111	1,920	1,728	1,536
	-20%	3,499	3,307	3,115	2,923	2,731	2,539	2,347	2,156	1,964	1,772	1,580
	-25%	3,543	3,351	3,159	2,967	2,775	2,584	2,392	2,200	2,008	1,816	1,624

Source: SRK analysis

Table 12-8: Post-tax NPV sensitivity at different discount rates

Discount rate	RMB million
4.0%	4,253
6.0%	3,469
8.0%	2,853
10%	2,362
12.0%	1,969
14.0%	1,651
16.0%	1,391

Source: SRK analysis

13 RISK ASSESSMENT

SRK has undertaken a risk assessment and provided a qualitative assessment of the likelihood and consequence of each specific risk identified for the Project.

Risk has been classified from major to minor:

- Major risk: the factor poses an immediate danger of a failure which, if uncorrected, will have a material effect (>15% to 20%) on the project cashflow and performance and could potentially lead to project failure

- Moderate risk: the factor, if uncorrected, could have a significant effect (10% to 15%) on the project cashflow and performance unless mitigated by some corrective action

- Minor risk: the factor, if uncorrected, will have little or no effect (<10%) on project cashflow and performance.

In addition to the risk factor, the likelihood of risk must also be considered. Likelihood of occurrence within a 7-year timeframe can be considered as:

- likely: will probably occur

- possible: may occur

- unlikely: unlikely to occur.

The degree or consequence of a risk and its likelihood are combined in an overall risk assessment as presented in Table 13-1. The risk assessment including a risk rating is presented in Table 13-2.

Table 13-1: Risk assessment rating

	Consequence		
Likelihood	**Minor**	**Moderate**	**Major**
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

Table 13-2: Risk assessment

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating
Geological structure	Geological continuity is disrupted by structural or rock quality issues	Production in-fill drilling to maximise yields	Unlikely	Moderate	Low
Physical Properties	Physical properties are poorer than anticipated resulting in lower prices	Production drilling to identify quality variations. Increased production quality control	Possible	Moderate	Medium
Weathering and karst	More weathering and karstic voids resulting in lower yield or lower-quality product	Identify markets for lower quality products	Unlikely	Minor	Low
Mine plan	Failure to meet production targets	Ensure adequate planning and supervision to ensure maximum efficiency, identify and address issues that may cause production delays	Unlikely	Moderate	Low
Skilled labours	Shortage of mining personnel resulting in failure to meet production targets	Ensure miners and operators are adequately trained and remunerated	Unlikely	Minor	Low
Equipment utilisation	Inadequate utilisation and availability of equipment causing reduction in production capacity	Ensure regular and timely maintenance and staff training	Possible	Minor	Low
Water management	Pollution of surface and/or groundwater	Develop a comprehensive water monitoring programme and prevention of wastewater leakage	Unlikely	Moderate	Low

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating
Dust and noise management	Dust and noise generated by the quarry have a negative impact on the local community	Develop a monitoring system and management programme as proposed in the EIA	Unlikely	Moderate	Low
Environmental approvals	Failure to obtain the required approvals	Prepare and submit relevant environmental approval applications and timely communication with relevant government authorities	Possible	Moderate	Medium
Land disturbance, site rehabilitation and closure requirements	Lead to soil erosion and impact on the ecological and botanical systems	Survey and record the operational areas of land prior to quarrying and progressively rehabilitation as the Project progresses	Possible	Minor	Low
OHS procedures	Greater potential for injury due to substandard OHS procedures Loss of productivity	Ensure staff are adequately trained Implement site hazard audit and monitoring programme. Identification of major hazards and implementation of risk controls	Likely	Minor	Medium
Capital and operating costs	Higher capital and operating costs, resulting in poor financial performance	Secure long-term contracts with contractors and confirm advanced procurement orders with suppliers	Possible	Moderate	Medium
Processing equipment efficiency	Lower throughput and performance	Regular maintenance and repair	Unlikely	Minor	Low
Failure to produce the planned size fractions	Unable to meet target size fractions, resulting in lower revenue	Stringent process monitoring	Unlikely	Minor	Low
Product quality	Lower quality product produced, reducing profit margins	Extraction, process monitoring and flowsheet optimisation	Possible	Moderate	Medium
Sales and pricing	Forecast sales not achieved at expected prices, reducing cashflow	Modify production volume; actively seek new customers and establish long-term contracts	Possible	Moderate	Medium

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating
Increased competition or reduced demand due to fluctuations in construction industry	Competition and possible reduction of price and sales volume leading to reduced cashflow	Market and prices be monitored to ensure the prices received are maximised	Possible	Moderate	Medium
Transport cost	Transport cost is borne by buyers, but increase in transport cost will reduce interest from potential buyers to purchase products from the Company, which in turn will result in a reduction in profit	Continue to seek additional markets. Monitor transport options	Possible	Moderate	Medium

14 CONCLUSION

GreenGold's Gaoloushan quarry and processing plant have been producing limestone construction aggregate for the local road base course, concrete, asphalt concrete and cement-stabilised macadam markets since 2018. The previous mining licence has been replaced by a larger licence that allows production to increase from 3.5 Mtpa to 8 Mtpa with the Phase II processing plant with matching capacity. The LoM is estimated at about 18 years.

Geological investigations and physical testing of surface and core samples have indicated that the limestone and diorite are generally suitable for the production of construction aggregate for various uses. There is sufficient confidence in the continuity and aggregate quality of the limestone and diorite to estimate Indicated and Inferred Mineral Resources of the limestone and diorite.

SRK considers the mining methods to be mature mining technology commonly used in open pit mining practices. They are technically reasonable and feasible. The proposed production schedule is considered reasonable and adequate to meet the needs of the processing plant.

The economically mineable parts of the Indicated D1 Limestone Resources within the open pit design and the limits of Phase II Mining Licence, including allowances of losses, are classified as Probable Ore Reserves.

The major risks to a profitable project is a drop in demand or increased market competition driving sales prices down. Project development risks have been significantly reduced by the production to date. Other identified risks are rated as low to medium, and are considered by SRK as manageable.

On the basis of this investigation, SRK considers that the Gaoloushan Construction Aggregate Project is technically and economically viable.

CLOSURE

This report, Independent Technical Report on the Gaoloushan Construction Aggregate Project, Anhui Province, China, was prepared by

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All data used as source material plus the text, tables, figures, and attachments of this document have been reviewed and prepared in accordance with generally accepted professional engineering and environmental practices.

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China Insights Consultancy, 2022. Construction aggregate market study.

Hanchen International Engineering Design Group Co., Ltd. (Hanchen), 2021, Feasibility Study on the Gaoloushan Construction Aggregate Project.

Hebei Building Materials Industry Design and Research Institute Co., Ltd., 2022. Preliminary Design of the Gaoloushan Expansion Project.

The 325th Geological Team of Bureau of Geology and Mineral Resources of Anhui Province, Geological and Mineral Resource Report on the Gaoloushan Project.

APPENDIX A JORC (2012) TABLE 1

SECTION 1: SAMPLING TECHNIQUES AND DATA

Criteria	Commentary
Sampling techniques	• Two phases of exploration programmes were completed within the current mining licence application area March 2020 and May 2021, respectively. • The deposit was explored by seven inclined diamond drill holes and surface samples along the exploration lines. The exploration line spacing was 300 m. Along each exploration line, two drill holes were drilled, and surface samples were collected every 20–100 m based on the orientations between the exploration lines and bedding. • The collars were measured by RTK GPS. • Core samples were routinely collected. • Samples were cut to the specific sizes for physical tests, namely bulk density, water absorption, wet compressive strength (water saturated), soundness, crushing index, alkali silica reactivity and radioactivity and whole-rock chemical analysis.
Drilling techniques	• All 7 drill holes were diamond holes. • All drill holes were initially drilled in HQ size (110 mm) and reduced to NQ (77 mm) size after passing through the surface weathering zone. • Hole depths ranged from 59.94 m to 234.88 m.
Drill sample recovery	• The average core recovery was approximately 95%.
Logging	• Recovery, lithology, texture, colour and RQD were logged.
Sub-sampling techniques and sample preparation	• The core and surface samples were cut to specific sizes according to different physical and chemical test specifications. • Physical properties samples taken from the drill holes and surface for bulk density, water absorption, compressive strength (water saturated), soundness and crushing index tests, as well as geochemical analysis, alkali silica reactivity and radioactivity analyses. • No certified reference materials or blanks were inserted in the sample batches for whole rock chemical analysis. • Sampling protocols were implemented according to National Standard of Pebble and Crushed Stone for Construction (GB/T 14685-2011), and the local provincial standard of Technical Requirements for Geological Prospecting of Building Stones in Anhui Province (2020).

Criteria	Commentary
Quality of assay data and laboratory tests	• In the 2020 exploration programme, physical properties tests were performed at the laboratory of Anhui Branch of China National Geological Exploration Centre of Building Materials Industry (CNGM laboratory), located in Hefei, Anhui Province), an independent and accredited laboratory. • In the 2021 exploration programme, laboratory tests were carried out at the laboratory of Jiangsu Mineral Geology Design and Research Institute (JMGD laboratory), an independent and accredited laboratory, located in Xuzhou, Jiangsu Province. • The physical properties tests were conducted according the Chinese standard (GB/T 14685-2011) • The analytical technique for whole rock chemical analysis was by X-ray fluorescence. • No certified reference materials or blanks were inserted in the sample batches for whole rock chemical analysis. Blanks were not required for physical tests. The chemical analyses did not require any references or blanks for dimension stone purposes except those used for internal laboratory quality control.
Verification of sampling and assaying	• SRK reviewed the previous exploration work and recommended an exploration programme, with the objectives of validating the previous exploration work and improving confidence in the geological model, as well as obtaining data of adequate quality to define a Mineral Resource in accordance with the JORC Code. • SRK monitored the drilling progress by real-time communication with geologists of Team 325. • In May 2021, a SRK consultant visited the site and checked the drill hole collars, surface sample locations and drill cores. • The geology and physical properties of the deposit was validated via verification drilling and surface sampling.
Location of data points	• Drill hole collars, surface sample locations and topographic survey were surveyed by the RTK method. • The topography was surveyed at a 1:2,000 scale. – Datum: CSGS 2000 – Projection: 2000/Gauss Kruger projection, Central Median 107/Zone 39 datum – Height datum: 1985 national elevation datum (China).

Criteria	Commentary
Data spacing and distribution	• The nominal exploration line spacing was 300 m. • Along each exploration line, two drill holes were drilled nominally; surface samples were collected every 20–100 m. • Sufficient geological continuity to support the definition of Mineral Resources in accordance to the JORC Code.
Orientation of data in relation to geological structure	• All drill holes were inclined holes and the downhole survey was conducted every 50 m.
Sample security	• During the 2020 and 2021 exploration programmes, the samples were collected, labelled and dispatched to the laboratories by the local geologists. • The remaining drill cores were stored onsite and kept in labelled trays.
Audits or reviews	• A review of the sampling techniques and data was carried out by SRK as part of the resource estimate and the database was considered to be of sufficient quality to carry out resource estimation. • A review of sampling techniques and data was carried out by SRK during the process of preparing this Report.

SECTION 2: REPORTING OF EXPLORATION RESULTS

Criteria	Commentary
Mineral tenement and land tenure status	• Phase I mining licence is valid until 1 July 2021. • Phase II mining licence covering a larger area has been granted on 30 June 2021 and is valid until 30 June 2024.
Exploration done by other parties	• There is only limited historical exploration within the mining licence application area. • In June 2020, Land and Resource Bureau of Huaibei requested East-China Metallurgical Institute of Geology and Exploration (ECGE) carry out a detailed exploration over the entire current project area to identify resources available for further production. • In May 2021, the 325th Geological Team of Bureau of Geology and Mineral Resources of Anhui Province (Team 325) was commissioned by GreenGold to perform a resource definition programme, designed by SRK. The objectives of the programme were to validate the previous exploration work, improve confidence in the geological model and obtain data of adequate quality to define a Mineral Resource in accordance with the JORC Code.
Geology	• The Project area and its vicinity is underlain by a series of conformable Cambrian sedimentary sequences, dominated by limestone, dipping gently (10–30°) towards southeast (110°–120°). • The limestone is cut by a diorite sill with a maximum thickness of 75 m. • Physical and chemical tests of samples taken from the surface and drill holes together with the successful operation in the past few years have demonstrated that all the limestone and diorite within the licence area is generally suitable for use as construction aggregates except the diorite cannot be used for concrete products. Two domains have been defined: D1 Limestone and D2 Diorite.
Drill hole Information	• A total of 7 diamond drill holes were drilled, totalling 1108.01 m. The details of these drill holes are presented in this Report.

Criteria	Commentary
Data aggregation methods	• Weighting averaging techniques were not applied. • Metal equivalent values are not applicable to construction aggregate projects.
Relationship between mineralisation on widths and intercept lengths	• The inclined drilling has adequately intersected and tested Domains D1 and D2. • The surface sampling across the mineralisation is considered adequate.
Diagrams	• Appropriate maps and sections were viewed, and reported in this Report.
Balanced reporting	• Reporting is fully representative of the data.
Other substantive exploration data	• Karst rate statistics was estimated by drill hole logs.
Further work	• No further work is planned as at 30 September 2022.

SECTION 3: ESTIMATION AND REPORTING OF MINERAL RESOURCES

Criteria	Commentary
Database integrity	• Drill cores were logged on paper and later entered into Excel spreadsheets. Data transfer was electronic via cloud storage. • The data were compiled in an electronic database. • Validation cheques were carried out using Leapfrog 3D modelling software to identify potential overlapping entries.
Site visits	• Falong Hu undertook site visits in May 2021 and Gavin Chan visited the site in November 2021. • During the visit, notes and photos were taken of the Project site, outcrops drill and surface sampling sites were inspected. Discussions held with the geologists of Team 325, and the senior manager and mining engineers of GreenGold.
Geological interpretation	• The degree of confidence in the geological interpretation is considered good. • Geological mapping and drill core logging results were used to define stratigraphic and intrusion boundaries. • Aggregate Domain D1 of limestone units and Domain D2 of diorite were modelled according to the drill hole logs, surface investigation and surface mapping. • A weathered surface has also been modelled.
Dimensions	• The dimension of aggregate resources is of 1,300 m (length) × 750 m (width) × 120 m (height). • All resources have been restricted to the mining licence application surficial extent and elevation limits.
Estimation and modelling techniques	• Volumetric models were created by Leapfrog, a 3D modelling software, using geological mapping and drilling results. The modelling procedures include import of the compiled drill hole database, and geological and topographic maps into Leapfrog. Wireframes were constructed from the drill hole data and geological mapping. • A surface corresponding to the weathered/fresh interface of Domain D2 was also modelled based on its logged position in the drill cores and interpretation. • No block model was created. • No selective mining units were assumed.

Criteria	Commentary
	• Correlation between variables is not applicable to a construction aggregate project. • Grade capping is not applicable to construction aggregate units. • No geostatistical analysis was undertaken as it is not applicable to construction aggregate units. • The karst rate was estimated based on the drilling logs.
Moisture	• The resource is reported as a tonnage, hence the moisture content is not relevant to the resource estimate.
Cut-off parameters	• Cut-off parameters are not applicable to construction aggregate.
Mining factors or assumptions	• Traditional open pit method is used in the current mining operation.
Metallurgical factors or assumptions	• Not applicable to aggregate project.
Environmental factors or assumptions	• To be updated once the new mining licence is ready.
Bulk density	• The bulk density is of 2.79 t/m^3 in Domain D1, and bulk density is of 2.62t/m^3 in Domain D2.
Classification	• The resource classification is based on the degree of confidence in the geological continuity, data quality and spatial distribution of the data. • The Indicated Mineral Resource classification is based on good degree of confidence in the geological continuity, aggregate quality, drill hole and surface data, and within a buffer of 250 m for drill hole and surface sampling positions. • The materials in the weathered zone have been removed from the resource model. • The Mineral Resource Estimate appropriately reflects the view of the Competent Person.
Audits or reviews	• This is the first Resource Estimate completed under the guidelines of the JORC Code for this deposit. No audits or reviews of this Mineral Resource estimate are known to have been carried out.
Discussion of relative accuracy/confidence	• The Competent Person's opinion of relative accuracy and confidence in the Mineral Resource estimate is adequately expressed by the classification categories applied. • The Mineral Resource statement relates to global volumetric estimates.

SECTION 4: ESTIMATION AND REPORTING OF ORE RESERVES

Criteria	Commentary
Resource estimate for conversion to Ore Reserves	• The aggregate Ore Reserves estimate was based on the Mineral Resource models developed by the SRK team. Inferred Resources are excluded. • The aggregate Ore Reserves are reported inclusive of Mineral Resources. • The Ore Reserve estimate is derived from open pit optimisation, pit design and mining loss assumptions.
Site visits	• SRK consultants visited the site in May, June and November 2021.
Study Status	• Operational statistics from 2017 to 2022 were provided to SRK. • An PD on the Phase II (8.0 Mtpa) completed in April 2022. • SRK considers the PD is similar to a FS level study in accordance with the JORC Code
Cut-off parameters	• No cut-off was applied to Mineral Resource or Ore Reserve estimates as all ores are saleable.
Mining factors or assumptions	• Conventional open pit mining method is employed, including drilling, blasting, loading and haulage. • Conversion of Resources to Reserves is based on pit optimisation which considers Indicated Resources only (there is no Measured Resource for this Mine). • The main inputs for pit optimisation are: – Mining cost is RMB10.40 per tonne of total material moved; – Processing cost is RMB3.90 per tonne of feed ore – General and administration cost is RMB1.40 per tonne of feed ore – Royalties and tax are RMB5.90 per tonne of feed ore – Mining loss is 2% – Weighted average products sales price is RMB103.5 per tonne – The overall slope angle is 50 degrees.

Criteria	Commentary
	• The pit design developed base on the optimisation shell as the revenue factor 1.0: – Bench height is 15 m – Bench face angle is 65 degrees – Safety berm is 5 m wide – Catch berm is 8 m wide, on catch in every two safety berms – The ramp is 14 m wide for dual-lane – The road gradient is 9% – The overall stope is less than 50 degree. • The LoM is scheduled to be 18 years, with peak total material movement of about 10.7 Mtpa, considering the following: – The LoM plan is developed based on the schedule strategy proposed by the PD, which is mining from top downwards with 2 benches operated simultaneously. – The existing roads of Phase I are also be utilised as proposed by the Company, therefore, mining regions are separated for operation transition from Phase I to Phase II and preservation of the existing roads. – The mining ramp-up period is from 2022 to 2030, and full capacity is forecast to be reached in 2031. – Mining ramp-down at the end of the service life is assumed to be 2 years.
Metallurgical factors or assumptions	• Not applicable for aggregate project
Environmental	• An environmental impact assessment for the Phase II development has been prepared and approved by the relevant authority.
Infrastructure	• Connected to the local grid. • Domestic water is supplied by a well, while production water is sourced from a water treatment plan.
Costs	• The capital cost forecast for the Phase II development totals RMB306.8 million • The cash operating cost over the LoM is estimated RMB23.7/t of product
Revenue factors	• Revenue forecasts are based on sales of five main products as well as the overburden and waste. • All sales prices are the mine gate prices.

Criteria	Commentary
Market assessment	• An independent Market Study has been prepared, demonstrating the potential market. • Previous sales records also demonstrate the marketability of the products
Economic	• The capital and operating costs were provided by GreenGold and reviewed by SRK as reasonable. • An economic viability analysis shows that post tax (25% corporate tax) at a discount rate of 10% returned a positive NPV, suggesting the Ore Reserves defined is economically viable.
Social	• The general surrounding land use is mainly farmland. The nearest residents live beyond the applied licence boundaries.
Other	• The Project has been in operation for more than 4 years. • A risk assessment is included in this Report.
Classification	• The Probable Ore Reserves were based on Indicated Resources. The classification is further supported by the PD, production records and other data provided by GreenGold. No Proven Ore Reserve has been declared. Most quarry operators do not publicly disclose their Mineral Resource and Ore Reserves estimates which is in contrast to most major metal producers. As quarries are seeking only to extract the rock (rather than the inherent minerals therewithin), the quantification of the volume and tonnages available for future extraction is less difficult to estimate and not subject to the same degree of uncertainty as for metal producers. As such, the use of the JORC classifications is less important to quarry operations relative to metal producers. There has been no industry norm as to whether the lack of Measured Resources or Proven Ore Reserves is a common practice or not.
Audits or reviews	• No external audits of the Ore Reserve have been undertaken. SRK has completed an internal audit review as part of the Ore Reserve derivation process.
Discussion of relative accuracy/confidence	• All mining estimates are based on current operation conditions or PD. • There are no unforeseen Modifying Factors at the time of this statement that will have material impact on the Ore Reserve estimate.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated as a joint stock company with limited liability under the laws of the PRC on 21 December 2018 with a registered share capital of RMB198 million, divided into 198,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Our Company has established a principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 30 August 2021. Mr. Li Kin Wai has been appointed as our agent for the acceptance of service of process in Hong Kong.

As our Company was established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix V to this prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix IV to this prospectus.

2. Changes in the registered share capital of our Company

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, our registered share capital will be increased to RMB264,000,000, comprising 66,000,000 H Shares and 198,000,000 Domestic Shares, representing 25% and 75%, respectively, of the total issued share capital of our Company.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there has not been any change in the share capital to our Company within the two years preceding the date of this prospectus.

3. Resolutions passed at our Company's extraordinary general meeting on 21 December 2022

At the extraordinary general meeting of our Company held on 21 December 2022, among other things, the following resolutions were passed by our Shareholders:

(a) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, which shall become effective on the Listing Date;

(b) approving the issue of H Shares with a nominal value of RMB1.00 each;

(c) subject to the completion of the Global Offering, our Board has been granted a general mandate to authorise, allot and issue Domestic Shares and/or H Shares, either separately or concurrently once every twelve months, within a period of up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, and to make necessary amendments to the Articles of Association, provided that the number of Domestic Shares and/or H Shares to be issued shall not exceed 20% of the number of our Domestic Shares in issue or H Shares in issue (as the case may be) as at the Listing Date; and

(d) authorising our Board to handle all matters relating to, among other things, the issue of H Shares and the listing of H Shares on the Stock Exchange.

4. Corporate Reorganisation

Our Group underwent the corporate reorganisation in preparation for the Listing. For further details, please refer to the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

B. OUR SUBSIDIARIES

Our Company's subsidiaries are set out under the financial statement in the Accountants' Report as included in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there has not been any changes in the share capital to any of our subsidiaries within the two years preceding to the date of this prospectus.

C. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

We have entered into the following contracts (not being contract entered into in the ordinary course of business), within two years preceding the date of this prospectus which are or may be material to our business:

(a) the Capital Increase Framework Agreement (增資框架協議) (the "**Capital Increase Framework Agreement**") dated 17 August 2021 entered into among Huaibei GreenGold Industry Investment Co., Ltd.* (淮北綠金產業投資股份有限公司), Anhui Leiming Blasting Engineering Co., Ltd.* (安徽雷鳴爆破工程有限責任公司) and Anhui Leiming Kehua Co., Ltd.* (安徽雷鳴科化有限責任公司), pursuant to which Anhui Leiming Kehua Co., Ltd.* (安徽雷鳴科化有限責任公司) agreed to, amongst others, provide a total of approximately RMB62.7 million to the registered capital of Huaibei Tongming Mining Co., Ltd.* (淮北通鳴礦業有限公司);

(b) the Capital Injection and Share Enlargement Agreement (增資擴股協議) dated 28 November 2021 and entered into among Huaibei GreenGold Industry Investment Co., Ltd.* (淮北綠金產業投資股份有限公司), Anhui Leiming Blasting Engineering Co., Ltd.* (安徽雷鳴爆破工程有限責任公司) and Anhui Leiming Kehua Co., Ltd.* (安徽雷鳴科化有限責任公司), pursuant to which certain terms of the Capital Increase Framework Agreement were amended and supplemented;

(c) the Deed of Indemnity;

(d) the Deed of Non-competition; and

(e) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(i) Trademarks

As at the Latest Practicable Date, our Group registered the following trademark:

No.	Registered owner	Trademark	Class	Trademark registration Number	Registration Date	Expiry Date	Place of registration
1	Liantong Municipal	绿金连通 LVJINLIANTONG	19	58932417	7 March 2022	6 March 2032	PRC

(ii) Patents

As at the Latest Practicable Date, our Group had the right to use the following patents which, in the opinion of our Directors, are material to our business:

No.	Patent	Category	Patentee	Place of registration	Patent number	Application Date	Issuance Date	Expiry Date
1	Stone belt chain transportation device (一種石料皮帶鏈條運輸裝置)	Utility model	Tongming Mining	PRC	ZL201920418869.6	29 March 2019	22 November 2019	28 March 2029
2	A new type of dust collector (一種新型除塵器)	Utility model	Tongming Mining	PRC	ZL201920420148.9	29 March 2019	27 December 2019	28 March 2029

No.	Patent	Category	Patentee	Place of registration	Patent number	Application Date	Issuance Date	Expiry Date
3	Comprehensive production system for stone crushing and screening (一種石料破碎篩分綜合生產系統)	Utility model	Tongming Mining	PRC	ZL2019204 18919.0	29 March 2019	27 December 2019	28 March 2029
4	High-speed transportation belt device (一種高速運輸皮帶裝置)	Utility model	Tongming Mining	PRC	ZL2019204 20253.2	29 March 2019	26 November 2019	28 March 2029
5	A high-pressure roller mill (一種高壓輥磨機)	Utility model	Tongming Mining	PRC	ZL2019204 18929.4	29 March 2019	27 December 2019	28 March 2029
6	A kind of transportation device with sorting function adopted for mine development (一種礦山開採用具有分選功能的運輸裝置)	Invention	Tongming Mining	PRC	ZL2017104 34673.1	9 June 2017	19 April 2019	8 June 2037
7	Rock drilling and cracking integrated machine (一種岩石鑽裂一體機)	Invention	Tongming Mining	PRC	ZL2018100 01488.8	2 January 2018	5 April 2019	1 January 2038

(iii) Mining licence

As at the Latest Practicable Date, we had the following mining licence:

No.	Name	Owner of permit	Address	No. of permit	Expiration Date
1	Phase II Mining Licence	Tongming Mining	Lieshan District, Huaibei City, Anhui Province, the PRC	C3406002021067 160152182	30 June 2024

(iv) Software copyrights

As at the Latest Practicable Date, we have registered the following software copyrights which our Directors consider are material to our business:

No.	Software Name	Copyright Owner	Scope of Copyright	Registered No.	Date of Initial Publication	Expiry Date
1	Real-time parameter management analysis control system V1.0 for dust suppression at the stone development site (石料開發現場揚塵抑制實時參數管理分析控制系統V1.0)	Tongming Mining	All rights	2019SR0356329	31 December 2018	31 December 2068
2	Speed control system V1.0 for stone screening system (石料篩分系統轉速控制系統V1.0)	Tongming Mining	All rights	2019SR0358704	27 December 2018	31 December 2068
3	Remote standard operation control system V1.0 of dust collector for stone mining (石料開採除塵器遠程規範操作控制系統V1.0)	Tongming Mining	All rights	2019SR0358603	18 December 2018	31 December 2068
4	Blasting Mining Technology Centre Deployment Management Integrated Operation Platform V1.0 (爆破開採技術中心調配管理一體化操作平台V1.0)	Tongming Mining	All rights	2019SR0358758	30 June 2018	31 December 2068

No.	Software Name	Copyright Owner	Scope of Copyright	Registered No.	Date of Initial Publication	Expiry Date
5	Standardised operator learning and training system for dust collectors for stone mining V1.0 (石料開採除塵器規範操作人員學習培訓系統V1.0)	Tongming Mining	All rights	2019SR0358319	28 June 2018	31 December 2068
6	On-site safety planning and management platform for stone loading and transportation V1.0 (石料裝車運輸現場安全規劃管理平台V1.0)	Tongming Mining	All rights	2019SR0359041	26 June 2018	31 December 2068
7	Real-time intelligent control software V1.0 for stone screening system (石料篩分系統實時智能控制軟件V1.0)	Tongming Mining	All rights	2019SR0362038	31 December 2017	31 December 2067
8	Screening stone equipment Internet of Things CNC operating platform V1.0 (篩分石料設備物聯網數控操作平台V1.0)	Tongming Mining	All rights	2019SR0361570	27 December 2017	31 December 2067
9	Intelligent integrated control platform for stone conveyor belt process system V1.0 (石料運輸帶過程系統智能一體化控制平台V1.0)	Tongming Mining	All rights	2019SR0360147	25 December 2017	31 December 2067

No.	Software Name	Copyright Owner	Scope of Copyright	Registered No.	Date of Initial Publication	Expiry Date
10	Crusher remote intelligent safety control software V1.0 (破碎機遠程智能化安全控制軟件V1.0)	Tongming Mining	All rights	2019SR0361542	13 December 2017	31 December 2067
11	Rock crusher motor drive control system V1.0 (岩石破碎機電機驅動控制系統V1.0)	Tongming Mining	All rights	2019SR0361552	30 May 2017	31 December 2067
12	Intelligent CNC operation technology platform for rock splitting machine V1.0 (岩石劈裂機智能化數控操作技術平台V1.0)	Tongming Mining	All rights	2019SR0361011	24 May 2017	31 December 2067
13	Comprehensive blasting mining monitoring and early warning analysis management system V1.0 (綜合爆破開採監控預警分析管理系統V1.0)	Tongming Mining	All rights	2019SR0359945	29 December 2016	31 December 2066
14	Stone blasting project personnel scheduling management system V1.0 (石料爆破項目人員調度管理系統V1.0)	Tongming Mining	All rights	2019SR0360564	20 December 2016	31 December 2066
15	Ore development planning design analysis system V1.0 (礦石開發規劃設計分析系統V1.0)	Tongming Mining	All rights	2019SR0361480	15 December 2016	31 December 2066

No.	Software Name	Copyright Owner	Scope of Copyright	Registered No.	Date of Initial Publication	Expiry Date
16	Construction Management Information System V1.0 of Stone Mining Technology Project (石料開採技術項目施工管理信息化系統V1.0)	Tongming Mining	All rights	2019SR0361471	14 December 2016	31 December 2066

D. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(i) Disclosure of Interests of our Directors, Supervisors and chief executives of our Company

Immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, none of our Directors, Supervisors or the chief executives of our Company has any interests or short positions in any shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will be required: (i) to be notified to our Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register required to be kept therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to our Company, once our H Shares are listed.

Up to the Latest Practicable Date, none of our Directors or Supervisors or the chief executives of our Company or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for Shares or debentures of our Company or any of its associated corporations.

(ii) Disclosure of interests of our substantial shareholders

(a) Interests of the substantial shareholders in the Shares

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors are not aware of any person (other than our Director or chief executive of our Company) who will, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of any class of shares carrying rights to vote in all circumstances at the general meetings of any other members of our Group.

(b) Interests of the substantial shareholders of other members of our Group

As at the Latest Practicable Date, so far as our Directors are aware, the following person (other than our Directors or chief executive of our Company) was interested in 10% or more of any class of shares carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name of member of our Group	Name of shareholder	Approximate percentage of shareholding
Tongming Mining	Leiming Blasting	33%
Liantong Municipal	Shanghai Hanglong	45%
Tongtai Tongjin	Zhongjue International	45%

2. Particulars of Directors' and Supervisors' contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors has entered into a service contract or letter of appointment which cover among others, (i) the term of service; (ii) a termination provision; and (iii) a dispute resolution provision. The service contracts and letters of appointment may be renewed in accordance with our Articles of Association and the applicable laws, rules or regulations.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

3. Directors' and Supervisors' remuneration

For each of the three years ended 31 December 2021 and the nine months ended 30 September 2022, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) of our Directors and Supervisors were approximately RMB1,857,000, RMB1,758,000, RMB2,283,000 and RMB1,679,000 respectively.

Save as disclosed above, no other payments have been paid or are payable by us to our Directors and Supervisors during the Track Record Period.

There is no arrangement under which any Director or Supervisor has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments by any Director or Supervisor during the current financial year.

Under the current arrangements, our Directors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending 31 December 2022 under arrangement in force as at the date of this prospectus which is expected to be approximately RMB1,759,000 in aggregate.

Under the current arrangements, our Supervisors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending 31 December 2022 under arrangement in force as at the date of this prospectus which is expected to be approximately RMB752,000 in aggregate.

Each of our Directors and Supervisors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

4. Agency fees or commissions paid or payable

Save as disclosed in the section headed "Underwriting" in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years immediately preceding the issue of this prospectus.

5. Related party transactions

During the two years preceding the date of this prospectus, we have engaged in the material related party transactions as described in Note 26 to the Accountants' Report set out as Appendix I to this prospectus.

6. Disclaimers

As at the Latest Practicable Date:

(a) our Directors are not aware of any other person (not being a Director or Supervisor or the chief executive of our Company) who will, immediately following completion of the Global Offering, have interests and/or short positions in the shares or underlying shares of our Company which would fall to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of our Group;

(b) none of our Directors or Supervisors or the chief executive of our Company has any interest and/or short position in the shares, underlying shares or debentures of our Company, our subsidiary or any of the associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once our H Shares are listed;

(c) none of our Directors or Supervisors nor any of the parties listed in the paragraph headed "E. Other Information – 7. Qualification of experts" of this Appendix was interested, directly or indirectly, in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Company, or were proposed to be acquired or disposed of by or leased to any member of our Company;

(d) save in connection with the Underwriting Agreements, none of our Directors or Supervisors nor any of the parties listed in the paragraph headed "E. Other Information – 7. Qualification of experts" of this Appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant to the business of our Company taken as a whole;

(e) save in connection with the Underwriting Agreements, none of the experts referred to in the paragraph headed "E. Other Information – 7. Qualification of experts" of this Appendix is interested legally or beneficially in any shares in any member of our Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company; and

(f) none of our Directors, Supervisors or their respective associates nor, to the knowledge of our Directors, any Shareholders who held more than 5% of the total number of Shares as at the Latest Practicable Date had any interest in the five largest customers or the five largest suppliers/subcontractor of our Company.

E. OTHER INFORMATION

1. Tax and other indemnity

The Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) to provide indemnities on a joint and several basis, in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether criminal, administrative, contractual, tortuous or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise, taxation resulting from income, profits or gains earned, accrued or received as well as any other claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional and all liabilities incurred by it arising from any material non-compliance committed by any number of our Group on or before the Listing Date.

The Controlling Shareholders are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the consolidated audited accounts of our Company and its subsidiaries as set out in the Accountants' Report in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the Track Record Period (the "**Accounts**");

(b) to the extent that such taxation or amount arises or is incurred as a result of any change in the law having retrospective effect coming into force after the date on which the Global Offering becomes unconditional or to the extent that such taxation or amount arises or is incurred as a result of an increase in rates of taxation after the date on which the Global Offering becomes unconditional with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of anywhere else in the world on the profits of companies for the current or any earlier financial period);

(c) which would not have arisen but for any act or omission of, or transaction by any member of our Group voluntarily effected (other than pursuant to a legally binding commitment created on or before the date on which the Global Offering becomes unconditional) without prior written consent or agreement of the Controlling Shareholders; or

(d) to the extent that any provision or reserve made for such taxation or amount in the Accounts is established to be an overprovision or an excessive reserve.

2. Estate duty

Our Directors have been advised that no material liability for estate duty under PRC laws is likely to be imposed on us.

3. Litigation

As at the Latest Practicable Date, no member of our Group was involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

4. Restrictions on share repurchase

Please refer to "Appendix IV – Summary of Principal Legal and Regulatory Provisions – PRC Laws and regulations – 3. The PRC Company Law, the Special Regulations and the Mandatory Provisions – Repurchase of Shares" in this prospectus for details.

5. Sole sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. Our Company has agreed to pay the Sole Sponsor a fee of RMB5,000,000 to act as the sole sponsor to our Company in relation to the Global Offering.

The Sole Sponsor has made an application on our behalf to the Listing Committee for listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling our H Shares to be admitted into CCASS.

6. Preliminary expenses

Our Company has not incurred any preliminary expenses.

7. Qualification of experts

The qualifications of the experts, as defined under the Listing Rules, who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
China Everbright Capital Limited	A corporation registered under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Name	Qualification
KPMG	Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Beijing DeHeng Law Offices	Legal advisers as to PRC laws
SRK Consulting (Hong Kong) Limited	Independent technical consultant
China Insights Industry Consultancy Limited	Independent industry consultant
Roma Appraisals Limited	Independent property valuer

8. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed China Everbright Capital Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

9. No material adverse change

Our Directors confirm that there has been no material adverse change in our financial or trading position since 30 September 2022 and up to the date of this prospectus.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Miscellaneous

(a) Save as disclosed in this section within the two years preceding the date of this prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) No share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) We have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) Our Company has no outstanding convertible debt securities or debentures;

(e) Within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company or any member of our Group;

(f) There is no arrangement under which future dividends are waived or agreed to be waived;

(g) There has been no interruption in our business which may have or have had a significant effect on the financial position of our Group in the last 12 months preceding the date of this prospectus;

(h) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange or trading system nor is any listing or permission to deal being or proposed to be sought;

(i) There is no subsidiary in our Group which is a sino-foreign equity joint venture or which operates as or under a cooperative or contractual joint venture;

(j) Our company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(k) As at the Latest Practicable Date, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

13. Consents of experts

Each of the experts as referred to in the paragraph headed "E. Other Information – 7. Qualification of experts" of this Appendix has given, and has not withdrawn, their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Company or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of our Company.

14. Promoters

The promoters of our Company are Huaibei Construction Investment and Huaibei Transportation Investment. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents, a copy of the **GREEN** Application Form, the written consents referred to in "Appendix VIII – Statutory and General Information – E. Other Information – 13. Consents of experts" in this prospectus, and certified copies of the material contracts referred to in "Appendix VIII – Statutory and General Information – C. Further Information about the Business of Our Group – 1. Summary of material contracts" in this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

The following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.ljgfjt.com**) up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for the Track Record Period;

(d) the report on the unaudited pro forma financial information of our Group prepared by KPMG, the text of which is set out in Appendix II to this prospectus;

(e) the PRC Company Law, the PRC Securities Law, the Special Regulations and the Mandatory Provisions together with the unofficial English translations thereof;

(f) the PRC legal opinion issued by our PRC Legal Advisers, in respect of general matters of our Group in the PRC;

(g) the PRC legal opinion issued by our PRC Legal Advisers, in respect of the property interests of our Group in the PRC;

(h) the letter, summary of values and valuation certificates prepared by Roma Appraisals Limited, the text of which is set out in Appendix VI to this prospectus;

(i) the material contracts referred to in "Appendix VIII – Statutory and General Information – C. Further Information about the Business of Our Group – 1. Summary of material contracts" in this prospectus;

(j) the written consents referred to in "Appendix VIII – Statutory and General Information – E. Other Information – 13. Consents of experts" in this prospectus;

(k) the service contracts and letters of appointment referred to in "Appendix VIII – Statutory and General Information – D. Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – 2. Particulars of Directors' and Supervisors' contracts" in this prospectus;

(l) the Independent Technical Report prepared by SRK Consulting (Hong Kong) Limited, the text of which is set out in Appendix VII to this prospectus; and

(m) the industry report prepared by China Insights Industry Consultancy Limited.

淮北綠金產業投資股份有限公司

HUAIBEI GREENGOLD INDUSTRY INVESTMENT CO., LTD.*