THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your shares in Pak Tak International Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

PAK TAK INTERNATIONAL LIMITED
(百德國際有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2668)

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening the SGM to be held at the Room 3, 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong at 11:00 a.m. on Friday, 19 July 2024 is set out on pages SGM-1 to SGM-3 of this circular.

A form of proxy for use at the SGM is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.paktakintl.com). Shareholders who intend to appoint a proxy to attend the SGM shall complete and sign the form of proxy and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, to the Company's Hong Kong branch share registrar & transfer office, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for holding the SGM (i.e. at or before 11:00 a.m. on Wednesday, 17 July 2024 (Hong Kong time)) or any adjournment of the SGM (as the case may be) in accordance with the instructions printed thereon. Delivery of the form of proxy will not preclude a Shareholder from attending and voting at the SGM, and in such an event, the form of proxy will be deemed to be revoked.

References to time and dates in this circular are to Hong Kong time and dates.

* *For identification purposes only*

28 June 2024

CONTENTS

In this Circular, unless otherwise specified or the context otherwise requires, the following terms and expressions shall have the following meanings:

"Acquisition"	the acquisition of the entire issued share capital of the Target Company by the Company from the Vendor
"Agreement"	the sale and purchase agreement dated 29 February 2024 entered into between the Company, the Vendor and the Target Company in relation to the Acquisition, as amended by the Supplemental Agreement
"Board"	the board of Directors
"Company"	Pak Tak International Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2668)
"Competent Person's Report"	the competent person's report dated 28 June 2024 prepared by Roma Oil and Mining Associates Limited, the full text of which is set out in Appendix V to this circular
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration Shares"	the new Shares to be allotted and issued by the Company at the Issue Price for payment of the consideration for the Sale Shares
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group immediately after the Completion, including, among others, the Company, its subsidiaries as at the Latest Practicable Date and the Target Group
"Equity Interest"	96.62% of the equity interest in Fushun Xingzhou indirectly held by the Vendor through, among others, the Target Company upon completion of the Reorganisation
"Fushun Xingzhou"	Fushun Xingzhou Mining Co., Ltd* (撫順興洲礦業有限公司), a company established in the PRC with limited liability which will be a subsidiary of the Target Company upon completion of the Reorganisation

"FY*year*"	the financial year ended or ending (as the case may be) on 31 December of the year stated. For example, "FY2023" refers to the year ended 31 December 2023 and "FY2024" refers to the year ending 31 December 2024
"Group"	collectively, the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party"	an individual or entity which is not a connected person of the Company
"Issue Price"	HK$0.336 per Consideration Share
"Latest Practicable Date"	24 June 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 September 2024, or such later date as the Company and the Vendor may agree in writing, being the last day on which the conditions precedent to the Acquisition as specified in the Agreement shall be fulfilled or, as the case may be, waived prior to the Completion
"PRC"	the People's Republic of China, which, for the purpose of this circular, shall exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Project"	an iron ore project currently owned by Fushun Xingzhou located in the Taigou Village of Dongzhou District, Fushun City, Liaoning Province, China

"Reorganisation"	reorganisation of the shareholding structure of Fushun Xingzhou in satisfaction of condition precedent (a) set forth in the Agreement as disclosed in the section headed "2. The Acquisition – Conditions Precedent" in the Letter from the Board in this circular, upon completion of which Fushun Xingzhou shall be directly held as to 96.62% by a subsidiary established in the PRC of the Target Company, thereby becoming a subsidiary of the Target Company and the principal operating subsidiary in the Target Group
"RMB"	Renminbi, the lawful currency of the PRC
"SGM"	the special general meeting of the Company to be convened and held at Room 3, 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong at 11:00 a.m. on Friday, 19 July 2024, the notice of which is set out on pages SGM-1 to SGM-3 of this circular, for the Shareholders to consider and, if thought fit, approve, *inter alia*, the Agreement and the transactions contemplated thereunder, including, among others, issue of the Consideration Shares under the Specific Mandate, and any adjournment thereof
"Sale Shares"	the entire issued share capital of the Target Company as at the Latest Practicable Date
"Share(s)"	ordinary shares(s) of HK$0.02 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of Shares
"Specific Mandate"	the specific mandate to be sought from the Shareholders to allot and issue the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it under the Listing Rules
"Supplemental Agreement"	the supplemental agreement dated 24 June 2024 entered into between the Company, the Vendor and the Target Company to extend the Long Stop Date to 30 September 2024 (or such later date as the Company and the Vendor may agree in writing)

"Target Company"	Zongchuan Investment Group Co., Limited (宗傳投資集團有限公司), a company incorporated in the British Virgin Islands with limited liability which was wholly owned by the Vendor as at the date of the Agreement
"Target Group"	collectively, the Target Company and its subsidiaries immediately after completion of the Reorganisation, including, among others, Fushun Xingzhou
"Valuation Report"	the report on the appraised value of Equity Interest as at 31 December 2023 prepared by the Valuer dated 28 June 2024, the full text of which is set out in Appendix VI to this circular
"Valuer"	Roma Appraisals Limited, an independent valuer
"Vendor"	Zongchuan Investment Holding Co., Limited (宗傳投資控股有限公司), a company incorporated in the British Virgin Islands with limited liability
"%"	per cent.

PAK TAK INTERNATIONAL LIMITED
(百德國際有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2668)

Executive Directors:
Mr. Liao Nangang *(Chairman)*
Ms. Qian Pu *(Chief Executive Officer)*
Mr. Wang Jian
Mr. Zhou Yijie

Non-executive Director:
Mr. Liu Xiaowei

Independent non-executive Directors:
Ms. Chan Ching Yi
Mr. Chan Kin Sang
Mr. Zheng Suijun

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
20/F, One Continental
No. 232 Wan Chai Road
Wan Chai
Hong Kong

28 June 2024

To the Shareholders

Dear Sir or Madam

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement of the Company dated 29 February 2024 in connection with the major transaction in relation to acquisition of the Target Company involving issue of Consideration Shares under Specific Mandate, and the announcement of the Company

* *For identification purposes only*

dated 24 June 2024 in relation to extension of the Long Stop Date. The purpose of this circular is to provide you with further details of the foregoing matters and a notice convening the SGM.

2. THE ACQUISITION

On 29 February 2024 (after trading hours), the Company, the Vendor and the Target Company entered into the Agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares (representing the entire issued share capital of the Target Company) in accordance with the terms and conditions of the Agreement. On 24 June 2024, the Company, the Vendor and the Target Company entered into the Supplemental Agreement to extend the Long Stop Date.

Set forth below are the principal terms of the Agreement (as amended by the Supplemental Agreement):

Date

29 February 2024 (after trading hours)

Parties

(1) the Company as the purchaser;

(2) the Vendor; and

(3) the Target Company

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the Agreement, the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares in accordance with the terms and conditions of the Agreement.

Upon Completion, the Group will hold the entire issued share capital of the Target Company which will indirectly hold 96.62% of the equity interest in Fushun Xingzhou. As such, the Target Group (including, among others, Fushun Xingzhou which is principally engaged in production and sale of metal commodities in the PRC) will become subsidiaries of the Company after Completion and their financial results, assets and liabilities will be consolidated into the Company's financial statements.

Consideration

The total consideration for the Acquisition shall be RMB289,860,000, which shall be payable by way of allotment and issue of 950,000,000 Consideration Shares at the Issue

Price of HK$0.336 per Consideration Share (equivalent to the total amount of HK$319,200,000) by the Company to the Vendor or its designated third party on the date of Completion.

The consideration for the Sale Shares was determined after arm's length negotiations between the Company and the Vendor taking into account, among others, (i) the historical operating performance of the Target Group; (ii) the audited net assets value of the Target Group as at 31 December 2023 of approximately RMB254,524,000; (iii) the registered capital of RMB300,000,000 of Fushun Xingzhou; and (iv) the appraised value of the Equity Interest (representing all equity interest in Fushun Xingzhou indirectly held by the Target Company upon completion of the Reorganisation) as at 31 December 2023 of RMB363,750,000 as determined by the Valuer using the asset-based approach on the basis of, among others, the market value of an iron ore project currently owned by Fushun Xingzhou, which was in turn assessed by the Valuer using the discounted cash flow method under the income-based approach, the details of which are set forth in the Valuation Report in Appendix VI to this circular.

During the arm's length business negotiations between the Company and the Vendor, it was mutually agreed that a discount rate of approximately 20.31% would be applied on the appraised value of 96.62% of the equity interest in Fushun Xingzhou mainly based on a combined factors of: (i) the fact that the Target Group was still in a transitional stage (i.e. from open-pit to underground mining operations), the mining output, production capacity and the overall operations have therefore yet to reach its full capacity. In this respect, the Target Group is in a loss-making position in FY2023 and the revenue decreased of approximately 29.74% as compared to FY2022; (ii) the audited net asset value of the Target Group was approximately RMB254,524,000 as at 31 December 2023, represented a decrease of approximately 16.25% as compared to FY2022; and (iii) the registered capital of Fushun Xingzhou was approximately RMB289,860,000 being acquired.

The Valuations

As explained in the Valuation Report, the Valuer had appraised the value of the Equity Interest, namely 96.62% of the equity interest in Fushun Xingzhou, under the asset-based approach on the basis of, among others, the market value of the Project (i.e. an iron ore project currently owned by Fushun Xingzhou), which was in turn determined by the Valuer using the discounted cash flow method.

Valuation of the Project

In the valuation process, the management of the Company had discussed with the Valuer the possible valuation approaches, namely the market-based approach, the income-based approach and the asset-based approach and understand that one or more of these approaches may be adopted depending on the practice commonly adopted in valuing mineral assets of a comparable nature. Having regard to the proposed operations, anticipated performance and available financial information of Fushun Xingzhou and the

Project, the market-based approach and the asset-based approach were both rejected. This was because the former could not account for the characteristics of the mining plans, methods and equipment involved or used in the Project given the limited number of transactions of comparable mineral assets in the market, and the latter could not reflect the future economic benefits associated with and hence the market value of the Project. On the other hand, the income-based approach focuses on the economic benefits attributable to the income-generating capability of the mineral assets, with the premise that the value of the mineral assets can be measured by the present worth of the economic benefits to be received over the useful life of the mineral assets. On this basis, the income-based approach estimates the future economic benefits and discounts them to their present value using a discount rate appropriate for the risks involved in realising such benefits. All in all, the Valuer was of the view, and the Directors concur, that the income-based approach would be the most appropriate valuation method under the circumstances. Therefore, the Valuer had adopted the discounted cash flow method under the income-based approach for the purpose of valuation of the Project.

The discounted cash flow method is based on a simple reversal calculation that restates all future cash flows in present terms as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \cdots + CF_n/(1+r)^n$$

where

PVCF	=	aggregate present value of the expected free cash flows to be generated in future years
CF	=	expected free cash flow to be generated in each future year
	=	net profit + depreciation - change in net working capital - capital expenditure
r	=	discount rate
n	=	number of years from the date of valuation, i.e. 31 December 2023

The Valuer had adopted the weighted average cost of capital ("**WACC**") of the Project as the basic discount rate. The WACC of the Project is the minimum required return that an entity must earn to satisfy its various capital providers including shareholders and debt holders. The WACC calculation takes into account the relative weights of debt and equity. The Directors noted that the Valuer had calculated the WACC taking into account various key parameters as detailed in the Valuation Report, such as the risk-free rate (adopting the yield rate of the China government 10-year bond), size premium (adopting the size premium for micro-cap companies with reference to the size premium study published by Duff & Phelps, LLC), cost of equity (calculated using, among others, the Capital Asset Pricing Model) and cost of debt (calculated with reference to, among others, China above-five-year best lending rate). The Directors recognised that the values of such parameters were determined based on financial data from authoritative sources or generally-accepted models and well founded. The WACC so derived was 9.98%, which was applied by the Valuer as the discount rate in the above formula.

It was understood that when estimating the expected free cash flow to be generated in each future year, the Valuer had

- made reference to the estimated indicated resource for the Project of 34.3 million tonnes as at 29 February 2024 as stated in the Competent Person's Report, and deduced the expected production schedule assuming a mining recovery rate of 85% and a dilution rate of 15% with reference to the Competent Person's Report;

- assumed a sale price of RMB881 per tonne excluding VAT for the period from 2024 to 2033 based on historical sale prices for FY2023 of RMB996 per tonne (inclusive of VAT at 13%) provided by the management of the Company, where a conservative approach was taken by assuming that the sale price would remain unchanged notwithstanding the fluctuating nature of iron ore prices;

- assumed an annual increase of 5% in mining operating costs for the period from 2024 to 2033 based on the amounts incurred in recent financial years and the quantitative analysis performed on the average percentage changes in the operating expenses of comparable companies over a period of up to 10 years. The Directors noticed that the historical mining operating costs of the Project were approximately RMB48, RMB45 and RMB64 per tonne for FY2021, FY2022 and FY2023 respectively, where a significant increase was recorded in FY2023 due to the transition from open-pit mining operations to underground mining operations since FY2022. Considering the expansion of the mining operations and the historical fluctuations observed in mining operating costs, the upward trend was expected to continue and the mining operating costs were estimated to increase by 5% per year from 2024 to 2033. The Directors further noted that the 5% annual increase was corroborated by the quantitative analysis performed by the Valuer on the average percentage changes in the operating expenses of comparable companies over a period of up to 10 years. The Directors consider that the assumption of a 5% annual increase in mining operating costs from 2024 to 2033 is substantiated and reflects a realistic expectation of rising costs over time, and is therefore fair and reasonable;

- adopted the amounts of processing operating costs, administration costs (excluding depreciation and amortisation) and selling costs estimated by the management of the Company and determined by analysing historical data from FY2021 to FY2023 and drawing upon previous operating experiences.

  The historical processing operating costs, administration costs (excluding depreciation and amortisation) and selling costs for FY2021, FY2022 and FY2023 were as follows:

(RMB/tonne)	**FY2021**	**FY2022**	**FY2023**
Processing operating costs	29.00	33.00	40.00
Administration costs (excluding depreciation and amortisation)	10.00	17.00	17.00
Selling costs	1.30	2.00	1.60

  During the period from FY2022 to FY2023, the Project underwent a significant transition from open-pit mining operations to underground mining operations. The change in mining method may give rise to more substantial fluctuations and uncertainties in the above costs. Considering the low mining volume in 2024, the above costs per unit of iron ore are expected to significantly increase. However, in the subsequent years from 2025 to 2027, as the mining volume is projected to rise substantially, the above costs per unit of iron ore will likely decrease. Beyond 2027, the mining volume is anticipated to become more stabilised, resulting in relatively stable operating costs per unit of iron ore. From 2030 onwards, the production of iron ore and related costs are expected to have become highly manageable and stabilised under a predictable and consistent production environment; therefore, from 2030 to 2033, the annual increase in the above costs will primarily reflect the impact of inflation. In projecting the costs for such years, the inflation rate of 2.16% per year had been applied, which is the average of the forecasted inflation for 2024 to 2028 for China provided by the International Monetary Fund as referenced from Bloomberg with the ticker IIHECHN INDEX, in accordance with the approach commonly taken to account for the effects of inflation on costs;

- adopted the amounts of government tax based on the actual tax rate of the applicable tax such as profits tax and surcharge taxes, estimated by the management of the Company for the period from 2024 to 2033 taking advantage of their understanding of the applicable tax regulations and obligations. It is assumed that tax credit will be carried forward to FY2024 and FY2025 for partial set-off against the government tax payable, since a net loss was recorded for FY2023. Starting from FY2026 onwards, it is assumed that the government tax will be stable, representing the full amount payable at the applicable tax rate;

- estimated the depreciation expenses in connection with property, plant and equipment, projects in progress, intangible assets and long-term deferred expenses using the straight-line method assuming a useful life of 15.11 years, 8 years, 13 years and 20 years respectively, which was in line with the common accounting practice;

- estimated the change in working capital for the Project with reference to the three-year average historical working capital ratios of Fushun Xingzhou, which was computed according to the financial information presented in the audited financial statements of Fushun Xingzhou; and

- assumed that all capital expenditure had been recognised in previous financial years and no material capital expenditure made for the period from 2024 to 2033.

According to the relevant provisions of PRC laws, including but not limited to *the Mineral Resources Law* (《礦產資源法》)*, the Measures for the Administration of Mineral Resources Mining Registration* (《礦產資源開採登記管理辦法》) and *the Regulations on the Protection of Geological Environment in Mines* (《礦山地質環境保護規定》), the Target Group is in the process of preparing to obtain approvals from the competent authorities to increase the maximum mining capacity for the mining license. This includes re-submitting of the mineral resources development plan and the mine geological environmental protection and land reclamation plan to the natural resources department, re-submitting the mine construction project safety facilities design to the emergency management department, and re-completing the environmental impact assessment procedures.

As advised by the PRC legal advisor, after obtaining approvals and completing the major procedures from the aforementioned competent departments, they are of the view that so long the Target Group could provide all the above required documents, there is no legal impediment for the Target Group to increase the maximum mining capacity for the mining license which could meet the future mining plan.

As advised by the Valuer and based on the above, it is considered that the assumptions used in the mining operating costs, processing operating cost, administrative cost and selling costs and the government tax are fair and reasonable.

The Directors consider that the above assumptions align with the business development plan of Fushun Xingzhou, reflect its expected state of operation for the coming financial years, and are fair, reasonable and appropriate.

On the above assumptions, as set forth more particularly in the Valuation Report, the discounted cash flow method generated a technical value of the Project of RMB825,720,000, which was subject to adjustment by applying an appropriate market premium/discount value to derive the market value of the Project as required under the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Project ("**VALMIN Code (2015)**") prepared by the VALMIN Committee in Australia. In this connection, the Valuer had reviewed the global demand and supply information for iron ore and assessed potential market conditions. According to key inputs and assumptions, the Indicated Mineral Resources as of 29 February 2024 were 34.30 million tonnes. Applying a mining recovery rate of 85% and a dilution rate of 15%, the effective saleable quantity was calculated to be 29.16 million tonnes. Furthermore, the average iron ore sales price (excluding VAT) was assumed to be RMB881 per tonne from 2024 to 2033. This price assumption is based on our analysis of market trends and industry forecasts, considering factors such as global supply and demand dynamics, production costs, and competitive landscape.

For operating costs, the mining operating costs were assumed to start at RMB64 per tonne in 2023 and increase by 5% annually. Processing Operating Cost, Administration Cost Excluding Depreciation and Amortization, and Selling Costs from 2024 to 2029 adopted were advised by the Management, and costs from 2030 to 2033 were projected by 2.16% China inflation rate per year. Taxes were calculated in accordance with relevant regulations.

For the Project, the change in working capital was estimated with reference to the three-year average historical working capital ratio of Fushun Xingzhou of 1.004, as computed with reference to the audited financial statements for FY2021 and FY2022 of Fushun Xingzhou and unaudited financial statements of the Business Enterprise for the year ended 31 December 2023, before the combined statements of financial position was available.

The depreciation expense of the property, plant and equipment was estimated using the straight-line method with a salvage rate of 5% and a weighted average useful life of 15.11 years, based on the unaudited carrying value of the property, plant and equipment as at 31 December 2023 of RMB221,962,185. The unaudited value had been adopted as the audited combined statements of financial position of the Target Company had yet to become available at the time of the valuation. As shown in note 15 to the historical financial information in Appendix II (Accountants' report of the Target Company) to this circular, after accounting adjustments, the buildings, plant and machinery and other equipment were valued at approximately RMB111,813,000, RMB86,193,000 and RMB7,428,000 respectively as at 31 December 2023. The depreciation expense also included straight-line depreciation of projects in progress, intangible assets and long-term deferred expenses with a useful life of 8 years, 13 years and 20 years respectively.

Net income was derived by subtracting operating costs, VAT related taxes, resources tax, income tax, depreciation and amortization expense from the revenue.

For the market factors, we reviewed the global iron ore supply and demand outlook, as well as market trends such as increased scrap steel utilization and lower net steel exports. Based on this analysis, we concluded that a market premium/discount factor of 1.0 (i.e., no further adjustment) is appropriate for this Project.

By applying these key inputs and assumptions to the DCF model, we arrived at the Technical Value of RMB825,720,000 for the Project. The model considers the projected annual cash flows over the life of the mine, discounted to the present value using the selected discount rate. The Directors share the view of the Valuer as to the short-term outlook of the iron ore industry.

The VALMIN Code (2015) further requires that a value range for the Project be set and that the Valuer state its preferred value within such a range. In this connection, the Valuer had determined the low-end and high-end values of the Project by performing a sensitivity analysis, where the discount rate was selected as the significant variable and risk criterion and discount rates ranging from 7.98% to 11.98% (being the range from 2% below to 2% above the WACC) as considered by the Valuer to be reasonable had been applied to the expected free cash flow to be generated in each future year. This yields a value range of RMB771,990,000 to RMB885,750,000. ROMA's preferred value is RMB825,720,000. This yielded a market value range of the Project of RMB771,990,000 to RMB885,750,000, with the preferred value of the Valuer being RMB825,720,000.

Valuation of the Equity Interest

As per discussion with the Valuer, the management of the Company understood that it would be most appropriate to employ the asset-based approach to value the Equity Interest, given that the market value of the Project had already been appraised and the value of the Equity Interest could be derived from it. As advised by the Valuer, the asset-based approach was a valuation approach commonly adopted in transactions comparable to the Acquisition and appropriate for assessing the value of the Equity Interest.

The primary source of income for Fushun Xingzhou is primarily generated from the Project, which was evaluated using an income-based approach. Given that the Project constituted a significant asset for Fushun Xingzhou, it was deemed appropriate to employ an asset-based approach. Under the asset-based approach, the market value of the Project appraised using the discounted cash flow method under the income approach served as the starting point, and further adjustments were made according to the balances of cash, debt, non-operating assets and non-operating liabilities of Fushun Xingzhou as at the valuation date (i.e. 31 December 2023) as stated in its accounts to determine the value of the entire equity interest in Fushun Xingzhou.

As compared with equity interest in a public company, equity interest in a privately-held company is not readily marketable, which generally renders the value of equity interest in a privately-held company below that of equity interest in a public company that is otherwise comparable. According to the Valuer, they had made reference to the result of the restricted stock study published in "Stout Restricted Stock Study 2023" by

Stout Risius Ross, LLC and applied a discount for lack of marketability of 15.69% to the original determined value of the entire equity interest in Fushun Xingzhou. From the public disclosures made by other listed companies, the Directors noted that the Stout Restricted Stock Study was a common reference point used in valuation of private enterprises. Accordingly, the Directors believe that it is appropriate to rely on the Stout Restricted Stock Study in determining the discount for lack of marketability.

The appraised value of the Equity Interest was arrived at by multiplying the market value of the entire equity interest in Fushun Xingzhou by 96.62%, as the Group, through the Acquisition, is in effect acquiring 96.62% of the equity interest in Fushun Xingzhou, being all equity interest in Fushun Xingzhou indirectly held by the Target Company upon completion of the Reorganisation.

Competency and Independence of the Competent Evaluator and the Competent Person

The management of the Company had also inquired about the qualification, expertise and experience of Mr. Ian D. Buckingham (the "**Competent Evaluator**"), based on the information compiled by whom and under whose supervision the Valuation Report was compiled, and Mr. Philip A. Jones (the "**Competent Person**"), the competent person named in the Competent Person's Report that had been relied on by the Valuer in its valuation of the Project. It was noted that the Competent Evaluator (1) graduated with Associateship and Fellowship Diplomas in Geology from Royal Melbourne Institute of Technology with extra studies in mining engineering and primary metallurgy, a Bachelor's Degree of Applied Science in Applied Geology from Victorian Institute of Colleges and a Master of Business Administration from RMIT University; (2) is a fellow of the Australasian Institute of Mining and Metallurgy, and a member of each of Petroleum Exploration Society of Australia and American Association of Petroleum Geologists; (3) has 40 years of experience as a geologist in exploration, prospect evaluation, project development, open pit and underground mining and various management roles, with experience in relation to a wide variety of commodities including gold, silver, copper, uranium, iron, nickel, coal, oil and gas in Australia, China, New Zealand, Fiji, Indonesia, South Africa, Canada, and the Philippines; and (4) has confirmed that he has neither present nor prospective interests in the Company, Fushun Xingzhou, the Project or the values reported in the Valuation Report. It was further noted that the Competent Person (1) had obtained a Bachelor of Applied Science in applied geology from The South Australian Institute of Technology; (2) is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists; (3) has over 49 years of continuous experience as a geologist in exploration, prospect evaluation, project development, open pit and underground mining, resource estimation, and various senior mining management roles for various mineral resources companies; and (4) has confirmed that he has neither present nor prospective interests in the Company or the project or assets reported in the Competent Person's Report.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Competent Evaluator and the Competent Person are (a) independent of and have no conflict of interest as regards the Group, the Vendor and the Target Group and their respective connected persons, and has no personal interest in the success of the proposed Acquisition; (b) suitably qualified and of sufficient reputation for preparation of the Valuation Report and the Competent Person's respectively such that their opinions will withstand challenge; and (c) have the relevant expertise and adequate resources to perform their respective role properly.

Directors' Views on the Valuations

Based on (i) review of the Valuation Report and the Competent Person's Report; (ii) discussions with the Valuer and inquiries about the methodologies, assumptions and parameters adopted and the credentials of the Competent Evaluator and the Competent Person; and (iii) the assessment of such methodologies, assumptions, parameters and credentials (details of which are set forth in the sub-paragraphs headed "Valuation of the Project", "Valuation of the Equity Interest" and "Competency and Independence of the Competent Evaluator and the Competent Person" above), the Directors are of the view that the valuations of the Project and the Equity Interest conducted by the Valuer based on the valuation methods, principal assumptions and parameters as discussed above and set forth in the Valuation Report have been fairly and reasonably performed.

The Directors confirm that there has been no material change in the financial performance and position of the Target Group since 29 February 2024 up to the Latest Practicable Date.

On the basis of the above, the Directors are of the view that the consideration for the Acquisition, which was determined based on the valuation of the Project, being adjusted downwards after considering the net asset value of the Target Group, the amount of registered capital of Xingzhou and the financial performance of the companies constituting the Target Group, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon satisfaction of the following conditions precedent set forth in the Agreement:

(a) the Reorganisation having been completed in compliance with the requirements under the applicable laws and regulations (including without limitation the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors* (關於外國投資者並購境內企業的規定)), such that Fushun Xingzhou is indirectly held as to 96.62% by the Target Company;

(b) the requisite resolutions having been passed by the Shareholders and approval sought by the Company in accordance with the requirements under the Listing Rules in connection with the Acquisition (including without limitation allotment and issuance of the Consideration Shares);

(c) the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares;

(d) the Vendor having obtained all necessary and effective authorisations, consent, approvals, exemptions, or requisite notices from third parties, governmental authorities and regulatory authorities in connection with the Acquisition, including without limitation proof or approval regarding completion of registration of the transfer of state-owned equity interest (if applicable);

(e) the Vendor having completed registration of changes in the industrial and commercial particulars of the Target Company in connection with the Acquisition, including changes in shareholders, amendments to the articles of association, and changes in the legal representative, directors, supervisors and senior management;

(f) the Vendor having completed the industrial, commercial and taxation de-registration in respect of a designated entity established in the PRC indirectly controlled by the Target Company as at the date of the Agreement, or procured the transfer of it to a third party;

(g) the Target Company having obtained all relevant approvals, licenses and certificates in respect of its business and assets in accordance with the requirements under applicable laws and regulations;

(h) the Company having completed due diligence in respect of the financial position and business condition of the Target Group and the Acquisition and remaining satisfied with the results of the due diligence;

(i) the Company having obtained a valuation report in respect of the Sale Shares in form and substance satisfactory to the Company from an independent professional valuer appointed by the Company with an appraised value of the Sale Shares not less than RMB289,860,000;

(j) all representations, warranties and undertakings made by the Vendor under the Agreement remaining true and accurate and having been fulfilled from the date of the Agreement until the date of Completion; and

(k) the Target Company having complied with all applicable laws in all material respects and engaged in its business operations and all related activities in compliance with the applicable laws and generally recognised business ethics and standards in the PRC, and there being no event that has caused or may cause any material adverse effect on the Target Group, in each case during the period from the date of the Agreement up to the date of Completion.

The Company may waive in part or in full in writing the above conditions precedent (other than those set forth in paragraphs (b) to (d) and (i) above). If any of the conditions has not been satisfied or, as the case may be, waived on or before the Long Stop Date, the Agreement shall cease and terminate in accordance with the terms stipulated therein and no party shall have any claim against the other parties, except in respect of any surviving provisions or antecedent breach.

As at the date of the Agreement, Fushun Xingzhou was held as to 96.62% by a PRC entity, which was in turn held by three PRC individuals. For further details regarding the shareholding structure of Fushun Xingzhou, please refer to the section headed "5. Information of the Parties – Information of the Target Group – Fushun Xingzhou" in this Letter from the Board. As set forth in condition precedent (a) above, the Reorganisation should have been completed as a precondition to the Completion, such that Fushun Xingzhou will have become indirectly held as to 96.62% by the Target Company prior to the Completion. As advised by the PRC legal advisor of the Company, direct transfer of equity interest in the original holding company of Fushun Xingzhou (being an entity established under the laws of the PRC) to the Company (being an offshore company incorporated in Bermuda) is subject to compliance with the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》), and satisfaction of the relevant requirements may be overly burdensome and involve substantial uncertainty from a practical perspective. On account of the applicable legal restrictions, the Vendor and the Company are of the view that it will be expedient to implement the Reorganisation so that transfer of the Equity Interest can be effected indirectly by way of the Company's acquisition of the entire issued share capital of the Target Company, an offshore company incorporated in the British Virgin Islands. This serves to avoid unnecessary costs in connection with legal compliance and facilitate and expedite the Completion.

As at the Latest Practicable Date, the conditions precedent set forth in paragraphs (f), (g), (h) and (i) had been satisfied.

Completion

Subject to the satisfaction of all conditions precedent, Completion shall take place on the tenth business day following the date of the satisfaction or waiver of all the conditions precedent set forth in the Agreement, or such other date as the Company and the Vendor may agree in writing. Parties to the Agreement shall attend to transfer of the Sale Shares by the Vendor to the Company (or a subsidiary of the Company designated by it as the transferee) at Completion in accordance with the terms of the Agreement.

3. ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Pursuant to the Agreement, the consideration for the Acquisition of RMB289,860,000 will be satisfied by way of allotment and issue of the Consideration Shares to the Vendor (or a third party designated by the Vendor, provided that it shall be an Independent Third Party prior to Completion) at the Issue Price of HK$0.336 per Consideration Share on the date of Completion. The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the SGM.

Authorised share capital	:	As at the Latest Practicable Date, the Company had an authorised share capital of HK$200,000,000, comprising 10,000,000,000 ordinary shares of the nominal value of HK$0.02 each.
Issued share capital	:	As at the Latest Practicable Date, the Company had an issued share capital of HK$93,600,000, comprising 4,680,000,000 ordinary shares of the nominal value of HK$0.02 each.
Number of Consideration Shares	:	950,000,000 Consideration Shares will be issued in satisfaction of the consideration for the Acquisition, representing approximately 20.3% of the number of issued Shares as at the Latest Practicable Date.
Value of Consideration Shares	:	The Consideration Shares will have an aggregate value of HK$319,200,000 based on the Issue Price of HK$0.336 per Consideration Share, which was negotiated on an arm's length basis between the parties of the Agreement and determined with reference to the average of the prevailing market prices of the Shares as quoted on the Stock Exchange, and represents: (i) a discount of 4% to the closing price of HK$0.35 per Share as quoted on the Stock Exchange on the date of the Agreement; (ii) a premium of approximately 3.07% to the average closing price of approximately HK$0.326 per Share as quoted on the Stock Exchange for the last five trading days up to and including the last trading day immediately before the date of the Agreement;

(iii) a discount of approximately 0.88% to the average closing price of approximately HK$0.339 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the last trading day immediately before the date of the Agreement; and

(iv) a discount of approximately 32.12% to the closing price of approximately HK$0.495 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The aggregate nominal value of the Consideration Shares is HK$19,000,000.

Conditions of issue of Consideration Shares	:	The allotment and issue of the Consideration Shares under the Specific Mandate is subject to (a) the Shareholders' approval at the SGM; and (b) the grant of the approval for listing of and the permission to deal in the Consideration Shares by the Stock Exchange.
Ranking of Consideration Shares	:	The Consideration Shares, when issued, shall rank *pari passu* in all respects with the Shares in issue as at the date of issue of Consideration Shares.

An application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Reasons for Settlement of the Consideration through Issue of the Consideration Shares

The Consideration Shares in aggregate represent (i) approximately 20.30% of the issued Shares as at the Latest Practicable Date; and (ii) approximately 16.87% of the issued Shares as enlarged by the allotment and issue of the Consideration Shares. The proposed issue of Consideration Shares will not give rise to additional burden on the Group's cash flow.

The Company has considered a number of alternative methods to settle the Consideration, namely (i) cash; (ii) bank borrowings; (iii) issue of convertible debt instruments; and (iv) other means of equity financing. The Directors have the following observations in relation to each of these alternative methods:

- Cash settlement will lead to an immediate outflow of cash of the Group, putting a material strain on the Group's tight financial and liquidity position;

- due to the Company's current loss-making position, the Group has been faced with practical difficulties in obtaining loan financing. According to the annual report for FY2023, the Company incurred a loss of approximately HK$202.2 million for FY2023. The Directors had approached several banks and been advised that additional debt financing could only be arranged at and on unfavorable interest rates and financing terms. Having carefully evaluated the implications of additional bank borrowings, the Directors concluded that such borrowings would cause an increased interest burden and potentially higher finance costs for the Group, and the gearing ratio of the Group would also be affected. Additionally, the Group will need to allocate financial resources in the future for loan repayment. On top of the above, given the increasing trend in the Group's total liabilities, additional bank borrowings may also involve lengthy due diligence and negotiations with the banks, which the Directors consider undesirable as it will result in diversion of managerial focus and resources from other strategic opportunities or material operational matters. Taking into account all these factors, bank borrowings are considered the least preferable option to the Company and the Shareholders as a whole;

- similar to bank borrowings, issue of convertible debt instruments will pose the issues of increasing the interest burden, finance costs and gearing ratio of the Group and restricting future uses of the Group's financial resources;

- as regards other means of equity fundraising, each type of offering has its limitations in the circumstances: (a) while rights issue and open offer will allow a broad range of investors (including existing Shareholders and/or other investors) to participate and the dilutive effect on existing Shareholders' shareholding will be less significant, the timeframe will be more extended and substantial expenses may be incurred, and there is no guarantee that the Group can obtain the amount of funding required for the Acquisition; and (b) for placing of new shares, the Group will need to engage placing agent and the placing commission payable may likewise be considerable.

As compared with the above alternative methods, issue of Consideration Shares is a more straightforward and efficient way to settle the Consideration, and as no cash outflow will be involved, the financial resources of the Group can be preserved. Moreover, issue of Consideration Shares will not give rise to any significant cost or expense payable by the Group at present or in future. The Group may also stand to improve its balance sheet position and will not be exposed to the risks and uncertainties arising from interest rate fluctuations associated with debt financing. Another major advantage of issue of Consideration Shares is that it will furnish the Vendor and its owners with a stake in the Group; with the opportunity to share the results achieved by the Enlarged Group, it will be in the interests of the owners of the Vendor to ensure continuous improvements in the business performance and sustainable growth of the Enlarged Group; they will therefore be incentivised to share with the management of the Group their industry knowledge and insights and expertise in relation to administration and management of the mining and processing operations of the Target Group, and to provide other necessary support in relation to the Target Group's business operation leveraging their over 40 years' experience in the PRC mining industry.

Given the above, the Company considers that among all possible settlement methods, the issue of Consideration Shares is currently the most favorable option available to the Company for settlement of the Consideration.

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in supply chain business, hotel management and catering services, property management and other businesses including leasing business, money lending business and securities investment. In respect of the supply chain business, the Group had been focusing on the supply of metals and construction materials, where the Group seeks to provide customised one-stop supply chain services to its customers, including but not limited to lining up qualified suppliers for stable supply of products that meet the customers' requirements, suppliers background check, enterprise resource planning (ERP) management, logistics, storage, assistance in the customs clearance process, financing, and/or payment settlement (the "**Value-added Services**") etc. Given that the Group has been providing such services for more than five years, the staff of the Group has accumulated relevant expertise and established a network of service providers and suppliers, so that the Group is able to benefit from the economies of scale and well-placed to provide reliable and cost-effective solutions to its customers. The customers will therefore find it advisable to enlist the Value-added Services of the Group in support of their business, rather than attending to such supply chain operations by themselves.

For the three years ended 31 December 2023, revenue generated from supply chain business were approximately HK$2,114.8 million, HK$632.2 million and HK$298.3 million, representing approximately 99.5%, 87.0% and 70.6% of the revenue of the Group, respectively. The decrease in revenue generated from supply chain business in FY2023 was mainly attributable to impact of the COVID pandemic, nevertheless it remains as the main revenue driver of the Group. Leveraging the Group's experience amassed from its supply chain business in particular the supply of metals, the Group has been exploring investment opportunities to benefit from its strengths in supply chain business to cover ferrous metals to increase the diversity of its product portfolio, to mitigate market risks, and to increase the Group's profitability.

In particular, the Group has identified the iron ore industry as a target area of investment and expansion. The iron ore industry plays a crucial role as an upstream sector for steel production, which is fundamental to various segments of the economy in the PRC. The Chinese government has revealed the main economic targets, including the expansion of domestic demand by the issuing of RMB3.9 trillion in local government special bonds and RMB1 trillion in extra-long term special treasury bonds, as well as promoting the construction of affordable housing. The future of the iron ore industry is closely related to the usage of the iron ore and the iron concentrate powder, i.e. the production of the steel. It is expected that the demand for iron ore and iron concentrate powder will recover with the rebound of the economy in the PRC in the second half of year 2024, which will support steel prices.

Wu Zongchuan ("**Mr. Wu**"), the original ultimate substantial shareholder of Fushun Xingzhou prior to the Reorganisation, is acquainted with the executive Director Ms. Qian Pu ("**Ms. Qian**"). At a business meeting with Ms. Qian, Mr. Wu noted that the Group was principally engaged in, among others, the Supply Chain Business covering supply of metals and was keen to tap into related industries as a means to scale up its existing Supply Chain Business under its current business development strategy. Recognising that the iron ore industry, as an upstream industry in the value chain of the supply chain services provided by the Group, is closely associated with the Group's existing operations, Mr. Wu and the Group therefore started to consider the possibility of collaborating on operation of Fushun Xingzhou's iron ore business as an extension of the Group's Supply Chain Business. Through the Acquisition, the Group will be able to vertically integrate Fushun Xingzhou's iron ore and iron concentrate powder production and sale business. The existing metal trading business (including the distribution network) of the Group can thus be expanded to cover iron ore and iron concentrate powder, and the Group's Value-Added Services may be extended to a broader range of target customers. Leveraging on the Group's experience from its existing supply chain business, the Group will be well-positioned to achieve business and market diversification and, at the same time, increase cost effectiveness as the demand for the commodities of iron ore and iron concentrate powder can then be internally satisfied.

Upon Completion, one of the members of senior management of the Target Group will become a member of the senior management of the Group. Such person will work closely with the Directors and the existing members of the senior management on integration of the business of the Target Group into the Group's Supply Chain Business, expansion of the Group's Value-added Services to the existing and potential customers of the Target Group, cost-savings and expansion of the sales network. The Group also intends to appoint a Director who has substantial experience in mining industry upon Completion. In addition, the Company has confirmed the engagement of an expert with expertise in exploration and/or extraction activities, from whom support will be readily available for administration and management of the mining and processing operations of Fushun Xingzhou. The expert holds a Ph.D. from Central South University in China and is an expert in the Ministry of Science and Technology of China's technical expert database, with over 30 years of practical experience in the mining industry. He serves as the Chairman of the Mining Geology Professional Committee of the Geological Society of China (中國地質學會礦山地質專業委員會), a senior member of the Mineral Resources and Reserves Professional Committee of the China Mining Rights Appraisal Association (中國礦業權評估協會), and the Deputy Director of the Editorial Committee of the journal "Mineral Exploration" (《礦產勘查》期刊編輯委員會). To ensure that the Group will have sufficient personnel with the necessary professional qualification and expertise to oversee the Target Group's daily operation, the Group currently intends to recruit additional members of technical staff with mining and processing operation experience. Accordingly, the Directors believe that the Group will have in place necessary management expertise to administer the business of the Target Group.

The Directors confirmed that as at the Latest Practicable Date, the Company had not entered, and had no intention to enter, into any agreement, arrangement, undertaking or negotiation to acquire new business or dispose of or downsize any of the Group's existing businesses.

Taking into consideration the reasons for and benefits of the Acquisition to the Group, the Directors are of the view that the terms of the Agreement and the transactions contemplated thereunder, including, among others, issue of the Consideration Shares under the Specific Mandate, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. INFORMATION OF THE PARTIES

Information of the Group

The Group is principally engaged in supply chain business, hotel management and catering services, property management and other businesses including leasing business, money lending business and securities investment.

Information of the Vendor

To the best of the knowledge, information and belief of the directors, the Vendor was an investment-holding company ultimately beneficially owned as to 50%, 25% and 25% by Wu Qi (吳啟), Wu Shasha (吳莎莎) and Wu Yumei (吳聿媄), each being an Independent Third Party, respectively as at the Latest Practicable Date.

Wu Qi, Wu Shasha and Wu Yumei are the son and daughters of Wu Zongchuan (吳宗傳) (collectively, the "**Wu's Family**"). To the best of the knowledge of the Directors, the Wu's Family are businessmen and businesswomen having been engaged in the mining industry in the PRC for over 40 years as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and during the 12-month period immediately preceding the Latest Practicable Date, there had been, no material loan arrangement between (a) the Vendor or any of its ultimate beneficial owners; and (b) the Company, any connected person at the Company's level and/or any connected person of the Company's subsidiaries involved in the Acquisition.

Information of the Target Group

Target Company

The Target Company is an investment-holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the entire issued share capital of the Target Company was held by the Vendor.

Fushun Xingzhou

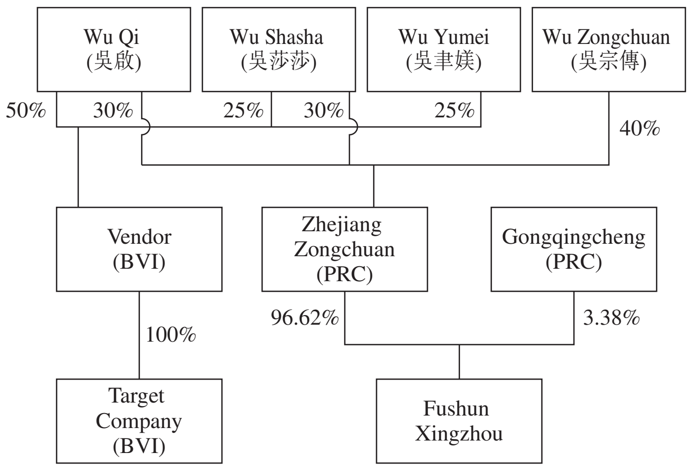
Fushun Xingzhou is a company established in the PRC with limited liability principally engaged in iron ore and iron concentrate powder production and sales business. To the best of the knowledge, information and belief of the Directors, as at the date of the Agreement, (i) Fushun Xingzhou was directly held as to 96.62% by Zhejiang Zongchuan Holdings Co., Ltd.* (浙江宗傳控股有限公司) ("**Zhejiang Zongchuan**") and 3.38% by Gongqingcheng Zhongwei Xingzhou Equity Investment Limited Partnership* (共青城中惟興洲股權投資合夥企業(有限合夥)) ("**Gongqingcheng**"); (ii) Zhejiang Zongchuan was ultimately beneficially owned as to 40% by Wu Zongchuan (吳宗傳), 30% by Wu Shasha (吳莎莎) and 30% by Wu Qi (吳啟), each being an Independent Third Party; and (iii) Gongqingcheng was ultimately beneficially owned as to 98% by Ou Dingfang (歐定芳) and 2% by Wu Zhen (吳貞), each being an Independent Third Party.

The statutory financial statements of the Fushun Xingzhou for the years ended 31 December 2021 and 2022 were prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by 北京晟晅會計師事務所. The opinion for these statutory financial statements for the years ended 31 December 2021 and 2022 are unmodified.

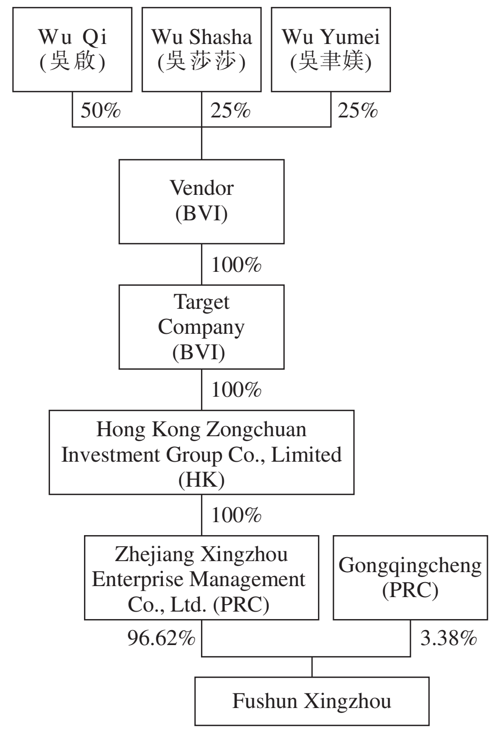
Under condition precedent (a) set forth in the Agreement as disclosed in the section headed "2. The Acquisition – Conditions Precedent" in the Letter from the Board in this circular, the shareholding structure of Fushun Xingzhou shall undergo restructuring prior to Completion.

Set out below is the structure of the Target Group immediately before and after the Reorganisation:

Before the Reorganisation



After the Reorganisation



As at the Latest Practicable Date, the Reorganisation is in progress, and upon the completion of the Reorganisation, Fushun Xingzhou will be directly held as to (i) 96.62% by Zhejiang Xingzhou Enterprise Management Co., Ltd. (浙江興洲企業管理有限公司), an investment-holding limited liability company established under the laws of the PRC, which will be in turn held as to 100% by Hong Kong Zongchuan Investment Group Co., Limited (香港宗傳投資集團有限公司), an investment-holding limited liability company incorporated under the laws of Hong Kong wholly owned by the Target Company; and (ii) 3.38% by Gongqingcheng. Accordingly, Fushun Xingzhou will become a subsidiary of the Target Company and the principal operating subsidiary in the Target Group after the completion of the Reorganisation.

Financial Information of the Target Group

Set forth below is a summary of the audited combined financial information of the Target Group for the years ended 31 December 2022 and 31 December 2023 (assuming, for illustrative purpose only, that Fushun Xingzhou were part of the Target Group throughout these financial years):

	Year ended 31 December 2022 *RMB'000*	Year ended 31 December 2023 *RMB'000*
Revenue	451,807	317,419
Profit/(loss) before tax	45,262	(64,604)
Profit/(loss) after tax	32,306	(49,474)

Note:

The audited combined financial information of the Target Group as disclosed above differs from the unaudited combined financial information as disclosed in the section headed "Information of the Parties – Financial Information of the Target Group" in the announcement of the Company dated 29 February 2024 in connection with the Agreement and the Acquisition. The differences are mainly attributable to a number of adjustments made in preparing the audited financial statements:

- For the year ended 31 December 2022, the differences of profit before tax were due to a combined effect of adjustments for depreciation, provision for safety and rehabilitation costs, and PRC social insurance. The combined effect of these adjustments resulted in a decrease of RMB15.5 million in the profit after tax for the year ended 31 December 2022.

- For the year ended 31 December 2023, the differences were also due to a combined effect of adjustments for taxation, depreciation, Reversal of gain on payables, and PRC social insurance. The combined effect of these adjustments resulted in a decrease of RMB19.8 million in the loss after tax for the year ended 31 December 2023.

These adjustments were made to ensure the financial information presented in the circular is prepared in accordance with the relevant accounting standards and provides a true and fair view of the Target Group's financial position and performance.

Fushun Xingzhou has been transitioning from open-pit mining operations to underground mining operations since FY2022, with the required mining structure being constructed for the underground mining operations. As the construction work is underway, the mining output and production capacity of Fushun Xingzhou have been affected. In the meantime, Fushun Xingzhou has incurred costs in connection with its underground mining operations mainly in the form of fixed overhead costs (being depreciation expenses in relation to mining assets and amortisation expense in relation to fixed costs), while such operations have yet to be conducted at full production capacity. All these resulted in a decline in revenue and net profit of Fushun Xingzhou for FY2023. Subject to completion of the relevant inspection and acceptance procedures by the relevant authorities, it is expected that the newly constructed underground mining facilities can operate at full production capacity in year FY2025.

The audited net assets of the Target Group was RMB254,524,000 as at 31 December 2023 (assuming, for illustrative purpose only, that Fushun Xingzhou were part of the Target Group as at that date). For further details of the financial information, please refer to Appendix III of the management discussion and analysis of the Target Company.

The following tables set out the details of the latest license of the mine that Fushun Xingzhou has controlled:

License Type	Mining license
License Number	C2100002009102110041604
Holder	Fushun Xingzhou Mineral Limited
Address	Fushun City Dongzhou District Nianpan Township Taigou Village
Mine Name	Fushun Xingzhou Mineral Limited Luobokan Iron Ore Mine
Ore Type	Iron Ore
Mining Method Allowed	Underground mining
Max. Mining Capacity	2.90 million tonnes per year
Area	0.9400 square kilometre
Validity	8 January 2024 to 8 July 2049
Elevation	140m to -320m

According to the Competent Person's Report, the mineral resource estimate as at 29 February 2024 and the resource estimate for exploration target are as follows:

Resource Category	**Million Tonnes**	**mFe%**
Indicated	34.3	18.23
Inferred	33	15.53
Total	67.3	16.95

	Million Tonnes		**Million Tonnes**
	50	to	100
Exploration Target	mFe%		mFe%
	12	to	17.00

Fushun Xingzhou commenced open pit mining when the initial mining license was granted in December 2003. The mining license was converted to open pit/underground mining in year 2006 and carried small-scale mining activities. The actual operation continued as open pit starting from year 2017 and the mining operation transitioned to a combination of open-pit and underground operations in year 2020.

After making reasonable enquiries, as at the Latest Practicable Date, no legal claims or proceedings that might exist over the land on which exploration or mining activities of the Target Group were being carried out or that might otherwise have a material influence on the exploration or mining rights of the Target Group were known to the Directors to be present, on-going, pending or threatened by any third party against the Target Group.

6. EFFECT OF THE ACQUISITION ON THE EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY

Upon Completion, the Group will hold the entire issued share capital of the Target Company, such that the Target Group will become subsidiaries of the Company and their financial results, assets and liabilities will be consolidated into the Company's financial statements. The unaudited pro forma financial information of the Enlarged Group as set forth in Appendix IV to this circular (the "**Pro Forma Financial Information**") has been prepared as if the Acquisition had completed on 31 December 2023 to illustrate the financial effect of the Acquisition.

Effect on assets and liabilities

Based on the Pro Forma Financial Information, it is expected that the total assets of the Group would increase from approximately HK$948.2 million to HK$1,832.2 million and the total liabilities of the Group would increase from HK$581.0 million to HK$1,150.3 million if the Acquisition had completed on 31 December 2023. The net assets of the Group would accordingly increase from approximately HK$367.3 million to HK$681.9 million.

Effect on earnings

Upon the Completion, the Target Group will contribute income from sales of iron ore concentrates to the Group and such income will enhance the revenue stream of the Group accordingly. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular has been prepared to illustrate the financial effect of the transactions contemplated under the Agreement.

The above analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will actually be after Completion.

7. NO MATERIAL ADVERSE CHANGE

The Directors confirm that no material change has occurred since the effective date of the competent person's report set forth in Appendix V to this circular up to the Latest Practicable Date.

8. EFFECT OF THS ISSUE OF CONSIDERATION SHARES ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 4,680,000,000 Shares in issue. Set forth below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon allotment and issue of the Consideration Shares at on the date of Completion (assuming there will be no further change to the share capital and in the shareholding structure of the Company between the Latest Practicable Date and the date of Completion):

Shareholders	As at the Latest Practicable Date		Immediately upon allotment and issue of the Consideration Shares	
	Number of shares	*%*	*Number of shares*	*%*
Tengyue Holding Limited	980,000,000	20.94	980,000,000	17.41
Vendor (or its designated third party)	–	–	950,000,000	16.87
	980,000,000	20.94	1,930,000,000	34.28
Public Shareholders	3,700,000,000	79.06	3,700,000,000	65.72
Total issued Shares	4,680,000,000	100.00	5,630,000,000	100.00

Upon Completion, the Vendor (or its designated third party) will become a substantial Shareholder, holding approximately 16.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no further change to the share capital and in the shareholding structure of the Company between the Latest Practicable Date and the date of Completion).

9. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed(s) 25% but all such ratios fall below 100%, the Acquisition constitutes a major transaction under Chapter 14 of the Listing Rules and is subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

10. SGM AND PROXY ARRANGEMENT

The notice of the SGM to be held at Room 3, 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong at 11:00 a.m. on Friday, 19 July 2024, is set out on pages SGM-1 to SGM-3 of this circular. At the SGM, a resolution will be proposed to approve the Agreement and the transactions contemplated thereunder, including, among others, issue of the Consideration Shares under the Specific Mandate.

The register of members of the Company will be closed from Tuesday, 16 July 2024 to Friday, 19 July 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, all properly completed transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar & transfer office, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 15 July 2024.

A form of proxy for use at the SGM is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.paktakintl.com). Shareholders who intend to appoint a proxy to attend the SGM shall complete and sign the form of proxy and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, to the Company's Hong Kong branch share registrar & transfer office, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for holding the SGM (i.e. at or before 11:00 a.m. on Wednesday, 17 July 2024 (Hong Kong time)) or any adjournment of the SGM (as the case may be) in accordance with the instructions printed thereon. Delivery of the form of proxy will not preclude a Shareholder from attending and voting at the SGM, and in such an event, the form of proxy will be deemed to be revoked.

11. VOTING BY THE WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, resolution set forth in the notice of the SGM will be voted on by poll. The Company will announce the results of the poll in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the SGM.

Any Shareholder who has a material interest in the Agreement and the transactions contemplated thereunder shall abstain from voting on the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated (including, among others, issue of Consideration Shares under the Specific Mandate) thereunder. To the best of the knowledge, information and belief of the Directors, none of the Shareholders is required to abstain from voting on the resolution to be proposed at the SGM.

12. TYPHOON OR BLACK RAINSTORM WARNING ARRANGEMENTS

If typhoon signal No. 8 or above, or a black rainstorm warning is in effect at 8:00 a.m. on the date of the SGM, the SGM will be postponed until further notice from the Company. The Company will post an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.paktakintl.com) to notify Shareholders of the date, time and place of the rescheduled SGM.

The SGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions having regard to their own situation.

13. RECOMMENDATION

The Directors consider that the Agreement and the transactions contemplated thereunder, including, among others, issue of the Consideration Shares under the Specific Mandate, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

Yours faithfully,
For and on behalf of the Board
Pak Tak International Limited
Liao Nangang
Chairman

1. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set forth below is a comparison of the profit and losses and financial position of the Group during the three financial years immediately preceding the Latest Practicable Date:

	For the year ended 31 December		
	2021	**2022**	**2023**
	HKD'000	*HKD'000*	*HKD'000*
Revenue	2,125,223	726,536	422,492
Loss for the year	(5,648)	(14,261)	(202,150)
Total assets	1,551,859	1,327,807	948,240
Total liabilities	905,443	758,884	580,986

The published audited financial statements of the Group for each of the three years ended 31 December 2021, 2022 and 2023 are set forth in the Company's annual reports for the three years ended 31 December 2021, 2022 and 2023, which are published on the websites of the Stock Exchange (www.hkexnews.hk), and the Company (www.paktakintl.com). The annual reports are accessible via the following links:

- Annual report of the Company for the year ended 31 December 2021:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042802538.pdf

- Annual report of the Company for the year ended 31 December 2022:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042703781.pdf

- Annual report of the Company for the year ended 31 December 2023:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042904525.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2024, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the borrowings and lease liabilities of the Enlarged Group were as follows:

	HK$'000
Borrowings, secured	
Bank borrowings	772,793*

* Secured by corporate guarantee executed by the Company and its certain subsidiaries, corporate guarantee executed by one of the subsidiaries of the Target Company, investment properties held by the Group, properties owned by independent third parties, bills receivables of one of the subsidiaries of the Target Company, the mining right owned by one of the subsidiaries of the Target Company and certain issued shares of one of the subsidiaries of the Target Company.

	HK$'000
Lease liabilities	16,585**

** This represents the lease arrangements on properties between the Group and the independent lessors. The Target Group has no lease liabilities as at 31 May 2024.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and accruals in the ordinary course of business, at the close of business on 31 May 2024, the Enlarged Group did not have any debt securities issued and outstanding or authorised or otherwise created by unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, lease liabilities or hire purchase commitments, guarantees or other material contingent liabilities. The directors of the Company are not aware of any material adverse change in the Enlarged Group's indebtedness position and contingent liabilities since 31 May 2024 up to date of the Circular.

3. MATERIAL ADVERSE CHANGE

The Directors confirm that up to the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited accounts of the Company were been made up.

4. WORKING CAPITAL SUFFICIENCY

As at 31 May 2024, the Enlarged Group had outstanding borrowings of approximately HK$772,793,000 and defaulted on repayment of two interest-bearing borrowings with aggregate principal amount of approximately RMB301,567,000 (equivalent to approximately HK$324,788,000) and related aggregate interest amount of approximately RMB27,377,000 (equivalent to approximately HK$29,485,000) which these borrowings became immediately repayable on demand. One of the lenders has commenced litigation against the Enlarged Group to recover the principal amount and related interest amount of the borrowing amounted to approximately RMB305,332,000 (equivalent to approximately HK$328,843,000). These borrowings exceed the Enlarged Group's cash and cash equivalents of approximately HK$23,612,000 as at 31 May 2024.

These events or conditions indicate the existence of material uncertainties that may cast significant doubt upon the Enlarged Group's ability to continue as a going concern and the Enlarged Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the Directors have prepared a cash flow forecast covering a period of 15 months from 31 May 2024. In doing so, they have given careful consideration to the future liquidity and cash flows of the Enlarged Group in assessing whether the Enlarged Group will have sufficient financial resources to continue as a going concern after taking account of the following plans and measures:

(i) The Enlarged Group has been actively negotiating with the bank for revising the repayment terms by instalment up to over the years and not demanding immediate repayment of existing bank borrowing due to the breach of loan covenants;

(ii) The Enlarged Group has developed a plan to obtain additional fundings from the substantial shareholders of the Company by way of shareholders' loan under a guarantee letter. Such funding will be used to finance the repayment of principal and interest of the defaulted bank borrowing;

(iii) The Enlarged Group has been actively implemented measures to speed up the collection of substantial payments from customers;

(iv) The Enlarged Group has developed a plan for a placement of shares that are shown to be required by the Enlarged Group's cash flow forecast; and

(v) The Enlarged Group has developed a plan for additional banking facilities by pledge of certain of the Group's commercial properties.

The Directors have reviewed the Enlarged Group's cash flow projections which cover a period of not less than twelve months from the date of this circular. The Directors, after making due and careful enquiry, after taking into account the abovementioned plans and measures, are of the opinion that the Enlarged Group will have sufficient working capital for its normal business operation for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

5. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in (i) supply chain business (the "**Supply Chain Business**"), (ii) hotel management and catering services (the "**Hotel Management & Catering Services**"), and (iii) property investment (the "**Property Investment**").

In view of the changing and challenging economic landscape, the Group is proactively reviewing its overall business as a whole and its business strengths, while diversifying and exploring growth opportunities to address and mitigate the challenges ahead. Despite recent setbacks, the Group is dedicated to resolving issues and revitalizing the Group's overall performance, such as through cooperation and acquisitions to leverage its strengths and to optimise its cost structure. The management believes with the expected decrease in interest rate in second half of 2024 in the US, the global economy will rebound and have a positive impact on the Group's overall business, in particular the Supply Chain Business.

The management of the Group remains cautiously optimistic regarding the Supply Chain Business and will closely monitor the market situation, enable agile decision-making and proactive risk management. For the three years ended 31 December 2023, revenue generated from Supply Chain Business were approximately HK$2,114.8 million, HK$632.2 million and HK$298.3 million, representing approximately 99.5%, 87.0% and 70.6% of the revenue of the Group, respectively. The decrease in revenue generated from supply chain business in FY2023 was mainly attributable to impact of the COVID pandemic, the decrease in the growth rate of the China economy and the supply chain impact due to US-China tensions, nevertheless it remains as one of the Group's principal businesses. Leveraging the Group's experience amassed from its Supply Chain Business in particular trading of metals, the Group has been exploring investment opportunities to benefit from its strengths in Supply Chain Business to increase the diversity of its product portfolio, to mitigate market risks, and to increase the Group's profitability.

Upon completion of the Acquisition, together with the Target Group, the Group can leverage its strength in Supply Chain Business to further strengthen business in trading of metals to diversify its product portfolio and mitigation of market risks, while also vertically integrate the production of metals to achieve cost efficiency. The acquisition of the Target Group is considered as a strategic business move to the Group, which allows the Group to further diversify and strengthen its revenue streams, and pave the way for sustainable development by capitalising on future economic opportunities. The Group aims to enhance its Supply Chain Business by covering a wider range of products achieving both business and market diversification. Simultaneously, the Group will also focus on the continuous advancement of the hotel management and catering services business.

Additionally, the Group is actively negotiating with the banks for renewal and extension for repayments of the overdue bank borrowings and is currently expected that the successful negotiation will be made in the coming months with the banks for the extension of the loan agreements.

Looking ahead, the Enlarged Group will concentrate on integrating the Target Group's mining resources and development capabilities to achieve vertical integration for cost efficiency to gain advantage in terms of cost and scale, while at the same time leveraging on the Group's strengths in Supply Chain Business. This strategic positioning enables the Group to capitalize on opportunities within the industry. Furthermore, the Enlarged Group will continue to take proactive measures to expand its revenue streams, optimise profitability, and deliver sustained value to its shareholders.

The following is the text of an accountants' report in respect of the Target Company prepared by the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ZONGCHUAN INVESTMENT GROUP CO., LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF PAK TAK INTERNATIONAL LIMITED

INTRODUCTION

We report on the historical financial information of Zongchuan Investment Group Co., Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-41, which comprises the combined statements of financial position of the Target Group as at 31 December 2021, 2022 and 2023, the statement of financial position of the Target Company as at 31 December 2023, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for each of the three years ended 31 December 2023 (the "**Relevant Periods**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-41 forms an integral part of this report, which has been prepared for inclusion in the circular of Pak Tak International Limited (the "**Company**") dated 28 June 2024 (the "**Circular**") in connection with the proposed acquisition of entire issued share capital of the Target Company.

DIRECTOR'S RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The director of the Target Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the director of the Target 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.

The director of the Company is responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

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 (the "**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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 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 director of the Target Company, 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 purposes of the accountants' report, a true and fair view of the Target Group's and the Target Company's financial position as at 31 December 2021, 2022 and 2023 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED 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 II-4 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividend was declared or paid by the Target Group in respect of the Relevant Periods.

NO HISTORICAL FINANCIAL STATEMENTS FOR THE TARGET COMPANY

No financial statements have been prepared for the Target Company since its date of incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 June 2024

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

This Historical Financial Information in this report was prepared based on consolidated financial statements of Zongchuan Investment Group Co., Limited and its subsidiaries and financial statements of Fushun Xingzhou Mining Co., Ltd* (撫順興洲礦業有限公司) (Formerly known as 撫順罕王興洲礦業有限公司) ("**Fushun Xingzhou**") for the Relevant Periods, which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us, in accordance with Hong Kong Standards of Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

* *For identification purpose only.*

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2021	**2022**	**2023**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	6	687,087	451,807	317,419
Cost of sales		(372,628)	(334,188)	(300,465)
Gross profit		314,459	117,619	16,954
Other income	7	6,169	5,715	8,100
Other gains and losses, net	8	(107)	4,535	(1,959)
Administrative expenses		(85,759)	(68,496)	(56,607)
Finance costs	9	(14,129)	(14,111)	(31,092)
Profit (loss) before tax		220,633	45,262	(64,604)
Income tax (expense) credit	10	(55,732)	(12,956)	15,130
Profit (loss) and total comprehensive income (expense) for the year	11	164,901	32,306	(49,474)
Attributable to:				
Owners of the Company		164,901	32,033	(47,802)
Non-controlling interests		–	273	(1,672)
		164,901	32,306	(49,474)

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2021	**2022**	**2023**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	15	416,620	513,337	533,473
Intangible assets	16	10,932	10,108	9,020
Right-of-use assets	17	98,691	96,932	95,174
Deferred tax assets	23	–	–	4,748
		526,243	620,377	642,415
Current assets				
Inventories	18	38,410	34,171	48,877
Trade, bills and other receivables	19	50,907	48,798	67,725
Tax recoverable		17,458	14,973	9,180
Restricted cash	20	3,334	3,343	5,071
Bank balances and cash	20	12,172	12,214	633
		122,281	113,499	131,486
Current liabilities				
Trade and other payables	21(a)	249,455	274,297	109,611
Bank borrowings	22	60,000	128,000	165,000
		309,455	402,297	274,611
Net current liabilities		(187,174)	(288,798)	(143,125)
Total assets less current liabilities		339,069	331,579	499,290
Non-current liabilities				
Bank borrowings	22	80,000	–	220,000
Provision for rehabilitation	21(b)	11,369	17,283	24,766
Deferred tax liabilities	23	6,092	10,382	–
		97,461	27,665	244,766
Net assets		241,608	303,914	254,524

		At 31 December		
		2021	2022	2023
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Capital and reserves				
Equity attributable to:				
Owners of the Company				
Share capital	24	30,000	31,050	60,084
Reserves		211,608	272,618	195,866
		241,608	303,668	255,950
Non-controlling interests		–	246	(1,426)
Total equity		241,608	303,914	254,524

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

		At 31 December 2023
	NOTES	*RMB'000*
Non-current asset		
Investments in subsidiaries		55
Current asset		
Amount due from immediate holding company	19	86
Current liability		
Amount due to a subsidiary	21(a)	55
Net current assets		31
Total assets less current liability		86
Net assets		86
Capital and reserves		
Share capital		84
Reserves		2
Total equity		86

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Statutory reserve	Capital reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note a)		*(Note b)*				
At 1 January 2021	30,000	4,292	–	–	42,415	76,707	–	76,707
Profit and total comprehensive income for the year	–	–	–	–	164,901	164,901	–	164,901
Transfer to other reserve	–	–	–	17,976	(17,976)	–	–	–
Profit appropriation to statutory surplus reserve	–	16,490	–	–	(16,490)	–	–	–
At 31 December 2021	30,000	20,782	–	17,976	172,850	241,608	–	241,608
Profit and total comprehensive income for the year	–	–	–	–	32,033	32,033	273	32,306
Capital injection	1,050	–	28,950	–	–	30,000	–	30,000
Transfer to other reserve	–	–	–	7,483	(7,483)	–	–	–
Profit appropriation to statutory surplus reserve	–	3,230	–	–	(3,203)	27	(27)	–
At 31 December 2022	31,050	24,012	28,950	25,459	194,197	303,668	246	303,914
Loss and total comprehensive expense for the year	–	–	–	–	(47,802)	(47,802)	(1,672)	(49,474)
Capital transfer from reserve	28,950	–	(28,950)	–	–	–	–	–
Capital injection	84	–	–	–	–	84	–	84
Transfer to other reserve	–	–	–	29,753	(29,753)	–	–	–
At 31 December 2023	60,084	24,012	–	55,212	116,642	255,950	(1,426)	254,524

Notes:

a. The statutory reserve represents the amount transferred from net profit for the year established in the People's Republic of China (the "**PRC**") (based on the subsidiaries' PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserve reaches 50% of the registered capital the Target Group. The statutory reserve cannot be reduced except that it can either be used to set off the accumulated losses or to increase capital.

b. The other reserve mainly represents the reserve for future development fund. Pursuant to regulation in the PRC, the Target Group is required to transfer an amount to a future development fund annually. On 21 November 2022, the PRC government released new rules for future development fund. If the balance of the entity's future development fund reaches three times or more of the accrued amount of the previous year, the transfer to future development fund can be stopped. The fund can only be used for enhancement of safety production environment and improvement of facilities of the iron ore mining business and production of high-purity iron and is not available for distribution to shareholders.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit (loss) before tax	220,633	45,262	(64,604)
Adjustments for:			
Depreciation of plant, property and equipment	46,778	48,807	53,347
Loss on disposal/write-off of plant, property and equipment	–	535	1,734
Gain on reversal of payables	–	(5,070)	–
Bank interest income	(40)	(54)	(227)
Finance costs	14,129	14,111	31,092
Amortisation of intangible assets	789	824	1,088
Amortisation of right-of-use assets	1,758	1,759	1,758
Foreign exchange gain	–	–	(2)
Operating cash flows before movements in working capital	284,047	106,174	24,186
(Increase) decrease in inventories	(35,133)	4,239	(14,706)
Decrease (increase) in trade, bills and other receivables	264,601	11,959	(7,433)
(Decrease) increase in trade and other payables	(85,008)	64,898	(89,392)
Net cash generated from (used in) operations	428,507	187,270	(87,345)
Income taxes refunded	–	9,224	6,325
Income taxes paid	(70,782)	(15,405)	(532)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	357,725	181,089	(81,552)

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Additions of plant, property and equipment	(165,758)	(146,059)	(72,697)
Proceeds from disposal of plant, property and equipment	–	–	307
Advances to a related company	(6,626)	(9,850)	(15,700)
Repayments from a related company	5,000	–	4,292
Placement of restricted cash	(590)	(9)	(1,728)
Interest received	40	54	227
NET CASH USED IN INVESTING ACTIVITIES	(167,934)	(155,864)	(85,299)
FINANCING ACTIVITIES			
Repayments of bank borrowings	(323,000)	(62,000)	(128,000)
Interest paid	(13,598)	(13,035)	(32,521)
Bank borrowings raised	140,000	50,000	385,000
Advances from (repayments to) a related company	17,441	(30,148)	(69,209)
Proceeds from issue of shares	–	30,000	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(179,157)	(25,183)	155,270
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,634	42	(11,581)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,538	12,172	12,214
CASH AND CASH EQUIVALENTS AT END OF THE YEAR AND REPRESENTED BY BANK BALANCES AND CASH	12,172	12,214	633

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Target Company is an investment-holding company established in the British Virgin Islands with limited liability on 9 June 2023.

The immediate holding company of the Target Company is Zongchuan Investment Holdings Co., Limited ("**Zongchuan Investment**"), a company established in the British Virgin Islands established on 9 June 2023. The ultimate controlling parties are Mr. Wu Qi, Ms. Wu Shasha and Mr. Wu Yumei as Wu's family, who owns 50%, 25% and 25%, respectively, of the Target Company.

The addresses of the registered office of the Target Company is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands and the principal place of the business of the Target Company is Fushun City Dongzhou District Nianpan Township Taigou Village.

The Target Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 32.

The combined financial statements is presented in RMB which is the same as the Target Company's functional currency.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared for inclusion in the circular of Pak Tak International Limited (the "**Company**") dated 28 June 2024 in connection with acquisition of entire issued share capital of the Target Company by the Company (the "**Acquisition**").

Group reorganisation

Before the reorganisation, Fushun Xingzhou, ultimately beneficially owned as to 40%, 30% and 30% by Mr. Wu Zongchuan, Mr. Wu Qi, Ms. Wu Shasha as Wu's family, respectively.

On 9 June 2023, the Target Company was established as an investment holding company in the British Virgin Islands with limited liability. The number of authorised ordinary shares of the Target Company is 10,000 of USD 1 each. On the date of its incorporation, one share in the Target Company was allotted and issued to Zongchuan Investment. The Target Company then became a wholly owned subsidiary of Zongchuan Investment.

On 11 July 2023, Hong Kong Zongchuan Investment Group Co., Limited ("**HK Zongchuan**") was established in Hong Kong. Its authorised share capital was HK$50,000 dividend into 50,000 shares. On the date of its incorporation, 50,000 shares in HK Zongchuan were allotted and issued to the Target Company at total subscription price of HK$50,000. As a result, HK Zongchuan became directly wholly owned subsidiary of the Target Company.

On 6 November 2023, Zhejiang Xingzhou Enterprise Management Co., Ltd* (浙江興洲企業管理有限公司) ("**Zhejiang Xingzhou**") was established in the PRC with HK Zongchuan as its sole equity holder. As at the date of its establishment, the registered capital of Zhejiang Xingzhou was RMB10,000,000.

In 2024, Zhejiang Xingzhou and Zhejiang Zongchuan Holdings Co., Ltd. (浙江宗傳控股有限公司*) ("**Zhejiang Zongchuan**") will enter into sale and purchase agreement to acquire 96.62% interest in Fushun Xingzhou. Upon completion, the Target Company will indirectly hold 96.62% of the equity interest in Fushun Xingzhou.

Upon completion, the Target Company will become the holding company of the companies now comprising the Target Group by interspersing the Target Company, HK Zongchuan, Zhejiang Xingzhou and Fushun Xingzhou. The Target Group comprising the Target Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity. Historical Financial Information has been prepared as if the Target Company had always been the holding company of the Target Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows which include the financial performance, changes in equity and cash flows of the companies now comprising the Target Group for the Relevant Periods and have been prepared as if the Target Company had always been the holding company of the Target Group and the current group structure had been in existence throughout the periods, or since the respective date of establishment/incorporation of the relevant entity where there is a shorter period.

The combined statements of financial position at 31 December 2021, 2022 and 2023 have been prepared to present the assets and liabilities of the companies now comprising the Target Group as if the current group structure had been in existence at those dates, taking into account the respective dates of establishment/incorporation of the relevant entity.

No statutory financial statements of the Target Company have been prepared since it is incorporated in the jurisdiction where there is no statutory audit requirements.

As of 31 December 2023, the Target Group's current liabilities exceeded its current assets by RMB143,125,000. The director of the Target Company is of the opinion that, taking into account the internal financial resources and presently available banking facilities of the Target Group, the Target Group has sufficient working capital for its present requirement within one year from the end of the reporting period. Hence, the combined financial statements have been prepared on a going concern basis.

The Historical Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

* *For identification purpose only*

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSS

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied the accounting policies which conform with the HKFRSs, which are effective for accounting period beginning on 1 January 2023 throughout the Relevant Periods.

Amendments to HKFRSs that have been issued but not yet effective

At the date of this report, the following amendments to HKFRSs have been issued which are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025

The director of the Target Company anticipates that the application of these amendments to HKFRSs will have no material impact on the combined financial statements of the Target Group in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

Property, plant and equipment

Property and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress as described below) are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress and mining structure less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Mining structure are depreciated using the unit of production method over the remaining life of the mine. The life of mine is based on the total estimated proven and probable reserves of the iron mines.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets – Mining rights

Mining rights are stated at cost less amortisation and any recognised impairment loss. The mining rights are amortised in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to the customer. A performance obligation represents goods that is distinct. Revenue from the sales of goods (i.e. iron ore concentrate and tailing sand) is recognised at a point in time when the goods are delivered and control of the goods is transferred to the customer.

Leases

Definition of 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. The Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 "*Leases*" at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Right-of-use assets

The cost of right-of-use assets includes:

- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Target Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established. The recoverable amount is determined for the cash-generating unit to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Target Group must incur to make the sale.

Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provision for rehabilitation

The mining extraction and processing activities of the Target Group normally give rise to obligations for site closure or rehabilitation. Closure and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials and restoration; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Target Group's environmental policies. Provisions for the cost of each closure and rehabilitation program are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

Borrowing costs

Borrowing costs directly attributable to construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Target Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and 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 recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "*Revenue from Contracts with Customers*". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the Relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset and financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Impairment of financial assets

The Target Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade, bills and other receivables, restricted cash and bank balances) which are subject to impairment assessment under HKFRS 9 "*Financial Instruments*". The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the significant financial difficulty of the issuer or the borrower or a breach of contract, such as a default or past due event or the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

The Target Group always recognises lifetime ECL for trade receivables and bill receivables. The ECL on trade receivables and bill receivables are assessed individually. For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability weighted amount that is determined with the respective risks of default occurring as the weights. The ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition. The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party. For ECL on financial guarantee for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 4, the management of the Target Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimated useful lives of property, plant and equipment and intangible assets

The Target Group determines the estimated useful lives and related depreciation/amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature, taking into consideration of the production plan and the estimated reserves of the mines (included in intangible assets) using the unit-of-production method. The Target Group will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, or will write off/write down those assets which are technically obsolete or abandoned.

Recognition of deferred tax assets

The Target Group recognised deferred tax assets for all deductible temporary differences to the extent that it is probable that taxable profit would be available against which the deductible temporary difference can be utilised. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be charged to profit or loss in which such a reversal takes place. As at 31 December 2023, the carrying amount of deferred tax assets is RMB4,748,000.

6. REVENUE AND SEGMENT INFORMATION

Performance obligations for contracts with customers

The Target Group produces and sells iron ore concentrates directly to customers. Revenue is recognised when control of the goods has transferred, being the time when the goods are delivered and accepted. Revenue is recognised at a point in time.

A contract liability represents the Target Group's obligation to transfer goods to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer and included in customer deposits.

The Target Group determines its operating segments based on the reports reviewed by the management of Target Group, being the chief operating decision maker (the "CODM"), that are used to make strategic decisions. Information reported to the CODM, for the purposes of resource allocation and assessment focuses on revenue analysis as a whole. No other discrete financial information is provided other than the Target Group's results and financial position. No segment information are presented.

Geographical information

The Target Group's revenue from external customers is derived solely from its operations in the PRC.

Information about major customers

Revenue from major customers, each of whom amounted to 10% or more of the Target Group's revenue, is set out below:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	496,201	–*	44,543
撫順誠泰礦業貿易有限公司 ("**Fushun Cheng Tai**")**	–*	429,771	246,847
	496,201	429,771	291,390

* The amount is less than 10% of the Target Group's revenue.

** The related company is controlled by the director of the Target Company.

7. OTHER INCOME

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Sales of by-products of iron ore	4,921	5,510	7,672
Government subsidies *(Note)*	681	58	100
Bank interest income	40	54	227
Others	527	93	101
	6,169	5,715	8,100

Note: Amounts represent the grants received from the relevant PRC government to encourage the business operation in specific regions in the PRC. The subsidies were unconditional and granted on a discretionary basis to the Target Group.

8. OTHER GAINS AND LOSSES, NET

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Gain on reversal of payables	–	5,070	–
Loss on disposal/write-off of property, plant and equipment	–	(535)	(1,734)
Others	(107)	–	(225)
	(107)	4,535	(1,959)

9. FINANCE COSTS

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings	13,598	13,035	32,521
Interest on rehabilitation costs	531	1,076	1,398
	14,129	14,111	33,919
Less: Amount capitalised in property, plant and equipment	–	–	(2,827)
	14,129	14,111	31,092

Borrowing costs capitalised during the year ended 31 December 2023 arised on the funds borrowed specifically for the purpose of obtaining for qualifying assets.

10. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
PRC Enterprise Income Tax ("**EIT**")	49,442	8,666	–
Deferred tax charge (credit) *(note 23)*	6,290	4,290	(15,130)
	55,732	12,956	(15,130)

The Target Company is not subject to any taxation in British Virgin Islands. British Virgin Islands levies no tax on the income of the Target Group.

No provision for Hong Kong Profits Tax has been made as the Target Group does not have income which arises in, or is derived from, Hong Kong.

Under the Law of the People's Republic of China on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The income tax expense (credit) for each of the Relevant Periods can be reconciled to the profit (loss) before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit (loss) before tax	220,633	45,262	(64,604)
Tax at the PRC EIT rate of 25%	55,158	11,316	(16,151)
Tax effect of expenses not deductible for tax purpose	574	1,640	1,021
Income tax expense (credit)	55,732	12,956	(15,130)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in respect of temporary differences attributable to accumulated profits approximately amounting to RMB172,850,000, RMB194,197,000 and RMB116,642,000 as at 31 December 2021, 2022 and 2023, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

11. PROFIT (LOSS) FOR THE YEAR

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit (loss) for the year has been arrived at after charging:			
Auditors' remuneration	36	40	39
Depreciation of plant, property and equipment	46,778	48,807	53,347
Amortisation of intangible assets	789	824	1,088
Amortisation of right-of-use assets	1,758	1,759	1,758
Inventories recognised as cost of sales	372,628	334,188	300,465
Director's emoluments	–	–	–
Other staff's salaries and other benefits	5,838	6,241	6,179
Other staff's contributions to retirement benefit scheme	906	999	1,015

12. DIRECTOR'S AND EMPLOYEES' EMOLUMENTS

Director's emoluments

Name of director of the Target Company	**Period of appointment**
Mr. Wu Zongchuan	9 June 2023

No emoluments were recognised or paid by Target Group to the director of Target Company as compensation for loss of office and inducement to join for the Relevant Periods. The director of the Target Company had not waived any emoluments during the Relevant Periods.

Five highest paid individuals

The emoluments of the five highest paid individuals were as follows:

	For the year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	606	568	662
Contributions to retirement benefit scheme	122	182	121
	728	750	783

The number of the highest paid employees who are not the director of the Target Company whose remuneration fell within the following bands is as follows:

	For the year ended 31 December		
	2021	**2022**	**2023**
Less than HKD1,000,000	5	5	5

No amount was paid to the five highest paid employees during the financial year or receivable as an inducement to join or upon joining the Target Group. No compensation was paid to the five highest paid employees during the Relevant Periods or receivable for the loss of any office in connection with the management of the affairs of any member of the Target Group distinguishing between contractual payments and other payments.

13. DIVIDENDS

No dividend has been declared or paid by the Target Group in respect of the Relevant Periods.

14. EARNINGS (LOSS) PER SHARE

No earnings (loss) per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Mining structure	Plant and machinery	Other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2021	115,188	115,610	114,893	13,512	7,036	366,239
Additions	12,680	132,743	14,318	5,476	541	165,758
Transfer	7,037	–	–	–	(7,037)	–
At 31 December 2021	134,905	248,353	129,211	18,988	540	531,997
Additions	10,019	71,077	18,128	5,587	41,248	146,059
Transfer	7	–	204	–	(211)	–
Write-off	(51)	–	(1,109)	(141)	–	(1,301)
At 31 December 2022	144,880	319,430	146,434	24,434	41,577	676,755
Additions	6,286	11,928	5,971	287	51,052	75,524
Transfer	–	60,200	–	–	(60,200)	–
Disposal	–	–	(5,722)	(161)	–	(5,883)
At 31 December 2023	151,166	391,558	146,683	24,560	32,429	746,396
DEPRECIATION						
At 1 January 2021	(20,754)	(14,443)	(26,306)	(7,096)	–	(68,599)
Provided for the year	(5,514)	(27,129)	(11,593)	(2,542)	–	(46,778)
At 31 December 2021	(26,268)	(41,572)	(37,899)	(9,638)	–	(115,377)
Provided for the year	(6,495)	(25,988)	(12,420)	(3,904)	–	(48,807)
Write-off	14	–	618	134	–	766
At 31 December 2022	(32,749)	(67,560)	(49,701)	(13,408)	–	(163,418)
Provided for the year	(6,604)	(28,388)	(14,478)	(3,877)	–	(53,347)
Eliminated on disposal	–	–	3,689	153	–	3,842
At 31 December 2023	(39,353)	(95,948)	(60,490)	(17,132)	–	(212,923)
CARRYING VALUES						
At 31 December 2021	108,637	206,781	91,312	9,350	540	416,620
At 31 December 2022	112,131	251,870	96,733	11,026	41,577	513,337
At 31 December 2023	111,813	295,610	86,193	7,428	32,429	533,473

Certain owned properties of the Target Group are erected on land in the PRC with respect to which the Target Group has not been granted formal title of ownership. At 31 December 2021, 2022 and 2023, the carrying value of such owned properties was RMB108,637,000, RMB112,131,000 and RMB111,813,000 respectively. The director of the Target Company considers that the absence of formal title to these owned properties does not impair the value of the relevant owned properties to the Target Group as the Target Group has paid substantially the full purchase consideration of these land use rights and the probability of being evicted on the ground of an absence of formal title is remote. The director of the Target Company believes that formal title of these owned properties will be granted to the Target Group in due course.

The above items of property, plant and equipment, except for mining structure and construction in progress, after taking into account their estimated residual value, are depreciated on a straight-line basis within the following period:

Buildings	Over the term of the lease or 20 years, whichever is shorter
Plant and machinery	3 to 10 years
Other equipment	3 to 10 years

The mining structures are infrastructures which include mainly the main and auxiliary mine shafts, underground tunnels and other mining costs recognised for the future economic benefits of the operation. Depreciation is provided to write off the cost of the mining structures using the unit of production method over the remaining life of the mine based on the proven and probable reserves.

Impairment of property, plant and equipment, intangible assets and rights-of-use assets

With operating loss for the year ended 31 December 2023, the management of the Target Group concluded there was indication for impairment and conducted impairment assessment. For the purpose of impairment testing, property, plant and equipment, intangible assets and rights-of-use assets set out in notes 15, 16 and 17 in relation to iron ore business are treated as a cash-generating unit. The recoverable amount of that cash-generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecasts approved by management covering 10 years, which is determined by projected 10 years of production, and pre-tax discount rate of 16% per annum. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted revenue and gross margin; such estimation is based on the cash-generating unit's past performance and management's expectations for the market development. Following the impairment assessment conducted by the management of the Target Group, it is considered no impairment loss is required to recognise for property, plant and equipment, intangible assets and rights-of-use assets because their estimated recoverable amounts are higher than their carrying amounts.

16. INTANGIBLE ASSETS

	Mining rights
	RMB'000
COST	
At 1 January 2021, 31 December 2021, 2022 and 2023	31,369
AMORTISATION	
At 1 January 2021	19,648
Provided for the year	789
At 31 December 2021	20,437
Provided for the year	824
At 31 December 2022	21,261
Provided for the year	1,088
At 31 December 2023	22,349
CARRYING VALUES	
At 31 December 2021	10,932
At 31 December 2022	10,108
At 31 December 2023	9,020

The above intangible assets have definite useful lives. Mining rights are amortised, in accordance with the proved and probable reserves of the mines using the units of production method.

No impairment loss has been recognised during the Relevant Periods. All intangible assets of the Group had been pledged as securities for bank borrowings as at 31 December 2021, 2022 and 2023 with details summarised in note 26.

17. RIGHTS-OF-USE ASSETS

	Leasehold land
	RMB'000
COST	
At 1 January 2021, 31 December 2021, 2022 and 2023	112,756
AMORTISATION	
At 1 January 2021	12,307
Provided for the year	1,758
At 31 December 2021	14,065
Provided for the year	1,759
At 31 December 2022	15,824
Provided for the year	1,758
At 31 December 2023	17,582
CARRYING VALUES	
At 31 December 2021	98,691
At 31 December 2022	96,932
At 31 December 2023	95,174

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

18. INVENTORIES

	At 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Materials	19,343	10,161	25,555
Finished goods	5,689	4,801	8,567
Auxiliary materials	13,378	19,209	14,755
	38,410	34,171	48,877

19. TRADE, BILLS AND OTHER RECEIVABLES

The Target Group

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	2,238	183	380
Bills receivables	11,120	–	11,120
Other receivables	32,276	41,194	53,072
Deposits and prepayment	1,559	1,221	458
VAT tax receivables	3,714	6,200	2,695
	50,907	48,798	67,725

The trade receivables from contracts with customers amounted to RMB20,339,000 as at 1 January 2020.

Include in trade receivables, there are amounts due from Fushun Cheng Tai of RMB313,000, nil and nil as at 31 December 2021, 2022 and 2023, respectively. The amounts are unsecured, interest-free and repayable according to the relevant agreements.

The credit period granted to the customers ranges from 30 to 90 days from the date of issuance of a monthly statement with respect to goods delivered in the particular month.

The following is an aging analysis of trade receivables presented based on the date of invoice dates:

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	2,055	–	52
31 to 60 days	–	–	150
91 to 180 days	–	–	178
Over 1 year	183	183	–
	2,238	183	380

The following is an aging analysis of bills receivables presented based on the date of issuance of the bills:

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	11,120	–	–
91 to 180 days	–	–	11,120
	11,120	–	11,120

All bills receivables are issued by Fushun Cheng Tai and are held by the Target Group for future settlement of trade receivables and are with a maturity period of less than one year. The Target Group continues to recognise their full carrying amounts at the end of each reporting periods.

As at 31 December 2021, 2022 and 2023, included in the Target Group's trade receivables balances are debtors with aggregate carrying amounts of RMB183,000, RMB183,000 and nil which are past due as at the reporting date. Out of the past due balances, RMB183,000, RMB183,000 and nil have been past due 90 days or more and is not considered as in default as these balances are either due from debtors with long term business relationship or are individually insignificant. Other than bills receivables with aggregate carrying amounts of RMB11,120,000, nil and RMB11,120,000, the Target Group does not hold any collateral over these balances.

Included in other receivables, there are amounts due from Zhejiang Zongchuan of RMB30,254,000, RMB40,104,000 and RMB51,512,000 and amounts due from Zongchuan Investment of nil, nil and RMB86,000 as at 31 December 2021, 2022 and 2023, respectively. The amounts are unsecured, interest-free and repayable on demand. Zhejiang Zongchuan and Zongchuan Investment are related companies controlled by the director of the Target Company.

Details of impairment assessment of trade and other receivables are set out in note 31.

The Target Company

The Target Company's amount due from Zongchuan Investment, as at 31 December 2023 is unsecured, interest-free and repayable on demand.

20. RESTRICTED CASH AND BANK BALANCES AND CASH

Cash at banks earns interest of floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The bank balances carry interest at market rates ranging from 0.2% to 0.3% (2021 and 2022: from 0.2% to 0.3%) per annum.

The amounts of restricted cash represent deposits for the obligation of rehabilitation, which carry interest rates ranging from 0.2% to 0.3% (2021 and 2022: from 0.2% to 0.3%) per annum.

21(a). TRADE AND OTHER PAYABLES

The Target Group

		At 31 December	
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	134,444	173,013	66,723
Other payables *(Note a)*	104,378	74,295	5,070
Customer deposits *(Note b)*	–	11,216	16,313
Other tax payables	2,750	2,187	4,630
Salary payables	7,883	13,586	16,875
	249,455	274,297	109,611

The credit period granted by suppliers to the Group ranges from 30 - 90 days during the Relevant Periods. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting periods:

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	121,731	61,273	31,506
91 to 180 days	2,491	74,763	2,989
181 days to 1 year	1,593	29,114	8,614
Over 1 year	8,629	7,863	23,614
	134,444	173,013	66,723

Notes:

a. Included in other payables, there are amounts due to 撫順宗傳礦業發展有限公司 ("**Fushun Zongchuan**"), a related company, of RMB99,357,288, RMB69,209,143 and nil as at 31 December 2021, 2022 and 2023, respectively. The amounts are unsecured, interest-free and repayable on demand. The related company is controlled by the director of the Target Company.

b. As at 1 January 2020, customer deposits amounted to RMB9,815,000.

The customer deposits are due to Fushun Cheng Tai, which are unsecured, interest-free and repayable according to the relevant agreements.

Revenue of RMB9,815,000, nil and RMB11,216,000 recognised during the years ended 31 December 2021, 2022 and 2023, respectively that are included in the customer deposits at the beginning of the respective year. The expected timing for customer deposits as at 31 December 2023 recognising as revenue is within one year.

The Target Company

The Target Company's amount due to HK Zongchuan as at 31 December 2023 is unsecured, interest-free and repayable on demand.

21(b). PROVISION FOR REHABILITATION

	2021	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**
At the beginning of the year	*5,664*	*11,369*	*17,283*
Adjustments on provision for rehabilitation	5,174	4,838	6,085
Interest on rehabilitation cost	531	1,076	1,398
At the end of the year	11,369	17,283	24,766

The provision for rehabilitation represents the estimated costs of decommission and rehabilitation of mines and processing sites of the mining projects of the joint operation to be carried out at the end of their producing lives.

The provision for rehabilitation costs have been estimated by the management based on current regulatory requirements and is discounted to present value. However, significant changes in the regulatory requirements, timing of performance of reclamation activities or discount rate will results in changes to the amount of provision from period to period. The discount rates used in the calculation of the provision as at 31 December 2021, 2022 and 2023 was 9.38%, 9.43% and 9.54% per annum, respectively.

22. BANK BORROWINGS

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Secured bank loans	140,000	128,000	385,000

The maturity profile of bank borrowings, based on the scheduled repayment dates set out in relevant loan agreements, is as follows:

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	60,000	128,000	165,000
After 1 year but within 2 years	80,000	–	20,000
After 2 years but within 5 years	–	–	200,000
	140,000	128,000	385,000
Less: Amount due within one year as current liabilities	(60,000)	(128,000)	(165,000)
Amount due for settlement after one year	80,000	–	220,000

As at 31 December 2021, 2022 and 2023, bank loan with principal amount of RMB140,000,000, RMB128,000,000 and RMB385,000,000 is secured by corporate guarantee executed by Fushun Zongchuan and pledged with mining rights, bills receivables and shares of Fushun Xingzhou hold by Zhejiang Zongchuan. Interest is charged at fixed rates ranging from 5.66% to 9.60% per annum, 5.66% to 9.60% per annum and 5.66% to 9.60% per annum, respectively.

23. DEFERRED TAX ASSETS (LIABILITIES)

The followings are the deferred tax assets (liabilities) recognised and movements thereon during the Relevant Periods:

	Accelerated Accounting/ tax depreciation *RMB'000*	**Tax loss** *RMB'000*	**Total** *RMB'000*
At 1 January 2021	198	–	198
Charged to profit or loss	(6,290)	–	(6,290)
At 31 December 2021	(6,092)	–	(6,092)
Charged to profit or loss	(4,290)	–	(4,290)
At 31 December 2022	(10,382)	–	(10,382)
(Charged) credited to profit or loss	(2,264)	17,394	15,130
At 31 December 2023	(12,646)	17,394	4,748

At as 31 December 2021, 2022 and 2023, the Target Group has unused tax loss of approximately nil, nil and RMB69,577,000 available for offset against future profits and has been recognised as a deferred tax asset.

24. SHARE CAPITAL

For the purpose of this report, the capital of the Target Group represents the combined capital of Zongchuan Investment Holdings Limited and its subsidiaries attributable to Fushun Xingzhou Mining Co., Ltd., taking into account the respective dates of incorporation.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Target Group's combined statements of cash flows from financing activities.

	Due to a related company	**Bank borrowings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	81,916	323,000	404,916
Finance costs recognised	–	13,598	13,598
Financing cash flows	17,441	(196,598)	(179,157)
At 31 December 2021	99,357	140,000	239,357
Finance costs recognised	–	13,035	13,035
Financing cash flows	(30,148)	(25,035)	(55,183)
At 31 December 2022	69,209	128,000	197,209
Finance costs recognised	–	32,521	32,521
Financing cash flows	(69,209)	224,479	155,270
At 31 December 2023	–	385,000	385,000

26. PLEDGE OF ASSETS

Mining rights and bills receivables were pledged to secure borrowings and certain unused facilities from banks as at 31 December 2021, 2022 and 2023.

		At 31 December	
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Mining rights	10,932	10,108	9,020
Bills receivables	11,120	–	11,120

27. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Target Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered by the local municipal government. The Target Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the actual employee salary to fund the retirement benefits of the employees. The principal obligation of the Target Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. Detailed information on the retirement and employees' benefit plan of the Target Company is provided in note 11 to the combined financial statements.

28. RELATED PARTIES DISCLOSURES

Other than as disclosed in notes 2, 6, 12, 19, 21, 22, 25, 29 and 33, the Target Group had the following significant transactions with a related company during the Relevant Periods:

		Year ended 31 December		
Company	**Transaction**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Fushun Cheng Tai	Sales of iron ore concentrates	54,719	429,771	246,847

29. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2023, the Target Group issued financial guarantees RMB147,000,000 and RMB11,100,000 in favour of certain banks in respect of banking facilities granted to certain related companies and third parties, respectively. The aggregate amounts that could be required to be paid are RMB158,100,000, if the guarantees were called upon in entirety. The management of the Target Group considers the fair value of the contract is nil at initial recognition and the loss allowance as at 31 December 2023 are insignificant. Details of the credit risk assessment of the financial guarantee contracts are set out in note 31.

30. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of bank borrowings, share capital and reserves.

The management of the Target Group review the capital structure periodically. They consider the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Amortised cost	61,140	56,934	70,276
Financial liabilities			
Amortised cost	386,519	387,412	473,483

(b) Financial risk management objectives and policies

The Target Group's financial instruments include trade, bills and other receivables, restricted cash, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes.

The director of the Target Group monitors and manages the financial risks relating to the operations of the Target Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (mainly about interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below and remained unchanged during the Relevant Periods. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Target Group is exposed to fair value interest rate risk relates primarily to bank borrowings which carried fixed interest rate. The director of the Target Company considers the Group's exposure of the bank balances to interest rate risk is not significant. The Target Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits (see note 20 for details) due to the fluctuation of the prevailing market interest rate. The Target Group does not have a policy on hedging interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

No sensitivity analysis is presented since the director of the Target Company considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is limited due to their short maturities.

Credit risk and impairment assessment

The Target Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position.

In order to minimise the credit risk, management of the Target Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures which are carried out to ensure that follow-up action is taken to recover overdue debts. The Target Group performs impairment assessment under ECL model. The Target Group applies the simplified approach to measure ECL which uses a lifetime ECL for trade receivables and trade-related amounts due from related parties. The trade receivables are assessed collectively and trade-related amounts due from related parties are assessed individually to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Target Group's credit risk is significantly reduced.

The credit exposures for trade and bills receivables as further set out below, which are subject to ECL assessment, are considered using a five-grade internal credit rating system.

The credit risk on other receivables is managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Target Group also actively monitors the outstanding amounts owned by each debtor and identifies any credit risk in a timely manner in order to reduce the risk of a credit related loss. In this regard, the director of the Target Company considers that the Target Group's credit risk is significantly reduced.

The Target Group measures the loss allowance on liquid funds equal to 12m ECL. The credit risk on liquid funds is limited because most of the bank balances and deposits are placed with major financial institutions located in the PRC.

As at 31 December 2021, 2022 and 2023, the Target Group has concentration of credit risk on other receivables in respect of a related company, amounting to RMB30,254,000, RMB40,104,000 and RMB51,512,000, respectively. The remaining other receivables are with exposure spread over a number of counterparties and debtors.

The Target Group's internal credit risk grading assessment comprises the following categories:

Credit rating	**Description**	**Trade receivables**	**Other financial assets**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Medium risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Very high risk	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Extremely high risk	There is evidence indicating that the debtor is in severe financial difficulty and the Target Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Target Group's financial assets which are subject to ECL assessment:

					At 31 December		
					2021	**2022**	**2023**
	Notes	**External credit rating**	**Internal credit rating**	**12m or lifetime ECL**	**Gross carrying amount** *RMB'000*	**Gross carrying amount** *RMB'000*	**Gross carrying amount** *RMB'000*
Financial assets at amortised costs							
Trade receivables	19	N/A	Low risk	Lifetime ECL (not credit- impaired)	2,238	183	380
Bills receivables	19	N/A	Low risk	Lifetime ECL (not credit- impaired	11,120	–	11,120
Other receivables	19	N/A	Low risk	12m ECL	32,276	41,194	53,072
Restricted cash	20	N/A	N/A	12m ECL	3,334	3,343	5,071
Bank balances	20	N/A	N/A	12m ECL	12,027	12,145	477

Financial guarantee contracts

No allowance for impairment was made since the management of the Target Group considers that the exposure at default was minimal as the management of the Target Group has obtained understanding of the financial background of the related companies and third parties and concluded that there has been no significant increase in credit risk since initial recognition. The management of the Target Group assesses credit risks in financial guarantee contracts using internal credit rating system. Accordingly, the loss allowance for financial guarantee contracts is measured at an amount equal to 12m ECL and the loss allowance was considered as insignificant.

Liquidity risk

In the management of liquidity risk, the Target Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The director of the Target Company maintains the sufficiency of cash flows with availability of unutilised banking facilities and internally generated funds. The director of the Target Company also reviews the forecasted cash flows on an on-going basis to ensure that the Target Group will be able to meet its financial obligations falling due and have sufficient capital for operation and expansion. Maturity of financial obligations will be re-negotiated with banks and changes on capital expansion plan will be made should the need arise.

The following table details the Target Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average interest rate	On demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2021
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021								
Trade and other payables	N/A	246,519	–	–	–	–	246,519	246,519
Bank borrowings – fixed rate	9.32	1,108	2,109	69,639	87,470	–	160,326	140,000
		247,627	2,109	69,639	87,470	–	406,845	386,519

	Weighted average interest rate	On demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2022
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022								
Trade and other payables	N/A	259,412	–	–	–	–	259,412	259,412
Bank borrowings – fixed rate	9.60	1,044	1,986	136,274	–	–	139,304	128,000
		260,456	1,986	136,274	–	–	398,716	387,412

	Weighted average interest rate	On demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2023
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023								
Trade and other payables	N/A	88,483	–	–	–	–	88,483	88,483
Bank borrowings – fixed rate	9.50	3,106	16,071	159,704	265,452	–	444,333	385,000
		91,589	16,071	159,704	265,452	–	532,816	473,483

(c) Fair value measurements

The director of the Target Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined financial statements approximate their fair values.

32. PARTICULAR OF SUBSIDIARIES

During the Relevant Periods and as at the date of this report, the Target Company has direct and indirect shareholdings/equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered and paid in capital	Equity interest attributable to the Target Group as at 31 December 2021	2022	2023	Date of this report	Principal activities
Indirectly held:							
HK Zongchuan *(Note a)*	Hong Kong 11 July 2023	Authorised and paid up capital HK$50,000	N/A	N/A	100%	100%	Investment holding
Directly held:							
Zhejiang Xingzhou *(Note a)*	PRC 6 November 2023	Registered and paid up capital RMB10,000,000	N/A	N/A	100%	100%	Investment holding
Fushun Xingzhou *(Note b)*	PRC 22 September 2003	Registered and paid up capital RMB300,000,000	100%	96.62%	96.62%	96.62%	Iron ore mining and milling

Notes:

a. No statutory audited financial statements for each of the two years ended 31 December 2022 were available as they were incorporated in 2023. Their statutory financial statements for the period from their respective dates of incorporation to 31 December 2023 are not yet due for issuance.

b. The statutory financial statements of the Fushun Xingzhou for the years ended 31 December 2021, 2022 and 2023 were prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by 北京晟晅會計師事務所.

33. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 2 to the combined financial statements, on 29 February 2024, sale and purchase agreement had been entered into between the Target Company, Zongchuan Investment Holding Co., Limited as a vendor and Fushun Xingzhou in relation to the Acquisition.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of the companies comprising the Target Group in respect of any period subsequent to 31 December 2023.

BUSINESS OVERVIEW

Zongchuan Investment Group Co., Limited (the "**Target Company**") is an investment holding company incorporated in the British Virgin Islands with limited liabilities. The Target Company is holding the entire equity interest in Hong Kong Zongchuan Investment Group Co., Limited ("**Hong Kong Zongchuan**"), whose main asset is the entire equity interest of Zhejiang Xingzhou Enterprise Management Co., Ltd. ("**Zhejiang Xingzhou**"), which will hold approximately 96.62% equity interest in Fushun Xingzhou upon completion of the Reorganisation.

Fushun Xingzhou, owned by Zhejiang Xingzhou, is located in the Taigou Village of Dongzhou District, Fushun City, Liaoning Province, China, approximately 55 km east from the city centre of Shenyang, the provincial capital and the largest city of Liaoning. Fushun Xingzhou has a mining license across an area of 0.9400 sq. km, with mineral resources of iron ore.

Fushun Xingzhou commenced open pit mining when the initial mining license was granted in December 2003. The mining license was converted to open pit/underground mining in 2006 and carried small-scale mining activities, to the extent that the mining was suspended from 2011 to 2017 due to the low market price for iron ore.

After Reorganisation and immediately prior to the Completion, Fushun Xingzhou is indirectly held as to 96.62% by the Vendor. After Completion, the Company shall be indirectly interested in 96.62% equity interest of Fushun Xingzhou.

As at the Latest Practicable Date, Fushun Xingzhou had yet to be granted the formal titles of ownership in respect of certain pieces of land in the PRC and its owned properties erected on such land. To the best of the knowledge of the Directors, the issue is primarily attributable to certain procedural defects in the land resumption process whereby the relevant pieces of agricultural land were expropriated by the relevant governmental authorities from the original owners of the land use rights. As confirmed by the directors of the Target Company, the absence of formal title would not impair the value of the relevant owned properties to the Target Group as the Target Group has paid substantially the full purchase consideration of the land use rights and the chance of being evicted on the grounds of absence of formal titles is remote. To the best of the knowledge of the Directors, as at the Latest Practicable Date, Fushun Xingzhou was working on addressing the relevant procedural requirements, including assisting the relevant governmental authorities in organising and convening hearing(s), upon completion of which Fushun Xingzhou could proceed to application for the requisite Real Estate Title Certificates.

The valuation report disclosed in Appendix VI assumed that all relevant legal approvals and business certificates or licenses to operate the business in the localities in which Fushan Xingzhou operates or intends to operate would be officially obtained and renewable upon expiry. As advised by the Management and the PRC legal advisor, it has been determined that the license application process does not present any significant obstacles, after considering that the Company's past operational experience, and that, it has demonstrated its ongoing operation is sustainable. Therefore, the failure to obtain the formal titles of certain land ownership is remote, and will not have a significant impact on the Valuation.

FINANCIAL REVIEW

Revenue

The Target Group recorded revenue of approximately RMB687,087,000, RMB451,807,000 and RMB317,419,000 for the years ended 31 December 2021, 2022 and 2023 respectively. These revenues primarily represent sales of iron ore concentrates. According to the historical production, the Target Group mined, processed and sold approximately 0.62 million, 0.52 million and 0.37 million tonnes of iron concentrate powder for the three years ended 31 December 2021, 2022 and 2023, respectively. Due to the transitional phase from the open-pit mining operations to the underground mining operations and pending the inspection and acceptance by the relevant authorities, there has been a decrease in mining and production capacity, resulting in a decline in revenue in year 2022 and 2023. As at the Latest Practicable Date, Fushun Xingzhou had completed the construction design for underground mining operations and obtained safety approval from Liaoning Provincial Emergency Management Department (遼寧省應急管理廳) ("**Liaoning EMD**"). Fushun Xingzhou is currently carrying out the construction work for its underground mining operations. Subject to satisfaction of the safety and production requirements imposed by Liaoning EMD, including completion of the expert inspection and acceptance procedures, Liaoning EMD will issue a safety permit for underground mining operations, with which Fushun Xingzhou will be eligible to conduct the relevant production activities. The approval is expected to be obtained in the fourth quarter of 2024, and production at full capacity is expected to take place in the first quarter of year 2025.

Cost of sales

The Target Group recorded cost of sales of approximately RMB372,628,000, RMB334,188,000 and RMB300,465,000 for the years ended 31 December 2021, 2022 and 2023 respectively. These costs primarily included the mining operating cost and processing operating cost which comprised labor, materials, depreciation of mining assets, and fixed cost amortization and production safety cost. The decrease in cost of sales corresponds with the decline in revenue and the fixed overhead costs arising from underground mining operations which have not been operated at full production capacity.

Gross profit

The Target Group recorded a gross profit of approximately RMB314,459,000, RMB117,619,000 and RMB16,954,000 for the years ended 31 December 2021, 2022 and 2023 respectively. The decrease in gross profit was primarily influenced by declining revenue and iron ore concentrate prices, as well as the increase in the cost of transitioning from open-pit mining operation to underground mining operation. Additionally, the impact of fixed costs such as depreciation and amortisation contributed to the decline in the gross profit.

Administrative expenses

The Target Group recorded administrative expenses of approximately RMB85,759,000, RMB68,496,000 and RMB56,607,000 for the years ended 31 December 2021, 2022 and 2023 respectively. These expenses primarily consisted of depreciation and amortisation, resource tax, impairment on receivables, staff costs, and land occupation and compensation costs. The decrease in administrative expenses was primarily attributed to reduced resource tax payments following a decline in turnover during the reporting period.

Profit/loss for the year

The Target Group recorded profit of approximately RMB164,901,000, RMB32,306,000 and for the years ended 31 December 2021 and 2022, respectively, followed by a loss of approximately RMB49,474,000 for the year ended 31 December 2023. The decrease in profit and subsequent loss in year 2023 were primarily driven by the decline in gross profit with the reasons as stated above.

Other receivables

Included in other receivables is the amount due from 浙江宗傳控股有限公司, a related party, of RMB30,254,000, RMB40,104,000 and RMB51,512,000 as at 31 December 2021, 31 December 2022 and 31 December 2023, respectively. As advised by the directors of the Target Group, such amount was advanced to 浙江宗傳控股有限公司 for potential acquisition of other mining projects and the Wu's Family and the Vendor have provided indemnity to the Target Group for any loss arising from uncollected amount of these receivables. The amount advanced is unsecured, interest-free and repayable on demand.

Capital structure, liquidity and financial resources

The Target Group mainly financed its operation by cash flow from operation and the bank loans. The Target Group had bank balance and cash of approximately RMB12,172,000 RMB12,214,000 and RMB633,000 as at 31 December 2021, 2022 and 2023 respectively. The bank loans was approximately RMB140,000,000, RMB128,000,000 and RMB385,000,000 as at 31 December 2021, 2022 and 2023 respectively. The increase in bank loans in year 2023 was mainly due to the payment of capital expenditure on mining assets.

As at 31 December 2023, the fixed-interest-bearing-borrowings of the Target Group comprised borrowing of the principal amount of RMB10,000,000 at the interest rate of 5.655% granted by the Bank of Fuxin (the "**Fuxin Borrowing**"), and borrowings of the principal amount of RMB125,000,000 and RMB250,000,000 respectively each at the interest rate of 9.6% granted by the Bank of Fushun (collectively, the "**Fushun Borrowings**"). The Fuxin Borrowing was secured by bill receivables and the Fushun Borrowings were secured by the mining rights of the Fushun Xingzhou, where the maximum banking facility of RMB500,000,000 has been granted for the period from December 2020 to December 2026. The weighted average fixed rate of the borrowings for the year ended 31 December 2023 was approximately 9.50% and the maturity profile of such borrowings as at 31 December 2023 is as follows:

	Fixed interest rate	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than 1 year but less than 5 years
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fuxin Borrowing	5.66	10,000	10,064	10,064	–
Fushun Borrowing	9.60	125,000	136,869	136,869	–
Fushun Borrowing	9.60	250,000	297,400	31,948	265,452
		385,000	444,333	178,881	265,452

As at 31 December 2021, 2022 and 2023, the Target Group recorded net assets of approximately RMB241,608,000, RMB303,914,000 and RMB254,524,000 respectively.

For further financial information of the Target Group, please refer to the accountants' report as set out in Appendix II of this circular.

FOREIGN CURRENCY MANAGEMENT

Upon the completion of Reorganisation, the Target Company shall indirectly hold approximately 96.62% equity interest in Fushun Xingzhou. Fushun Xingzhou principally conducts iron mining in the PRC. The Target Group is not exposed to significant foreign exchange risk as its operations are mainly denominated in the functional currency of RMB.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, 2022 and 2023, the Target Group had approximately 310, 370, and 300 employees respectively in the PRC.

The Target Group recruited, employed, promoted and remunerated its employees based on their qualifications, experiences, skills, performances and contributions. Remuneration was also determined with reference to, among others, the market trend.

As at the Latest Practicable Date, the Target Group had not adopted any specific policy on bonus, share option scheme or training scheme.

SIGNIFICANT INVESTMENTS HELD

Save as the Reorganisation, the Target Group does not have other significant investments nor any material acquisitions or disposal of subsidiaries and affiliated companies for the years ended 31 December 2021, 2022 and 2023.

CHARGES ON ASSETS

Mining rights and bills receivables were pledged to secure certain facilities from banks at 31 December 2021, 2022 and 2023.

As at 31 December 2021, 2022 and 2023, Mining rights of approximately RMB10,932,000, RMB10,108,000 and RMB9,020,000, and bills receivables of approximately RMB11,120,000, Nil and RMB11,120,000, respectively, were pledged to secure borrowings and certain unused facilities from banks.

FINANCIAL GUARANTEES PROVIDED

As at 31 December 2021, 2022 and 2023, a related company which is controlled by directors of the Target Group had provided corporate guarantees amounting to RMB140,000,000, RMB128,000,000 and RMB385,000,000 respectively in favour of the banks in connection with facilities granted to the subsidiary of the Target Group. Mining rights, bill receivables and equity interests in Fushun Xingzhou owned by Zhejiang Zongchuan had also been pledged as security against the bank facilities. For details, please refer to note 22 to the historical financial information in Appendix II (Accountants' report of the Target Company) to this circular. The pledge of equity interests in Fushun Xingzhou is expected to be released upon the Completion, and no request has been made by the bank for provision of additional security by the Enlarged Group.

As at 31 December 2023, the Target Group issued financial guarantees with certain banks in respect of banking facilities granted to certain parties (the "**Financial Guarantees**") and the details are shown as below:

Guarantee	Ultimate beneficial owner	Relationship with the Target Group	Guarantee amounts
撫順宗傳礦業發展有限公司	The Wu's Family	Ultimate holding company of Fushun Xingzhou (before the Reorganisation)	RMB80,000,000
撫順宗傳礦業發展有限公司	The Wu's Family	Ultimate holding company of Fushun Xingzhou (before the Reorganisation)	RMB40,000,000

Guarantee	Ultimate beneficial owner	Relationship with the Target Group	Guarantee amounts
撫順華威礦業科技發展有限公司	The Wu's Family	Supplier of Fushun Xingzhou	RMB27,000,000
撫順市東洲區富源廢料加工廠	Independent third party of the Target Group and its related parties	Customer of Fushun Xingzhou	RMB5,000,000
劉興文	N/A	Businessman	RMB4,600,000
沈陽華鑫智能科技有限公司	Independent third party of the Target Group and its related parties	Business partner	RMB1,500,000

The Target Group is in the progress of arranging the release of releasing the Financial Guarantees. The Wu's Family and the Vendor had issue the irrevocable undertaking, jointly and severally, to use their best efforts to facilitate the release of the Financial Guarantees as early as practicable, and undertake all the liabilities that may arise from the Financial Guarantees. The undertaking given by the Wu's Family and the Vendor will remain valid upon Completion. The aggregate amounts that could be required to be paid are RMB158,100,000, if the guarantees were called upon in entirety. The Target Group considers the fair value of the contract is nil at initial recognition and the loss allowance as at 31 December 2023 are insignificant.

GEARING RATIO

As at 31 December 2021, 2022 and 2023, the paid-up capital of the Target Group was RMB30,000,000, RMB31,050,000 and RMB60,084,000 respectively.

As at 31 December 2021, 2022 and 2023, the Target Group had net current liabilities of RMB187,174,000, RMB288,798,000 and RMB143,125,000, respectively. The bank loans of the Target Group was approximately RMB140,000,000, RMB128,000,000 and RMB385,000,000 respectively as at 31 December 2021, 2022 and 2023.

As at 31 December 2021, 2022 and 2023, the equity attributable to owners of the Target Group was RMB241,608,000, RMB303,668,000 and RMB255,950,000 respectively.

As at 31 December 2021, 2022 and 2023, the gearing ratio (total borrowings over total equity) was approximately 57.9%, 42.1% and 151.3%, respectively.

CONTINGENT LIABILITIES

As at 31 December 2021, 2022 and 2023, the Target Group did not have any contingent liabilities.

FUTURE PLANS AND PROSPECTS

The iron ore industry plays a crucial role as an upstream sector for steel production, which is fundamental to various segments of the economy in the PRC. This industry consists of both domestic mining and imports, heavily influenced by industrial transformation, environmental policies, and limited domestic extraction. The Chinese government has revealed the main economic targets, including the expansion of domestic demand by the issuing of RMB3.9 trillion in local government special bonds and RMB1 trillion in extra-long term special treasury bonds, as well as promoting the construction of affordable housing. The future of the iron ore industry is closely related to the usage of the iron ore and the iron concentrate powder, i.e. the production of the steel. It is expected that there will be an advantage in steel prices, with a demand recovery expected for iron ore and iron concentrate powder with the rebound of the economy in the PRC in the second half of year 2024.

The Target Group is principally engaged in iron ore and iron concentrate powder production and sales business and holds a mining license covering an area of 0.9400 sq. km, with mineral resources of iron ore. The major products of the Target Group are iron concentrate powder, which are significantly affected by market conditions, including but not limited to global and Chinese demand and supply dynamics, and the prosperity of the steel industry.

For the three years ended 31 December 2021, 2022 and 2023, the Target Group mined, processed and sold over 1.5 million tonnes of iron concentrate powder. Subsequent to the reporting period, the Target Group successfully renewed its mining license in January 2024, with the maximum mining capacity increased to 2.90 million tonnes per year to enhance the productivity and profitability.

Looking ahead, the Target Group is strategically positioned to utilise in full the production capacity for growing demand of iron concentrate powder, and aims to optimise mining operations through its accumulated experience to maximise resource extraction efficiency while minimising environmental impact. Going forward, with the passing of inspection and acceptance by the relevant authorities for underground mining operations which is expected to be in second half of 2024, the Group will benefit from the economies of scale to reduce the overall costs, integrate with the Supply Chain Business and improve the profitability of the Target Group. The Target Group will remain promising, with anticipated growth driven by ongoing development, coupled with strategic partnerships with the long-term customers and the long-term suppliers and market diversification efforts, and is expected to achieve the competitiveness and long-term sustainability in the iron ore industry.

A. INTRODUCTION

The following unaudited pro forma financial information of the Company and its subsidiaries (collectively referred to as the "**Group**") and the Target Group (collectively referred to as the "**Enlarged Group**") (the "**Unaudited Pro Forma Financial Information**") is prepared by the directors of the Company (the "**Directors**"), in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of illustrating the effect of the proposed acquisition of entire issued share capital of the Target Company, at the consideration of RMB289,860,000, which shall be satisfied as to by the allotment and issue of the Consideration Shares by the Company (the "**Acquisition**").

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2023, which has been extracted from the published annual report of the Group for the year ended 31 December 2023; and the audited statement of financial position of the Target Group as at 31 December 2023, which has been extracted from the accountants' report thereon set out in Appendix II of the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable, as if the Acquisition had been completed on 31 December 2023.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the financial position of the Enlarged Group that would have been attained had the transaction been completed on 31 December 2023, nor purport to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the annual report of the Company for the year ended 31 December 2023 and other financial information included elsewhere in this Circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2023

	The Group as at 31 December 2023	The Target Group as at 31 December 2023	Total	Pro forma adjustment		The Enlarged Group as at 31 December 2023
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	Note (1)	*Note (2)*		*Note (3)*	*Note (4)*	
Non-current assets						
Property, plant and equipment	15,711	584,793	600,504			600,504
Right-of-use assets	20,381	104,330	124,711			124,711
Investment properties	279,418	–	279,418			279,418
Intangible assets	889	9,888	10,777			10,777
Goodwill	–	–	–	40,190		40,190
Deferred tax assets	8,080	5,205	13,285			13,285
Financial assets at fair value through other comprehensive income	1,478	–	1,478			1,478
	325,957	704,216	1,030,173	40,190		1,070,363
Current assets						
Inventories	1,769	53,579	55,348			55,348
Trade, bills and other receivables	535,095	74,240	609,335			609,335
Financial assets at fair value through profit or loss	57	–	57			57
Tax recoverable	–	10,063	10,063			10,063
Restricted cash	–	5,559	5,559			5,559
Cash and cash equivalents	85,362	694	86,056		(4,598)	81,458
	622,283	144,135	766,418		(4,598)	761,820

	The Group as at 31 December 2023	The Target Group as at 31 December 2023	Total	Pro forma adjustment		The Enlarged Group as at 31 December 2023
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	Note (1)	*Note (2)*		*Note (3)*	*Note (4)*	
Current liabilities						
Trade and other payables	70,856	120,156	191,012			191,012
Other payables and accrued charges	76,442	–	76,442			76,442
Contract liabilities	11,422	–	11,422			11,422
Borrowings	337,901	180,873	518,774			518,774
Lease liabilities	2,023	–	2,023			2,023
Tax payable	26	–	26			26
	498,670	301,029	799,699			799,699
Net current assets/(liabilities)	123,613	(156,894)	(33,281)		(4,598)	(37,879)
Total assets less current liabilities	449,570	547,322	996,892	40,190	(4,598)	1,032,484
Non-current liabilities						
Borrowings	29,407	241,164	270,571			270,571
Provision for rehabilitation	–	27,148	27,148			27,148
Lease liabilities	12,241	–	12,241			12,241
Deferred tax liabilities	40,668	–	40,668			40,668
	82,316	268,312	350,628			350,628
NET ASSETS	367,254	279,010	646,264	40,190	(4,598)	681,856

Notes to the Unaudited Pro Forma Financial Information:

(1) The balances were extracted from the audited consolidated statement of financial position of the Group as at 31 December 2023 as set out in the published annual report of the Company for the year ended 31 December 2023.

(2) The balances were extracted from the audited consolidated statement of financial position of the Target Group as at 31 December 2023 as set out in Appendix II to the Circular. The exchange rate (RMB/HKD: 1.0962) used was made reference to the exchange rate table issued by the Hong Kong Monetary Authority, which the published annual report of the Company for the year ended 31 December 2023 has used the same exchange rate.

(3) Pursuant to the Agreement dated 29 February 2024, the Vendor conditionally agreed to sell and the Company conditionally agreed to acquire the Sale Share (representing the entire issued share capital of the Target Company) in accordance with the terms and conditions of the Agreement, at the consideration of RMB289,860,000, which shall be satisfied as by the allotment and issue of the Consideration Shares at the Issue Price of HKD0.336 per Consideration Share (equivalent to the total amount of HKD319,200,000) by the Company. The completion of the Acquisition is subject to the conditions as set out in the section of "Letter from the Board" to the Circular (the "**Conditions**").

For the purpose of preparation of the Unaudited Pro Forma Financial Information, it is assumed that (i) the Target Group has fulfilled the Conditions to the Acquisition and the Acquisition will not be reversed; (ii) the pro forma fair values of the identifiable assets and liabilities of the Target Group approximate their carrying amounts as at 31 December 2023.

The Acquisition will be accounted for under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standards 3 (Revised) "Business Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

The recognition of pro forma goodwill from the Acquisition as if the Acquisition were completed on 31 December 2023 are as follows:

	HKD'000
Consideration satisfied by Consideration Shares	319,200
Net asset value of the Target Group	(279,010)
Goodwill	40,190

(4) For the purpose of the Unaudited Pro Forma Financial Information, the direct expenses and other professional services related to the Acquisition are estimated to be approximately HKD4,598,000. This adjustment will not have continuing effect on the Enlarged Group.

(5) Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2023.

(6) Subsequent to 31 December 2023, the directors of the Target Company or its subsidiaries have not recommended any dividend.

C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF PAK TAK INTERNATIONAL LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Pak Tak International Limited (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 ("**Unaudited Pro Forma Financial Information**") consists of the unaudited pro forma consolidated statement of assets and liabilities attributable to equity holders as at 31 December 2023 and related notes as set out in Part B of Appendix IV to the circular dated 28 June 2024 (the "**Circular**") issued by the Company in connection with the proposed acquisition of the entire issued share capital of Zongchuan Investment Group Co., Limited, a company incorporated in the British Virgin Islands with limited liability (the "**Target Company**") pursuant to the sale and purchase agreement dated 29 February 2024 (the "**Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's consolidated assets and liabilities attributable to equity holders of the Company as at 31 December 2023 as if the Acquisition had taken place on 31 December 2023. As part of this process, information about the Group's consolidated financial position as at 31 December 2023 has been extracted by the Directors from consolidated financial statements of the Group for the year ended 31 December 2023 as set out in the published annual report.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited 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 Management

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 behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements* issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or 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 Unaudited 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 Unaudited 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 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 Unaudited 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 purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited 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 Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition 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 the Acquisition at 31 December 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited 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 Unaudited 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited 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 Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma 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:

a. the Unaudited Pro Forma Financial Information has been properly compiled by the Directors 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 Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Leung Yun Wa
Practising Certificate Number: P08096

Hong Kong, 28 June 2024

Suite 1101–4, 11/F, Harcourt House
39 Gloucester Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806

28 June 2024

Pak Tak International Limited
20/F, One Continental,
No. 232 Wan Chai Road,
Wan Chai, Hong Kong

Case Ref: ML/OT8354/JAN24

Dear Sir/Madam,

Re: Competent Person's Report concerning the Fushun Xingzhou Mineral Limited Luobokan Iron Ore Project in Liaoning, China

Pak Tak International Limited (the "**Company**") commissioned Roma Oil and Mining Associates Limited ("**ROMA**") to provide a Competent Person's Report (the "**Report**") for the Fushun Xingzhou Mineral Limited Luobokan Iron Ore Project ("**撫順興洲礦業有限公司蘿蔔坎鐵礦**") located in Liaoning, China (the "**Project**").

The purpose of this report is to provide information on the background of the project, completed scope of works, sources of information, basis of opinion, the mining, exploration, location, current status and findings, resources estimate, and recommendations.

Our report is to be used for the specific purposes stated herein and any other use is invalid. No one should rely on our report as a substitute for their due diligence. No reference to our name or our report, in whole or in part, in any document prepared or distributed to third parties may be made without our written consent. All files, work papers, documents, and models developed by us during the engagement will remain our property.

Yours faithfully,

For and on behalf of

Roma Oil and Mining Associates Limited

Date and Signature Page

This report has been prepared and signed for by the following Competent Person. The effective date of this report is 28 June 2024

Signed and dated 28 June 2024.

____

Philip A. Jones
Principal Geologist
MAusIMM, MAIG
Competent Person
Contributor: Samantha Wan (Senior Geologist), Michael Li (Project Geologist)

Statement of Qualification of the Competent Person

I, Philip A. Jones, hereby confirm that:

- I have carried out the assignment for Roma Oil & Mining Associates Limited, located at Suite 1101–4, 11/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong SAR.
  Tel: (852) 2529 6878 Fax: (852) 2529 6808
  Email: info@romagroup.com

- I am the Competent Person in this report titled "COMPETENT PERSON'S REPORT: LUOBOKAN IRON ORE PROJECT, PEOPLE'S REPUBLIC OF CHINA".

- I obtained a B.AppSc. in applied geology from The South Australian Institute of Technology in 1974.

- I have over forty-nine years of continuous experience as a geologist in exploration, prospect evaluation, project development, open pit and underground mining, and resource estimation, as well as various senior mining management roles for various mineral resources companies. I also provide technical guidance for ROMA's geology team.

- I am a Member of the Australasian Institute of Mining and Metallurgy (AusIMM).

- I am a Member of the Australian Institute of Geoscientists (AIG).

- I have neither present nor prospective interests in the Company, the Project, or the assets reported herein.

- I am not aware of any material fact or material change with respect to the subject matter of the report that is not reflected in the report.

- I confirm that this report has been prepared consistent with the guidelines set by the Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves ("**The JORC Code**") for Independent Expert Reports.

Signed and dated 28 June 2024

Philip A. Jones
Principal Geologist
MAusIMM, MAIG
Competent Person

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1 SUMMARY

Pak Tak International Limited (the "**Company**") commissioned Roma Oil and Mining Associates Limited ("**ROMA**") to provide a Competent Person's Report (the "**Report**") for the Luobokan Iron Ore Project located in Liaoning, China (the "**Project**").

The Project is located in Dongzhou District, Fushun, Liaoning Province, China, approximately 55 km east of the city centre of Shenyang. The Project can be accessed from the city centre of Shenyang by car along a sealed highway in approximately one hour. The operation conducted open pit mining from 2004 to 2019 before converting entirely underground mining in 2022.

ROMA have carried out two visits to the site for inspection of the mine and infrastructure and verification sampling.

The JORC Code (2012) Mineral Resource estimate for the Luobokan Iron Ore Project, at a 10% mFe lower cut-off grade, at 29 February 2024 is as follows:

Resource Category	Million Tonnes	mFe%
Indicated	34.3	18.23
Inferred	33	15.53
Total	67.3	16.95

Table 1–1 2024 Mineral Resource Estimate at 29 February 2024 for Luobokan Iron Ore Project

An additional exploration target of resource is estimated at:

	Million Tonnes		**Million Tonnes**
Exploration Target	50	to	100
	mFe%		**mFe%**
	12	to	17.00

Table 1–2 Resource estimate for exploration target of Luobokan Iron Ore Project

**Note:* The potential quantity and grade of an Exploration Target is conceptual in nature so the tonnes and grade are expressed as ranges as there has been insufficient exploration to estimate a Mineral Resource. Furthermore it is uncertain if further exploration will result in the estimation of a Mineral Resource.

2 INTRODUCTION

The Company commissioned ROMA to provide an Independent Geological Report for the Fushun Xingzhou Mineral Limited Luobokan Iron Ore Project ("撫順興洲礦業有限公司蘿蔔坎鐵礦") currently operating in Liaoning, China (the "**Project**").

This evaluation has been carried out in accordance with the Joint Ore Reserves Committee Code, 2012 edition (the "**JORC Code**"). This report has been prepared and supervised by the Competent Person who is qualified under rules 18.21 and 18.22 governing the Listing of Securities for The Stock Exchange of Hong Kong (HKEx).

2.1 The Issuer

Pak Tak International Limited (the "**Company**", Stock code: 2668) is an investment holding company and was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 December 2001.

The Group's subsidiary, Shenzhen Golden Flourish Supply Chain Limited ("**SZGF Supply Chain**") was incorporated in February 2017, a company established under the laws of the PRC with limited liability, as a logistics and supply chain business.

SZGF Supply Chain mainly focuses on the sourcing and distribution of non-ferrous metals and construction materials. It also provides value-added services including, but not limited to, inventory management and logistics support to broaden the income stream from such business. Its customers include major non-ferrous metals mining and production companies and integrated infrastructure companies in the PRC.

2.2 Scope and Purpose of the Report

ROMA's work program involved two phases:

- Phase 1: review of information provided; perform site visits to the Project's operations; including a site inspection of the on-site laboratory and certified laboratory; discussions with mine site personnel regarding the project and future plans and to collect and review further documents.

- Phase 2: analysis of the data acquired during Phase 1, confirm the remaining Mineral Resources as estimated by Liaoning Provincial 10th Geological Brigade Co. Ltd, compile the first draft of the report, review additional data and finalise the report.

2.3 Sources of Information

Information obtained from the Fushun Xingzhou Mineral Limited (hereafter "**Xingzhou Mineral**") included geological maps, historical drill logs, underground mine designs, geochemical soil data, trench sampling data, historical drilling data and Chinese reports detailing previous exploration and reserve estimates. The Chinese reports were completed by the 10th Geological Brigade of Liaoning Province ("**遼寧省第十地質大隊**"), and are in compliance with the Chinese National Standards. These reports were translated into English for use as references.

2.4 Review Methodology

Data was reviewed by ROMA to confirm its authenticity by cross referencing local grid location data provided with real world coordinates. Other information such as sample data was compiled digitally, reviewed and analysed. The review confirmed that the data in the reports and other data provided by the Xingzhou Mineral's geologist were consistent.

2.5 Site Visit

ROMA conducted two site visits in March 2024 inspecting the general geology and style and controls of the iron ore mineralisation and inspected the Project infrastructure. Samples were collected for independent analysis to confirm mining and concentrate production grades. These visits achieved a better understanding of the Project and ensured the sampling procedures used for Mineral Resource estimation were in compliance with the guidelines of the JORC (2012) Code.

2.6 Authorisation

The Report is intended only for the use of whoever it is addressed. ROMA assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this Report. If others choose to rely in any way on the contents of this Report they do so entirely at their own risk. The title to the Report shall not pass to the Company until all professional fees have been paid in full.

2.7 Statement of Independence of ROMA

This Report is independent of the Company, its directors, senior management and advisers. Neither ROMA nor any of the authors of the Report have any material existing or contingent interest in the outcome of the 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 ROMA.

Roma has not had any association with the Company until the commencement of this Report. ROMA has no beneficial interest in the outcome of the technical assessment conducted in connection with the preparation of this Report capable of affecting its independence. ROMA's fee for preparing the Report is based on its normal professional daily rates plus reimbursement for incidental expenses. The payment of ROMA's professional fee is not contingent upon the outcome of this Report.

The title of this Reports does not pass to the Client until all professional fees has been paid in full. ROMA's Reports are to be used only for the purpose stated herein. Any use or reliance for any other purpose, by you or third parties (other than the HKEx and the auditor), is invalid. You may show our Reports in its entirety to those third parties who need to review the information contained therein. No reference to our name or our Reports, in whole or in part, in any document you prepare and/or distribute to third parties (other than the HKEx, the auditors and any parties who work for the Client) may be made with written notification to ROMA.

2.8 Warranties

The Company has represented in writing to ROMA 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.

2.9 Indemnities

The Company has provided ROMA with an indemnity under which ROMA is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from ROMA's reliance on information provided by Xingzhou Mineral which is inaccurate or incomplete; or

- which relates to any consequential extension workload through queries, questions or public hearings arising from the Report.

2.10 Consents

ROMA consents to the Report being included, in full, and the reference to ROMA's name and names of the authors of the Report in the public documents to be issued by the Company, in the form and context in which the technical assessment is provided, and not for any other purpose.

2.11 JORC and the Chinese Resource Classification System

The current Chinese Resource Classification System uses a three-dimensional matrix based on degrees of confidence in Economic, Feasibility, and Geological evaluations. The resulting classification is categorized by a three number code and either "Resource" or "Reserve" status. This system meets the standards of the United Nations Framework Classification proposed for international use in 2004.

The JORC and Chinese codes can be difficult to reconcile and evaluate, particularly in the absence of any other supporting data on which the resource estimate was based. Given our obligations under JORC and Valmin as members of the AusIMM and/or AIG, the Competent Person must provide a comparison of how JORC non-compliant resource estimates broadly fit the JORC classification categories. Table 2–1 provides a rule of thumb comparing the Chinese Classifications with JORC (2004), which project evaluation teams can use.

Initially, this rule of thumb comparison can be used during project evaluation, to understand the level of detail that should have been incorporated into the resource estimate. However, any detailed analysis of the resource requires a thorough review of these data before assigning a definitive classification under JORC.

Old Classification		A & B		C			D	E & F
New Classification								
"E" Economic Evaluation (100)	Designed mining loss accounted	Recoverable Reserve (111)	Probable Recoverable Reserve (121)		Probable Recoverable Reserve (122)			
	Designed mining loss not accounted (b)	Basic Reserve (111 b)	Basic Reserve (121 b)		Basic Reserve (122 b)			
Marginal Economic (2M00)		Basic Reserve (2M11)	Basic Reserve (2M21)		Resource (2M22)			
Sub-Economic (2S00)		Resource (2S11)	Resource (2S11)		Resource (2S22)			
Intrinsically Economic (300)		-	-	Resource (331)		Resource (332)	Resource (333)	Resource (334)
"F" Feasibility Evaluation		Feasibility (101)	Pre-Feasibility (020)	Scoping (030)	Pre-Feasibility (020)	Scoping (030)	Scoping (030)	Scoping (030)
"G" Geological Evaluation		Measured (001)			Indicated (002)		Inferred (003)	Predicted (004)
JORC							Unclassified or Exploration Potential	
					Inferred			
			Probable Reserve OR Indicated Resource					
		Proved/Probable Reserve OR Measured Resource						

Table 2–1 Comparison between Chinese and JORC Mineral Resource and Ore Reserve classifications (after SRK News Issue #36)

2.12 Iron Ore

Xingzhou Mineral sells iron ore concentrate produced at the Luobokan Iron Ore Project to nearby steel smelters. These concentrates must meet the following specifications or penalties apply:

TFe≥ 65%; SiO_2≤ 8%; S≤0.5%; TiO_2≤ 0.4%; C≤ 0.2%; P≤0.19%.

3 PROPERTY DESCRIPTION AND LOCATION

3.1 Location of the Project

The Fushun Xingzhou Mineral Limited Luobokan Iron Ore Project is located in the Taigou Village of Dongzhou District, Fushun City, Liaoning Province, China, approximately 55 km east from the city centre of Shenyang, the provincial capital and the largest city of Liaoning (Figure 3–1).

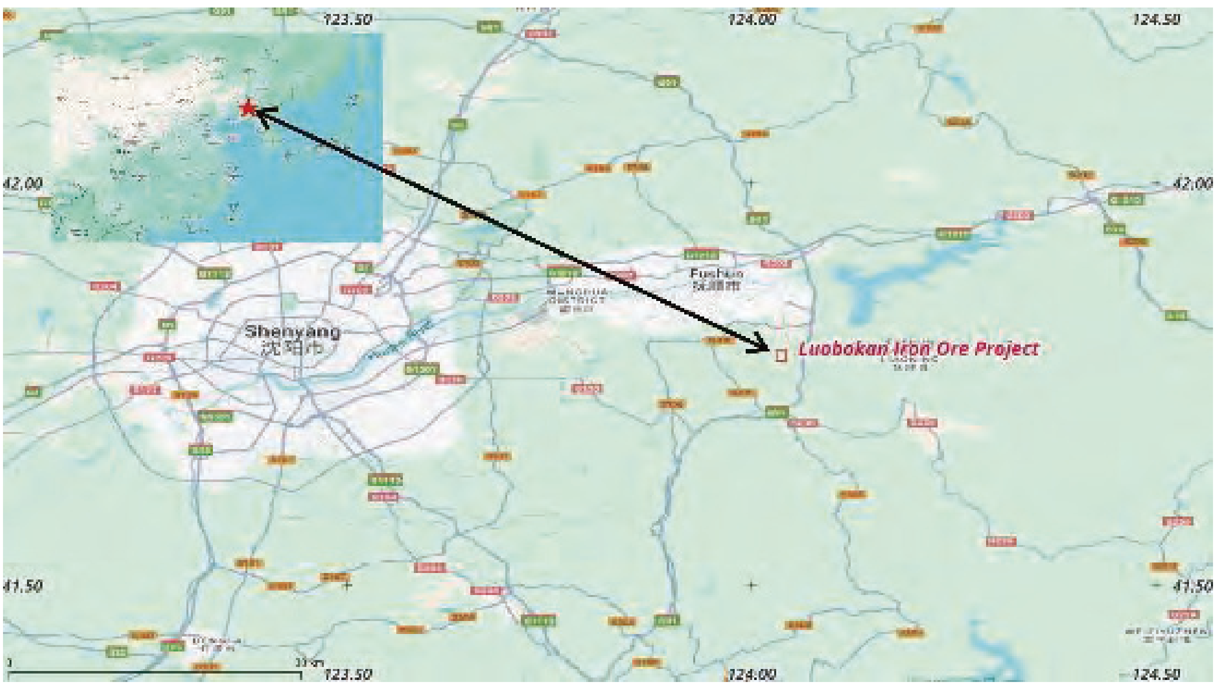


Figure 3–1 Location of Luobokan Iron Ore Project

The Project site can be accessed from Shenyang by car along a sealed highway in approximately 1 hour and 15 minutes. The sealed road is in good condition from Shenyang to Dongzhou District of Fushun City. The last 2 km to site is via a local road (Figure 3–2), after turning off the highway.

Figure 3–2 Unsealed road to site

3.2 Project Ownership and Licenses

The mining license; number C2100002009102110041604, is held by Xingzhou Mineral ("**撫順興洲礦業有限公司**"). A copy of the mining license is attached as APPENDIX C and summarised in Table 3–1 with the corner coordinates listed in Table 3–2.

License Type	Mining license
License Number	C2100002009102110041604
Holder	Fushun Xingzhou Mineral Limited
Address	Fushun City Dongzhou District Nianpan Township Taigou Village
Mine Name	Fushun Xingzhou Mineral Limited Luobokan Iron Ore Mine
Ore Type	Iron Ore
Mining Method Allowed	Underground mining
Max. Mining Capacity	2.90 million tonnes per year
Area	0.9400 square kilometre
Validity	8 January 2024 to 8 July 2049
Elevation	140m to -320m

Table 3–1 Summary of the mining license

Point	Xi'an geodetic coordinate system 1980 (Xi'an 1980)		China Geodetic Coordinate System 2000 (CGCS 2000)	
	X	Y	X	Y
1	4629065	41585552	4629057	41585670
2	4629065	41586152	4629057	41586270
3	4627765	41586452	4627757	41586570
4	4627665	41585952	4627657	41586070
5	4628165	41585552	4628157	41585670

Table 3–2 Vertex coordinates of mining license

The business license and safety production licenses for mining production and processing plants operation required by the local government have been verified by ROMA for validity. The copy of license certificates are presented in Appendix E and F respectively.

According to the Project's Mining Right Valuation Report Abstract ("**撫順罕王興洲礦業有限公司採礦權價值評估報告摘要**") as at 30th June 2023, there is no other mineral claims in the area covered by the mining license, and the ownership of lands of this Project belongs to the local government of Dongzhou District of Fushun City therefore there is no ancestral or native claims over the lands of this Project.

No known impacts on the sustainability of the Project operation by any non-governmental organizations.

3.3 Environmental Liabilities

The Project does not affect any important transport or building infrastructure, nor is it proximal to any environmental protection districts or important water sources, hence there are no known environmental liabilities except for the project site to be restored according to mining regulations after mining ceases.

According to the Project's *Geological Environment Protection and Land Restoration Plan* ("**撫順罕王興洲礦業有限公司(鐵礦)礦山地質環境保護與土地復墾方案**") submitted to the local government's lands department in January 2020, the total area of land to be restored by the end of the Project is 21.5648 hectares (ha) which includes the land affected by both open pit and underground operations.

Once the mine closes, i.e. from July 2049, the Project has one year to complete all the necessary site restoration and land reclamation followed by another three years, i.e. by July 2053, for vegetation restoration and management.

Xingzhou Mineral commenced restoration of the open pits in 2016 after the mining transitioned underground. A total of 5.61 ha, including the two completed open pits, was restored between 2016 and 2018. The restoration of other land affected by open pit operations will be carried out in stages during current mining operations along with progressive restoration of land affected by the current underground operations and other mining infrastructure including roads and office buildings etc. The schedule of land restoration is summarized in Table 3–3.

Regarding the funding for rehabilitation and restoration of lands to both open pit and underground mining operations and related infrastructures, the provisional fund had been estimated in the *Geological Environment Protection and Land Restoration Plan* which had been approved by the local government. It was required by the local government to deposit a fund of RMB 1.2 million along with a deposit of RMB 3.8 million for environmental governance which were fulfilled in 2017 and 2016 respectively.

Phase	**Time Period**	**Restoration Target**	**Restoration Work**	**Unit**	**Amount of work**
1–1	2020.04~2021.04	Open Pit	Pit reclamation	km^3	1572.1
		Environmental surveillance	Surveillance point	Point	140
1–2	2021.04~2022.04	Open Pit	Pit reclamation	km^3	1650.7
		Tailing pond 1	Land flattening	hm^2	0.6221
		Tailing pond 2	Land flattening	hm^2	1.4889
		Environmental surveillance	Surveillance point	Point	140
1–3	2022.04~2023.04	Open Pit	Pit reclamation	km^3	1729.3
		Environmental surveillance	Surveillance point	Point	140
1–4	2023.04~2024.04	Open Pit	Pit reclamation	km^3	1823.8
		Environmental surveillance	Surveillance point	Point	140
1–5	2024.04~2025.04	Open Pit	Land flattening	hm^2	15.1973
		Environmental surveillance	Surveillance point	Point	140
2	2025.04~2030.04	Environmental surveillance	Surveillance point	Point	700
3	2030.04~2049.07	Environmental surveillance	Surveillance point	Point	2660
4	2049.07~2050.07	Office area	Land flattening	hm^2	0.7204
			Building demolishment	m^3	195
			Refill	m^3	9457.55
			Sealing	m^3	424.1
		Shaft	Land flattening	hm^2	0.0140
		Industrial area	Land flattening	hm^2	0.4294
			Building demolishment	m^3	200
		Topsoil pad	Land flattening	hm^2	1.2400
		Roads	Land flattening	hm^2	1.0929
		Tailing pond 3	Land flattening	hm^2	0.7598

Table 3–3 Geological environment restoration schedule.

4 CLIMATE, LOCAL RESOURCES, PHYSIOGRAPHY AND INFRASTRUCTURE

4.1 Climate

The Project is located in a mid-temperate zone with a continental monsoon climate. There is a large seasonal range of temperatures, varying between a minimum of -33°C in winter and a maximum of 38°C in summer. Frosts generally last for approximately 140 days between December and March, with the depth of frost normally around 1.2 m. The average depth of frozen soil in winter is 91 cm which usually defrosts in mid-March.

Snowfall usually starts in late November and continues through to early April, with snow falls generally around 10 to 15 cm. The average annual precipitation is 720.6 mm with 50% of annual rainfall occurring during the rainy season in July and August.

4.2 Local Resources

Liaoning is rich in resources and its products generally have local characteristics. Ginseng, sable fur and furry antler; famed as the "three great treasures of the Northeast", are important exports of the province. Other famous local specialities include tussah silk (an ideal material for blouses, shirts, skirts, "kimono" dresses, curtains, table-cloth, quilt-cover, etc.), prawns, sea cucumbers and abalone. In addition, local arts and crafts are also well-known, such as jade, black amber carvings, amber ornaments, glassware, and feather patchwork, shell carving pictures, artistic ceramics, scrolls and calligraphy. The province also has strong agriculture and mining economies. Main agricultural crops include corn, soybeans, sorghum, millet, pears and apples. Special plantations for tobacco and mushrooms have also been developed. Iron ore is the main mining product along with magnesite, talc, gold, silica and fluorite.

4.3 Physiography

The mining concession has a relatively gentle topography with an elevation range between 104 mRL and 140 mRL. No destructive earthquakes or other natural disasters like landslides or mudflows have occurred in the area. Vegetation cover in the region was dense on the thick Quaternary soil however much of the natural land surface within the concession has been affected by the open pit mining operation.

4.4 Infrastructure

More than half of those employed in the region are dependent on agriculture for their livelihood, hence farms are abundant along the valleys throughout the region.

The local industrial sector is mainly focused on mining and processing of iron ore. The supply of electricity, water and manpower is sufficient for the continued operation of the mine.

4.4.1 Roads

Fushun City is served by the 399 km long high-speed G91 Central Liaoning Ring Expressway, which encircles the city of Shenyang and central Liaoning, and passes within 2 km of the Project. The well-developed network of China National Highways including S106 and S230 provides alternative routes to access Shenyang and other nearby cities in China.

4.4.2 Railways

The Project is 4 km from the railway station of Fushun Commuter Rail ("**撫順電鐵**") operated by the Fushun Mining Group Co. Ltd covering the city of Fushun and its peripherals. The operation of public transportation service has been suspended since 2009 while cargo service remains in service.

4.4.3 Electricity

A high voltage power line passes through the Project area providing power to the site.

4.4.4 Water

Water supply is abundant in the Project area. Water for the mining operations is sourced from the Dongzhou River which runs near the Project while domestic water is mainly sourced from underground aquifers in adjacent river valleys.

4.5 Mining Personnel

Most of the labour responsible for the mining operations, logistics, cooking and miscellaneous activities for the Project is sourced locally. Some of the senior staff and management are recruited from other provinces and reside in the site dormitory.

5 HISTORY

The Project commenced open pit mining when the initial mining license was granted in December 2003. The mining license was converted to open-pit/underground mining in 2006 although the actual operation continued as open-pit only until the end of 2021.

5.1 Prior Ownership

The first operator of the Project, Xingzhou Mineral (撫順興洲礦業有限公司), obtained the initial mining license in 2003. The Project adopted the same name as the license holder "Fushun Xingzhou Mineral Limited" until the China Hanking Holdings Limited (中國罕王控股有限公司) completed the acquisition of the Project through its 100% holding subsidiary in 2010. Following the change in Project ownership the mining license was transferred to "Fushun Hanking Xingzhou Mineral Limited" (撫順罕王興洲礦業有限公司) in 2016 and the name of the Project was changed to the same.

China Hanking Holdings Limited sold the Xingzhou Mineral to Fushun Zongchuan Mining (撫順宗傳礦業發展有限公司) in 2017, which was later 100% transferred to the Zhejiang Zongchuan Holdings Limited (浙江宗傳控股有限公司) in 2021. A new shareholder, 共青城中惟興洲股權投資合夥企業(有限合夥), became a small shareholder in Xingzhou Mineral in 2022. The mining license was transferred back to Xingzhou Mineral upon the renewal of mining license in January 2024 with the project becoming an entirely underground mining operation and the Project name changed to "Fushun Xingzhou Mineral Limited Luobokan Iron Ore Mine" (撫順興洲礦業有限公司蘿蔔坎鐵礦).

Shareholder	Shareholding (%)
浙江宗傳控股有限公司	96.62
共青城中惟興洲股權投資合夥企業(有限合夥)	3.38

Table 5–1 Shareholding structure of Xingzhou Mineral.

5.2 Historical Work

Mineral exploration has been carried out in the Project area since the 1958 by various parties as summarised in Table 5–2.

Year	Work	Contractor
1958	1:100,000 Aeromagnetic survey	The former aerial survey team 906 of the Ministry of Geology
1958–1959	Regional geological survey	Benxi Geological Brigade
1971	Regional geological investigation	The former Fushun Geological Brigade
1974	1:50,000 Aeromagnetic survey	Aerial survey team 2 of the Geophysical Exploration Company of the Ministry of Metallurgy
1989–1990	1:50,000 (Zhangdianzi) area Regional geological survey	Changchun Institute of Geology
2003	Shallow holes drilling at Liuzong-Pingshanzi Village area	The 10th Geological Brigade of Liaoning Province
2005	Detailed geological investigation	The 10th Geological Brigade of Liaoning Province
2011	Resource verification	The 10th Geological Brigade of Liaoning Province

Table 5–2 Historical work of the Project

5.3 Historical Resource Estimates

A number of resource estimates have been produced for the Project based on exploration campaigns described as follows.

Note that Chinese Standards require the quoting of tonnage estimates to many more significant figures than are permitted by the JORC Code. The following Chinese resource estimates quote the tonnages for 332 and 333 categories to the nearest million tonnes and for 122b to the nearest hundred thousand tonnes rather than the original nearest hundred tonnes to reflect the level of confidence of the tonnage estimates and to conform with the JORC Code (2012).

5.3.1 2003 Resource Estimate

The first mineral resource estimate was completed in 2003 by the 10th Geological Brigade of Liaoning Province which allowed Xingzhou Mineral to apply for a mining license for the Project. A resource estimate of 1,998 kt (122b+333 category in Chinese standard) was reported to the government for mining license application with total Iron (TFe) adopted for the assay in this resource estimate.

5.3.2 2005 Resource Estimate

Following further detailed geological surveys in 2005 the 10th Geological Brigade of Liaoning Province reported a new Mineral Resource estimate for 8 orebodies as summarized in Table 5–3. Magnetic iron (mFe%) assays were adopted for this Mineral Resource Estimate.

Resource Category (Chinese Standard)	**Million tonnes**	**Average Grade (mFe%)**
332	28	–
333	15	–
332+333	**43**	**22.7%**
Sub-marginal resource 2S22	43	–

Table 5–3 Resource estimate in 2005

5.3.3 2011 Resource Estimate

The 10th Geological Brigade of Liaoning Province was commissioned to carry out further resource verification work for an enlarged license area application in 2011. Resource estimates for both the original license boundary and the proposed enlarged license boundary were reviewed although the application was not successful. The parameters adopted for 2011 resource estimate are:

Lower cut-off grade:	mFe ≥ 15%
Industrial grade:	mFe ≥ 20%
Minimum minable thickness:	4m
Maximum thickness of waste inclusion:	3m

The results are summarised in Table 5–4.

	Resource Category (Chinese Standard)	**Million tonnes**
Within License Boundary	Industrial Grade resource (332+333)	47
	Low-Grade resource (332+333)	67
	Total resource (332+333)	**114**
Additional resource after enlarging license area		11
Total resource after enlarging license area	**332+333**	**125**

Table 5–4 March 2011 Resource estimate

This Mineral Resource was updated in December 2011 by deducting ore produced after the previous resource estimate, Table 5–5. Since the application for expansion of tenement area was not successful, the ore produced and mining loss was deducted from orebodies within the original license boundary. The resource that lies outside the valid tenement boundary was considered as potential resource but remains as a part of the total resource of the Project.

	Resource Category (Chinese Standard)	**Million tonnes**
Resource remained as of December 2011	122b	28.4
	332	5
	333	92
	Total (122b+332+333)	**125.4**

Table 5–5 December 2011 Resource update

Mining operation was suspended between December 2011 and October 2016. The Mineral Resource updates in November 2017 and 2018 were made respectively by deducting mined ore from the previous year's resource as shown in Table 5–6.

	Resource Category (Chinese Standard)	Million tonnes
Nov 2017	122b	28.4
	332	5
	333	91
	Total Resource (122b+332+333)	**124**
Nov 2018	122b	28.4
	332	5
	333	90
	Total Resource (122b+332+333)	**123.4**

Table 5–6 Reported resource updates in 2017 and 2018

The breakdown of estimated total resource, within and outside the mining concession, as at November 2018 is detailed in Table 5–7.

	Reported 2018 resource (Million tonnes)			
	122b	**332**	**333**	**122b+332+333**
Within license	27.0	5	80	112.0
Outside license	1.4	–	10	11.4
Total	**28.4**	**5**	**90**	**123.4**

Table 5–7 2018 reported resource breakdown by location

5.3.4 2019 Resource Estimate

Another Mineral Resource estimate for the Project was made in April 2019 by the 10th Geological Brigade of Liaoning Province to justify an application to increase the mine production capacity from 1 million t/a to 2.9 million t/a while changing the mining operations from open pit and underground to entirely underground. The resource estimate was based on historical drilling and trenching along with one additional drill hole (ZK14–1) with a length of 600.3m. The resource estimate was Chinese Standard compliant with the following parameters:

Lower cut-off grade:	mFe ≥ 10%
Industrial grade:	mFe ≥ 20%
Minimum minable thickness:	4m
Maximum thickness of waste inclusion:	3m

It should be noted that in the 2019 Mineral Resource estimate the lower cut-off grade was reduced from mFe ≥ 15% to mFe ≥ 10% contributing to the increase of resource tonnes along with the additional exploration work. The reviewed and approved Mineral Resource estimates in 2019 are summarized in Table 5–8 and the breakdown of resource estimate by orebody is shown in Table 5–9.

Resource type	Resource Category (Chinese Standard)	Million tonnes	Average Grade (mFe%)
Industrial Grade	122b	40.4	23.10
	333	10	23.33
	Total Industrial Grade Resource (122b+333)	50.4	23.14
Low-Grade	332	69	15.23
	333	17	15.31
	Total Low-Grade Resource (332+333)	86	15.25
Total Resource	**122b**	**40.4**	**18.15**
	332	**69**	
	333	**27**	
	122b+332+333	**136.4**	

Table 5–8 April 2019 Resource Estimate

Orebody	Industrial Grade Resource (Million tonnes)				Low-grade Resource (kt)			
	122b	333	122b+333	mFe%	332	333	332+333	mFe%
I	–	–	–	–	5	2	7	14.82
II	0.1	0	0.5	22.77	13	5	19	14.62
III	34.2	6	39.7	23.08	29	2	32	15.41
III1	0.0	0	0.1	21.73	9	2	11	15.99
IV	3.1	3	6.0	22.26	2	1	2	15.93
V	–	–	–	–	1	2	3	16.00
VI	–	–	–	–	0	1	2	17.35
VII	2.7	0	2.9	26.24	5	1	6	16.20
VIII	–	0	0	20.73	3	0	3	15.75
IX	–	–	–	–	–	0	0	15.15
X	–	–	–	–	–	0	0	12.07
XI	–	–	–	–	–	0	0	14.27
XII	–	–	–	–	–	1	1	12.45
Total	40.4	10	50.4	23.14	69	17	86	15.25*

Table 5–9 2019 Resource estimate breakdown by orebody

**Note:* The original table (Table 9) in the "2019 Resource Review Report" stated the average grade of total low-grade resource was 15.38% mFe, but the report text stated it was 15.25% mFe which matches other reports that mentioned the same figure, the figure is therefore corrected to 15.25%mFe.

Annual resource updates had been subsequently reported based on the 2019 resource estimate by deducting produced ore and mining losses from the resource balance. Resource updates from 2019 to 2021 are summarized in Table 5–10.

Resource update	Resource Category (Chinese Standard)	Million tonnes	mFe%
October 2019	122b	28.4	
	332	5	
	333	88	
	Total Resource (122b+332+333)	**121.8**	
November 2020	122b+332	31.9	
	333	88	
	Total Resource (122b+332+333)	**120.2**	
December 2021	122b+332	30.7	
	333	88	
	Total Resource (122b+332+333)	**119.0**	
	Probable Reserve	28	
December 2022	122b+332	30.7	19.19
	333	87	15.96
	Total Resource (122b+332+333)	**117.9**	

Table 5–10 2019–2022 resource update

5.4 Historical Production

The mining operation before 2011 had been open pit, focusing on the shallow portions of Orebodies I to III forming two pits (Pits 1 and 2). These pits were then abandoned and have since been rehabilitated. Mining was suspended between December 2011 and May 2017 due to the low market price for iron ore. Mine production resumed on May 26 2017 on orebodies VII and VIII forming a pit (Pit 3) with dimensions of approximately 455 m east-west and 493m north-south.

The reported mining production from 2011 to 2019 are summarized in Table 5–13.

Year	Mined Ore (kt)	Mining Losses (kt)	Total Ore Reduced (kt)
2011	31.77	0.98	32.75
2017	644.41	41.13	685.54
2018	933.30	59.57	992.87
2019	1,409.16	89.95	1,499.11

Table 5–11 Historical production record open pit mining by 2019

Starting in 2020, the mining operation transitioned to a combination of open-pit and underground operations. No specific breakdown is available for the ore produced by resource category in 2020 and 2021, Table 5–12. The ore recovery for open-pit and underground mining were 94% and 85% respectively with dilution rates of 6% for open pit and 15% for underground mining.

Year	Mined Ore (kt)	Mining Losses (kt)	Total Ore Reduced (kt)
2020	1,567.75	100.07	1,667.82
2021	1,151.58	73.49	1,225.07

Table 5–12 2020–2021 production record

Ore production was entirely from underground from 2022. The production capacity remained at 1 million t/a until January 2024 when a new mining license was issued permitting a production rate of 2.9 million tonnes per annum. The recovery rate during this period was 85% with a mining loss of 15%.

Year of production	Resource Category	Mined Ore (kt)	Mining Losses (kt)	Total Ore Reduced (kt)	Average grade of ore mined (%mFe)
2022	333 (TD)	843	149	992	15.96
2023		–	–	–	

Table 5–13 2022–2023 production records

It should be noted that the above historical production records refer to the production of industrial grade reserve classified by the Chinese reserve standard. Any production to non-industrial grade resources is not presented in these records.

6 GEOLOGICAL SETTING AND MINERALISATION

6.1 Regional Geology

The Project is located within the Liaodong Peninsula Belt, east of the Tan-Lu Fault, forming part of the north-eastern segment of the North China Craton. This region consists of Early Archean to Paleoproterozoic basement rocks overlain by Mesoproterozoic to Cenozoic cover (Yang et al., 2007). The Late Archean basement rocks consist of 2.5-billion-year-old diorite–tonalite–granodiorite suites which were deformed during the Paleoproterozoic and Early Cretaceous.

The Paleoproterozoic orogenic belt at the eastern margin of the Eastern Block of the North China Craton called the Jiao-Liao-Ji Belt (Figure 6–1) consists of greenschist to lower amphibolite facies sedimentary and volcanic successions and associated granitic and mafic intrusions (Zhao et al., 2005). The Paleoproterozoic rocks (the Liaohe Group) unconformably overlies the Late Archean rocks being deposited and then metamorphosed during a 1.9-billion-year-old orogenic event. Subsequently, the Liaodong Peninsula was covered by thick sequences of Mesoproterozoic to Neoproterozoic and Palaeozoic sediments.

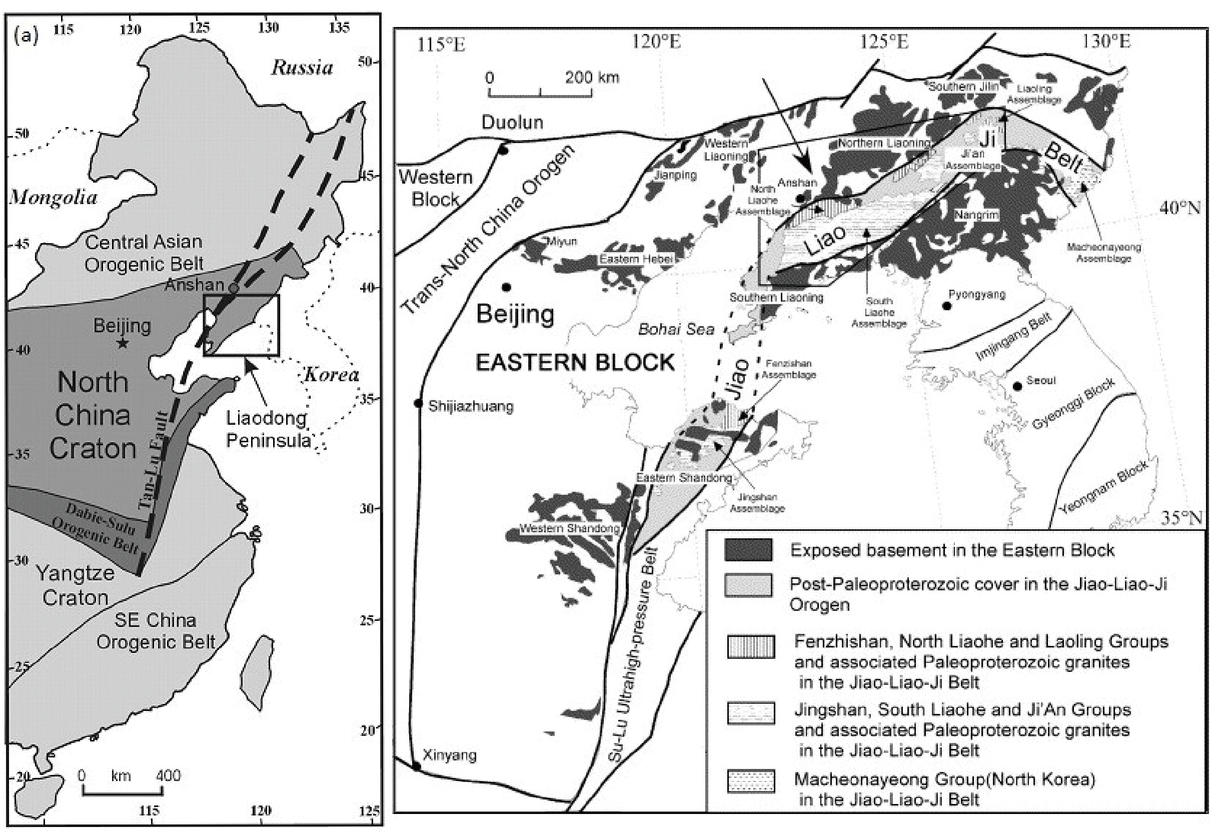


Figure 6–1 (a) Simplified geological map of northern and eastern China; (b) Map of the Paleoproterozoic Jiao-Liao-Ji Belt (Zhao *et al*. 2005; Yang *et al*. 2007)

6.1.1 Stratigraphy

The main lithostratigraphic unit of the Jiao-Liao-Ji Belt is the Liaohe assemblage, which is sedimentary-rich and transitional from a lower arkose and volcanic-rich sequence, through to a carbonate-rich sequence, to an upper argillaceous-rich sequence (Li *et al.*, 2005). The lithostratigraphic units of the Liaohe assemblages are shown in Figure 6–2.

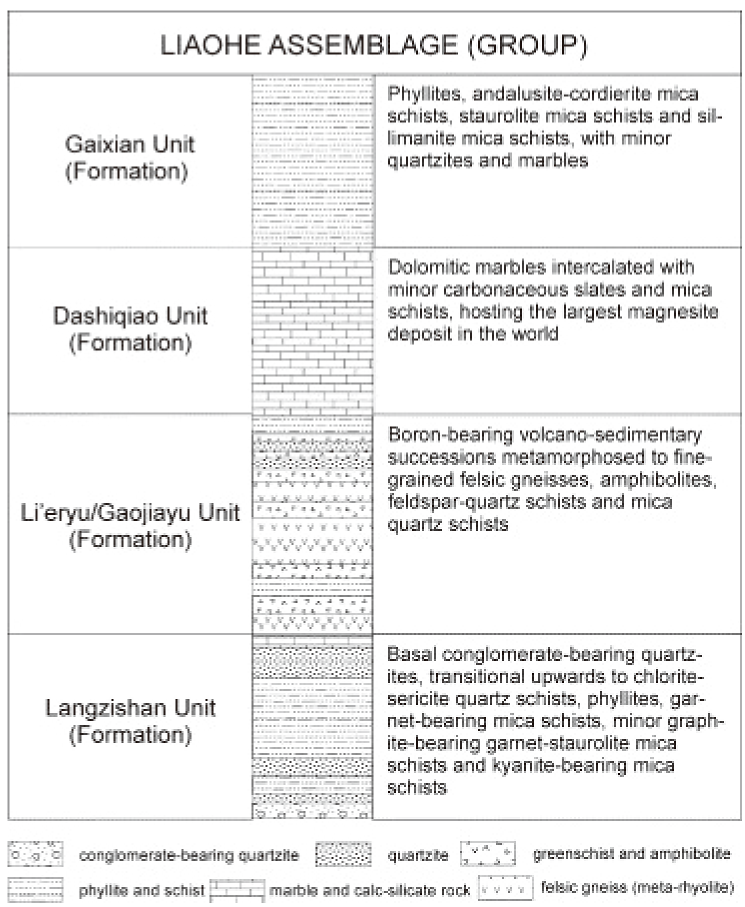


Figure 6–2 Lithostratigraphic units of the Liaohe assemblage (Li *et al.*, 2005)

Mesozoic intrusive rocks are widely distributed in the Liaodong Peninsula and cover an area of approximately 20,000 km^2 (Figure 6–3). Magmatism mostly occurred in the Late Jurassic and Early Cretaceous, with minor Triassic magmatism consisting of mafic dykes, nepheline syenites, syenites, diorites and monzogranites with mafic enclaves. Magmatic rocks are rare in the Project region. Early Cretaceous intrusive rocks found in the region include diabase, diorite and pegmatite, trending northeast or northwest, intruding the Archaean metamorphic upper crustal rock.

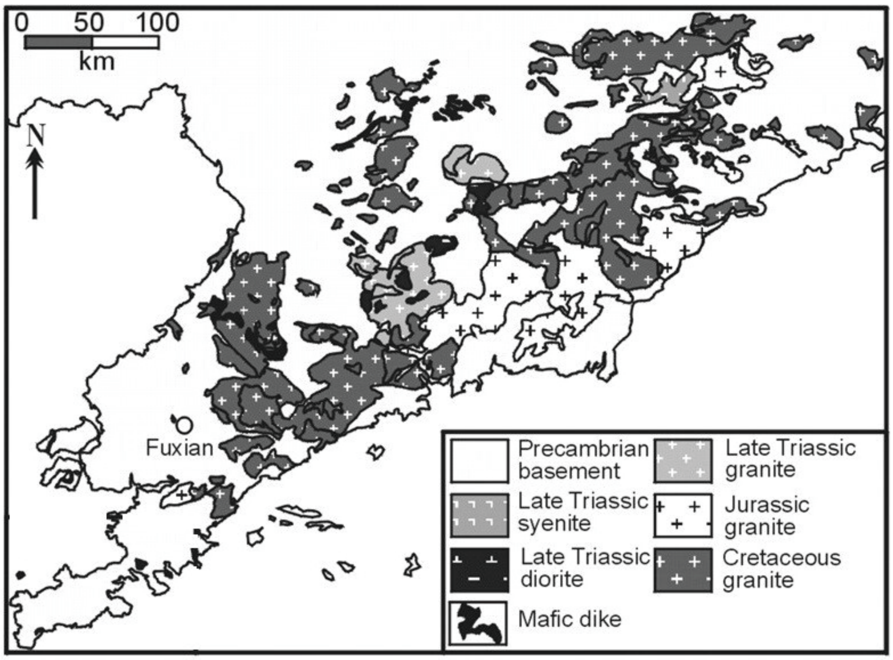


Figure 6–3 Tectonic subdivisions of the Liaodong Peninsula (Yang *et al*. 2007).

6.1.2 Structure

Generally, the Archaean metamorphic upper crustal rock series has a linear structure in northwest-southeast direction. A series of northwest or northwest-trending ductile deformation zones at variable scales are developed in this area, such as the Zihua Fault Zone that runs across the entire area.

A large-scale syncline has developed near Pingshan. The Zihua Fault located 1,800 m northeast of the Project area is a reverse fault formed during the late Yanshan movement. It is approximately 50 km long and up to 50 m wide running northwest towards Yanzhong and dips to the southwest at 55~78° cutting the Archean gneiss and Jurassic, Cretaceous and Tertiary rocks.

6.1.3 Mineralisation

The primary mineral resource in the Fushun City region is "Anshan-Style" Banded Iron Formation (BIF) hosted iron ore found in the Tongshicun Formation. There are over ten small to medium-sized iron ore deposits in the area including the Xingyuan Iron Mine, Mengjiagou Iron Mine and Langshi Iron Mine.

The Luobokan BIFs are interpreted to be basic volcanics that have been metamorphosed during the Archean to form banded gneisses with alternating silica-rich and iron-rich layers.

The iron layers are typically composed of iron oxides, i.e. hematite and magnetite, and iron-rich silicates.

6.2 Mineralisation zones characteristics

The Project area is divided into two ore-bearing zones based on their stratigraphic positions within the Tanshiquan Formation. The lower zone, Mineralisation Zone 1, consists of orebodies I, II, and III, while the upper zone, Mineralisation Zone 2, consists of orebodies VII and VIII.

6.2.1.1 Mineralisation Zone 1

Mineralisation Zone 1 is composed of magnetite, garnet, amphibole, pyroxene and quartz with a strike length of 1,400m corresponding with the aeromagnetic M1 anomaly. The northern section is covered by Quaternary deposits, while the southern section has been open pit mined.

The mineralisation has a north-northwest strike and nearly vertical near the surface gradually flattening, approaching horizontal, at depth.

The mineralisation width ranges from 80 to 120 m at the surface and up to 140m in deeper parts.

The mineralisation is layered with branching and overlapping. Orebodies I and II have low magnetite contents and are low-grade while Orebody III is larger, thicker, more continuous and higher grade.

6.2.1.2 Mineralisation Zone 2

Mineralisation Zone 2 is mostly concealed beneath Quaternary deposits. The mineralisation forms a horseshoe-shaped syncline dipping towards the northwest, with a strike length of over 1,700 m.

This mineralisation zone is approximately 50 m thick.

The grade of Orebodies VII and VIII are high grade to the south with the magnetite content decreasing significantly north of cross section 13.

6.2.1.3 Between Mineralisation Zone 1 and 2

There are seven low grade mineralised lenses known locally as Orebody IV, V, VI, IX, X, XI, and XII in the rocks between Mineralisation Zones 1 and 2. These orebodies have the same orientation and morphology as the Mineralisation Zones 1 and 2.

6.3 Local geology

6.3.1 Stratigraphy

The Project area consists entirely of metamorphosed Archaean Tongshicun Formation that generally strike north-northwest (Figure 6–4). The rocks in the east near the surface are steeply dipping, between 50° to 90°, but with increasing depth the dips gradually become gentler until at the core of the syncline the strata are nearly horizontal (Figure 6–5).

Quaternary, mostly alluvial sand and gravels, cover approximately half the mining concession.

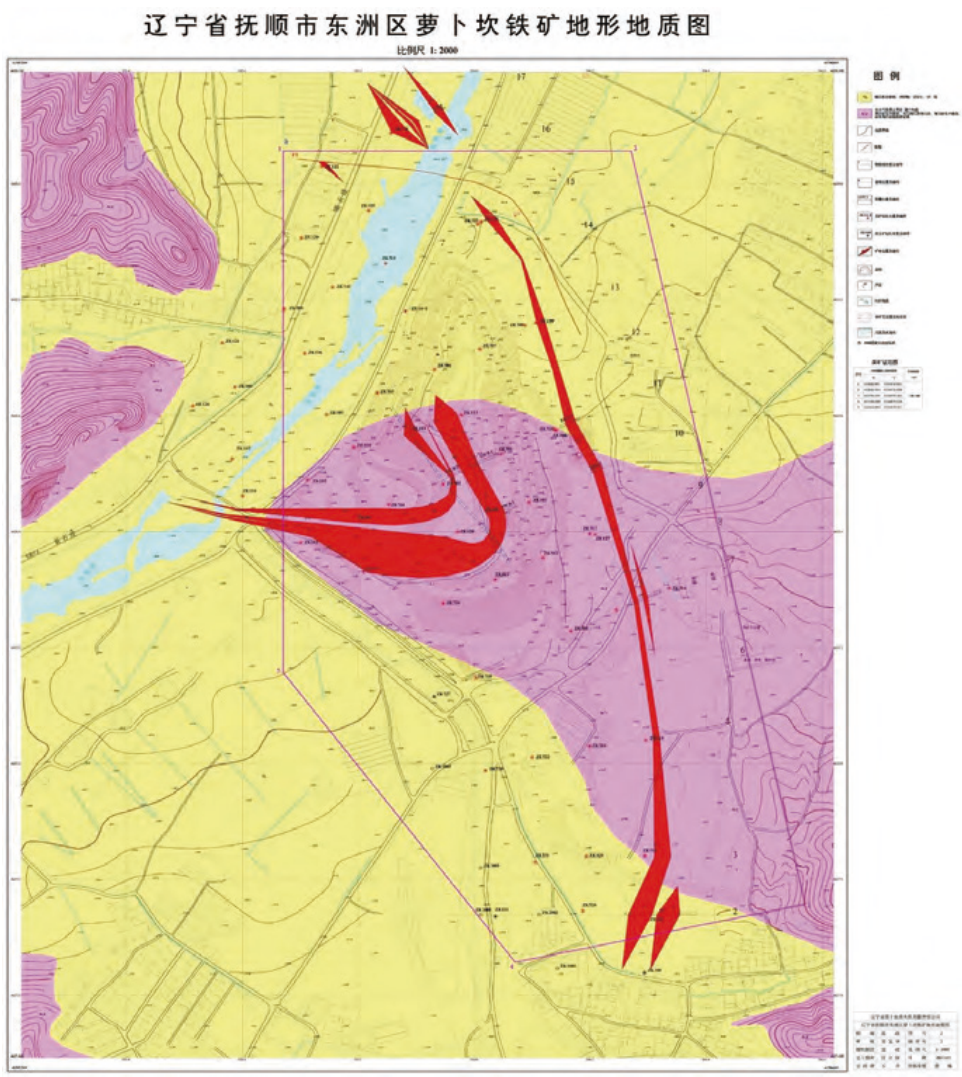


Figure 6–4 Local geology map

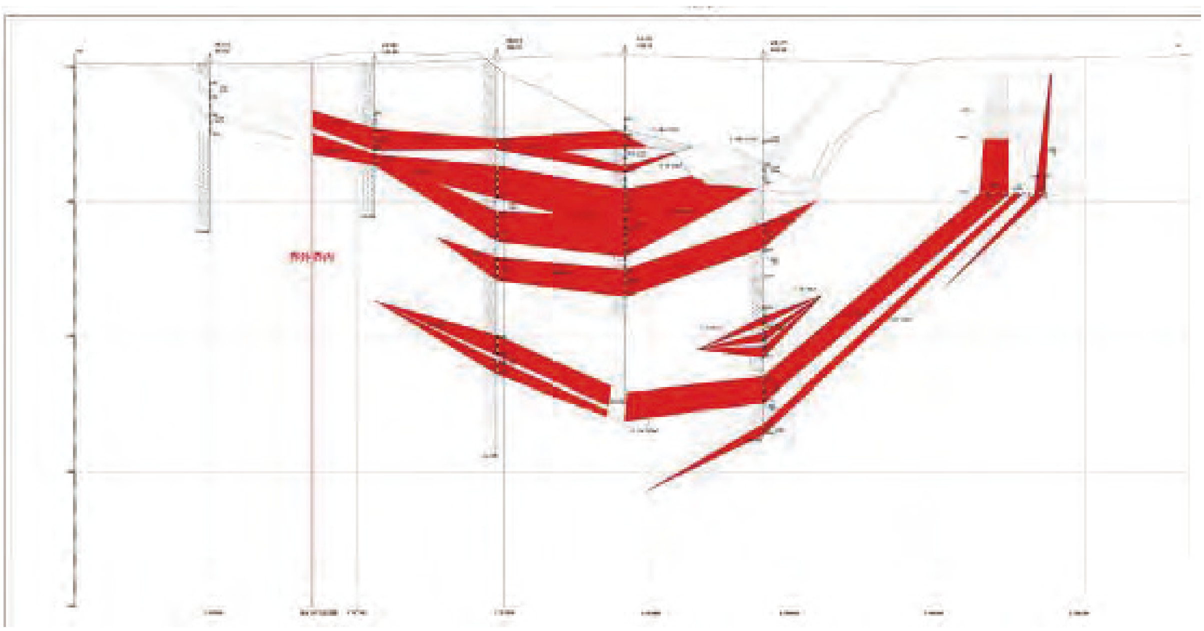


Figure 6–5 Cross section (12) through Luobokan Iron Ore deposit showing underground and open pit mines at January 2023

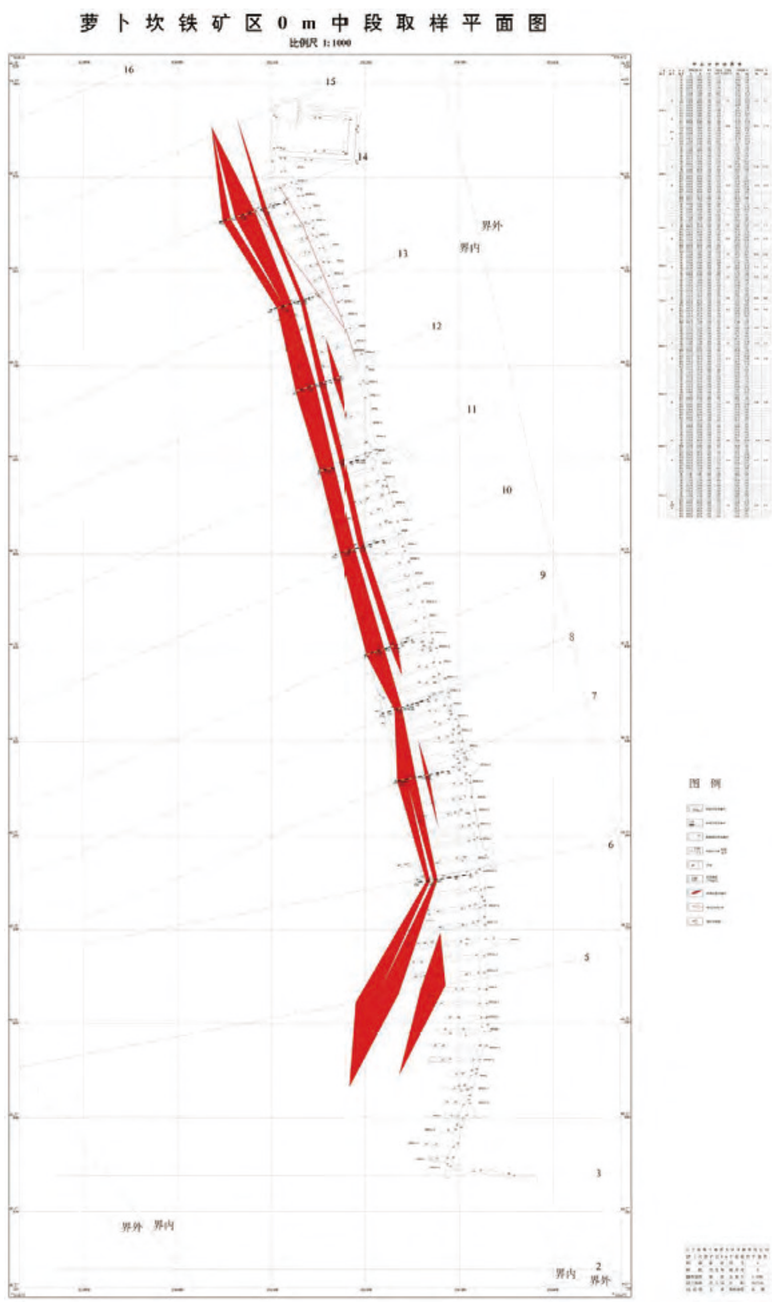


Figure 6–6 Plan at 0m RL showing orebodies, sampling and underground development at January 2023

6.3.2 Lithology

Four major rock types have been identified in the Archaean Anshan Group Tongahicun Formation and described as follows:

(1) Garnet-biotite-plagioclase gneiss: brownish-yellow, equigranular with interlocked gneiss texture. Main mineral components include plagioclase, quartz, biotite and garnet. Amphibole, magnetite, pyrite are occasionally present. This rock type, along with garnet-biotite-amphibole-plagioclase gneiss, are the main wall rocks of the No. 1 and 2 mineralisation zones.

(2) Biotite-amphibole-plagioclase gneiss: greyish-green with a medium to fine-grained meta crystalline gneissic texture. The light-coloured minerals mainly include sericitized plagioclase and quartz while dark-coloured minerals are mainly columnar amphibole partially retrograded into biotite. Garnet and apatite are occasionally found as accessory minerals. This rock type is often found interbedded with biotite plagioclase gneiss on both sides of the mineralisation zone.

(3) Garnet-quartz-amphibole gneiss: greyish-green with disseminated red garnet crystals, medium-fine-grained laminated gneiss with amphibole, quartz and garnet forming alternating layers. Dark green, columnar amphibole accounts for 40–50% of the rock's mineral composition with quartz 30–40% and red garnets 10–30% of the mineral composition. Pyrite is commonly distributed as disseminations. This rock type is widely distributed in the western part of the mining area.

(4) Magnetite bearing garnet-quartz amphibolite: dark green with a layered granular metamorphic texture. The dark minerals include mainly amphibole and pyroxene while the light minerals are mainly quartz and garnet with minor plagioclase, sphene and apatite. Iron bearing minerals include magnetite, pyrite, and pyrrhotite. This rock type is the primary ore.

6.3.3 Structure

(1) Folds

The magnetite bearing beds form a horseshoe-shaped syncline plunging towards the southeast. The eastern limb of the syncline is nearly vertical near the surface, gradually flattening to horizontal towards the core of the syncline (Figure 6–5).

(2) Faults

There are no major fault structures within the mining area except for a secondary fault (F1) located in the northern part of the Project area near the exploration lines 12–17 diagonally traversing the mineralisation zone. This fault is associated with the regional scale northwest trending Zihua Fault. This fault is approximately 700 m long with a horizontal width ranging from 0.5 to 10 m striking 277° to 334° and dipping 70° to 85°.

The fault zone primarily consists of altered schistose rocks accompanied by diabase veins filling the fault. As a result of the normal F1 fault structure, nearby rocks experience well developed joints and fissures with an overall vertical displacement of approximately 10 m causing the hanging wall of the ore bodies to shift downward.

6.3.4 Magmatic Rocks

In the Project area, magmatic activity is primarily characterized by the intrusion of intermediate-acidic and mafic dykes. Common types of dykes encountered in drilling include diorite ranging from 1.0 to 9.0 m wide, gabbro <1.0 m wide, diabase from a few meters to several tens of metres wide and pegmatite 1 to 8 m wide.

6.3.5 Magnetic Field Characteristics

In 2005, a 1:5,000 aeromagnetic survey was conducted over the Project area with a general grid spacing of 50 x 20 m. Two magnetic anomaly zones, M1 and M2, were identified.

The magnetite-amphibole-quartzite has the highest magnetic susceptibility with the magnetite quartz schist having significant magnetic susceptibility.

6.3.6 Metamorphism and Wall-Rock Alteration

6.3.6.1 Metamorphism

The Project area rocks have undergone regional metamorphism transforming the rocks of the Tanshiquan Formation in the Archean Anshan Group into titaniferous garnet amphibolite gneiss.

6.3.6.2 Wall-Rock Alteration

The wall rocks surrounding the ore zones have commonly been altered by later-stage hydrothermal processes resulting in chloritization and sericitization, particularly near fault structures.

7 EXPLORATION

7.1 2019

In 2019, the Company commissioned the 10th Geological Brigade of Liaoning Province to carry out resource verification works in addition to previous exploration works as summarized in Table 7–1. These works formed the database that the 2019 resource estimate.

Item	Previous works	2019 works	Total
Regional survey points	–	2	2
Survey points	60	6	66
1:2000 topographic survey	–	2.38	2.38
1:2000 geological map update	–	2.38	2.38
1:5000 hydro- engineering- and environmental geological investigation	6.78	–	6.78
1:5000 magnetic survey	1.74	–	1.41
Drilling	15,471.96m/ 57 holes	600.30m/ 1 hole	16,072.26m/ 58 holes
Hydrological drilling	192.11m/ 1 hole	–	192.11m/ 1 hole
Trenches	–	499.87m^3	499.87m^3
Channel sampling	49	44	93
Half-core sampling	1921	85	2006

Table 7–1 Historical and 2019 exploration works for resource estimate

8 DRILLING

The earliest drilling in the Project area was carried out in 1971 with three drill holes completed, but all the relevant data has been lost.

Systematic drilling commenced in 2005 after Xingzhou Mineral acquired the mining license and commenced mining. A total of 58 surface drill holes were completed between 2005 and 2017. All the drilling was standard tube diamond drilling with a core diameter of 48 mm. The core recovery of all rocks was reported as being 90.0–99.3% and in the ore as 100%. This drilling was used to provide the database for the Mineral Resource estimates in this Report.

All traces of the drill hole collars have been removed by the mining operations therefore they could not be inspected during the site visit by ROMA.

It is noted however that all the drilling was reported by the by the 10th Geological Brigade of Liaoning Province, who produced the latest 2019 Mineral Resource estimate, as being carried out in accordance to Chinese National Standards.

There was no historical drill core available for inspection or verification sampling during the site visit by ROMA.

8.1 2003 Resource Definition Drilling

The resource definition drilling in 2003 comprised several shallow vertical drill holes that were unable to define the extent and form of orebodies. This drilling campaign provided technical support for Xingzhou Mineral to apply for a mining license in December 2003 when the open pit mining operation of the Project started. Data for the 2003 drilling has been lost therefore not used in the Mineral Resource estimate in this Report.

8.2 2005 Drilling

In 2005, Xingzhou Mineral commissioned the 10th Geological Brigade of Liaoning Province to carry out a detailed geological survey to the Project area which consisted of a diamond drilling campaign at a grid of approximately 200 x 100–200m. The drilling campaign consisted of 31 vertical and sub-vertical drill holes which defined eight nearly vertical orebodies (orebody I to VII) with resource estimate presented in section 5.3.2.

8.3 2011 Drilling

A total of 26 more diamond holes were drilled in 2011 by Xingzhou Mineral at a grid spacing of 200 m x 200 m, with some areas 100 m x 100 m. The aim of this drilling was to extend the resource and thereby expanding the tenement area. This drilling achieved 100% core recovery through the mineralized zones. Among the 26 drillholes, 21 holes were vertical and 5 holes at a dip angle of 80–84° oriented at 066°. In addition to increasing the resources of the eight existing orebodies, one new orebody (orebody XI) was discovered by this drilling campaign.

8.4 2017–2019 Drilling

From 2017 to 2019 another diamond drill hole was completed and 5 trenches along with mapping of the open cut mines increased the level of confidence in the distribution, formation and mineralisation styles. The licensed mine production capacity was increased from 1 million t/a to 2.9 million t/a as a result of this work, effective from January 2024.

8.5 Drill Hole Database

Excel tables including collar, down-hole survey, assay and lithological data from the various drilling programs was converted into CSV format and then imported into the modelling software.

9 SAMPLE PREPARATION, ANALYSES AND SERCURITY

All the drilling and trench sampling was carried out in compliance with the Chinese Standard practices which if carried out properly would also meet the requirements of the JORC Code (2012). These sampling methods and procedures are described below.

9.1 Sampling in surface trenches

Continuous samples were collected from standard channels 10 cm x 5 cm with sample lengths ranging from 2 to 4 m. Prior to sampling, a canvas is laid out around the sample area along with mats to collect the samples avoiding contamination. The samples are carefully weighed and assigned with a sample ID.

The layout and collection of samples, as well as the specifications and weight of each sample, all fulfilled the quality requirements under the Chinese Standard practice.

9.2 Sampling of drill hole cores

The core is divided evenly into two halves along its long axis. One half is retained on-site, while the other half is sent to the laboratory for further analysis. The core was sampled according to geological boundaries with a maximum length of 6.4 m, but typically 3 m or 5 m depending on the drilling campaign.

Unfortunately the drill core and trench samples were eventually discarded therefore the sampling data and analyses could not be verified by independent sampling by ROMA.

9.3 Density Analysis

The density measurements, following the standards set by the Chinese regulatory framework, were documented in the 2011 Chinese resource report. The results have been consistently incorporated into all subsequent resource estimates by the Brigade.

The densities were determined by measuring 36 core samples that covered a range of mFe% grades using the water displacement method. As would be expected, the densities increased with the increasing mFe% grade, Figure 9–1.

The densities used by the 10th Geological Brigade of Liaoning Province for their Mineral Resource modelling based on these samples were:

Density of ore grade:	3.49 t/m^3
Density of low grade:	3.36 t/m^3

The density value and the grade of density samples are shown in Table 9–1 and the relationship of density and grade is shown in the scatter chart in Figure 9–1 respectively.

BHID	mFe%	Density (t/m³)	BHID	mFe%	Density (t/m³)	BHID	mFe%	Density (t/m³)
ZK502	22.98	3.37	ZK501	18.15	3.42	ZK502	22.42	3.45
ZK502	29.21	3.50	ZK501	24.08	3.59	ZK502	28.85	3.61
ZK502	30.41	3.63	ZK501	24.33	3.58	ZK502	21.56	3.48
ZK502	32.17	3.65	ZK501	25.05	3.61	ZK501	16.75	3.35
ZK504	23.76	3.61	ZK502	22.02	3.47	ZK501	25.12	3.48
ZK504	17.60	3.41	ZK502	31.34	3.66	ZK501	28.58	3.58
ZK502	18.70	3.33	ZK502	26.44	3.59	ZK526	22.73	3.47
ZK502	23.98	3.47	ZK502	27.81	3.62	ZK526	22.25	3.46
ZK502	21.70	3.36	ZK502	22.26	3.46	ZK526	20.7	3.44
ZK502	18.48	3.25	ZK526	15.69	3.37	ZK526	24.49	3.50
ZK502	20.49	3.36	ZK526	17.89	3.39	ZK526	27.3	3.52
ZK502	28.88	3.54	ZK526	17.82	3.39	ZK526	24.66	3.59

Table 9–1 mFe% and Density values

The density used by ROMA for their Mineral Resource modelling was calculated using the mFe% Vs Density relationship as shown in Figure 9–1, i.e. Density = 0.0201 x mFe% + 3.014.

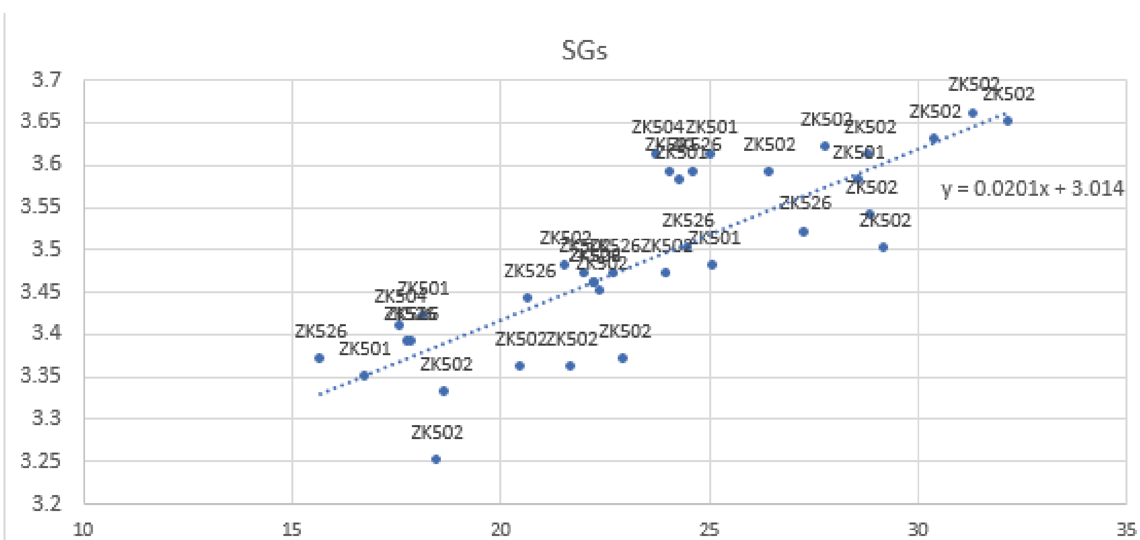


Figure 9–1 Grade Vs density

10 DATA VERIFICATION

10.1 2024 ROMA Verification Sampling

ROMA collected verification samples of the mine and concentrate production during the site visit and the samples independently analysed. Sample locations and assay results are shown in Table 10–1.

Sample ID	Sample location	TFe	mFe	SiO_2	P	TiO_2	C	S
RM01	Fe Concentrate from pile at Plant 2	64.45	61.78	7.77	0.025	0.25	0.063	0.62
RM02	Fe Concentrate from pile at Plant 2	64.77	62.12	7.42	0.024	0.25	0.066	0.63
RM03	Fe Concentrate from pile at Plant 2	64.74	61.55	7.63	0.022	0.26	0.067	0.62
RM14	Fe Concentrate from pile at Plant 3 (temporary stockpile from plant 2)	64.50	61.84	7.53	0.022	0.23	0.059	0.71
RM15	Fe Concentrate from pile at Plant 3 (temporary stockpile from plant 2)	64.53	62.08	7.33	0.023	0.23	0.063	0.64
RM04	ROM Pile hand sample	27.94	9.04	49.52	0.059	0.13	0.23	0.37
RM05	ROM Pile hand sample	26.26	10.56	50.64	0.072	0.11	0.26	0.34
RM06	ROM Pile hand sample	25.95	13.34	50.82	0.079	0.16	0.27	0.18
RM07	Semi-processed hand sample	30.08	14.40	47.02	0.080	0.096	0.18	0.29
RM08	Semi-processed hand sample	31.10	15.04	46.18	0.091	0.093	0.18	0.29
RM11	Tailings sample	19.17	1.56	59.94	0.071	0.075	0.21	0.20
RM12	Tailings sample	19.01	1.60	59.24	0.068	0.090	0.22	0.21
RM13	Tailings sample	19.37	1.47	59.43	0.072	0.080	0.22	0.20
RM09	Waste hand sample after weight separation	16.39	2.69	54.76	0.052	0.31	0.24	0.33
RM10	Waste hand sample after weight separation	18.95	1.80	51.83	0.056	0.23	0.65	0.46

Table 10–1 2024 verification sampling by ROMA

The grades of the five ROMA concentrate samples, between 64.45–64.77% mFe, consistently produced TFe grades that were slightly below the specification grade of 65% TFe, and at 0.62–0.71% S, above the spec grade of 0.5% for S. The ROMA concentrate sample grades for SiO_2, P, TiO_2 and C were consistently within specifications.

The ROMA samples of the raw ore at the ROM pad consistently show that the mined ore was above the lower cut-off mining grade.

The waste samples were all well below the lower mFe cut-off for the ore but interestingly well above 10% TFe.

The tailings samples carried less than 2% mFe indicating an acceptable mFe recovery as concentrates. The S and TiO_2 grades of the concentrates are all well above the S and TiO_2 grades of the raw ore and tailings indicating that the S is probably contained within a magnetic mineral pyrrhotite and TiO_2 within a magnetic mineral ilmenite.

11 METALLURGY

The mineral processing was originally designed for processing low-grade magnetite ore from the open pit mine by simply crushing and screening. The processing flow-chart was soon updated to adopt magnetic separation to increase the concentrate grade and Plant 2 constructed. The processing flow design for Plant 2 is shown in Figure 11–1.

Magnetic separation processing of the iron ore feed in Plant 2 achieves concentrate grades of TFe >65% as required by the customer specifications with mFe% recoveries of 95%.

A new processing plant, Plant 3, was built in 2018 adopting a more advanced processing technologies to improve the effectiveness and efficiency of iron ore processing and to satisfy future production capacity increases. This plant was not operating during the site visit. The processing flow for Plant 3 is shown in Figure 11–1.

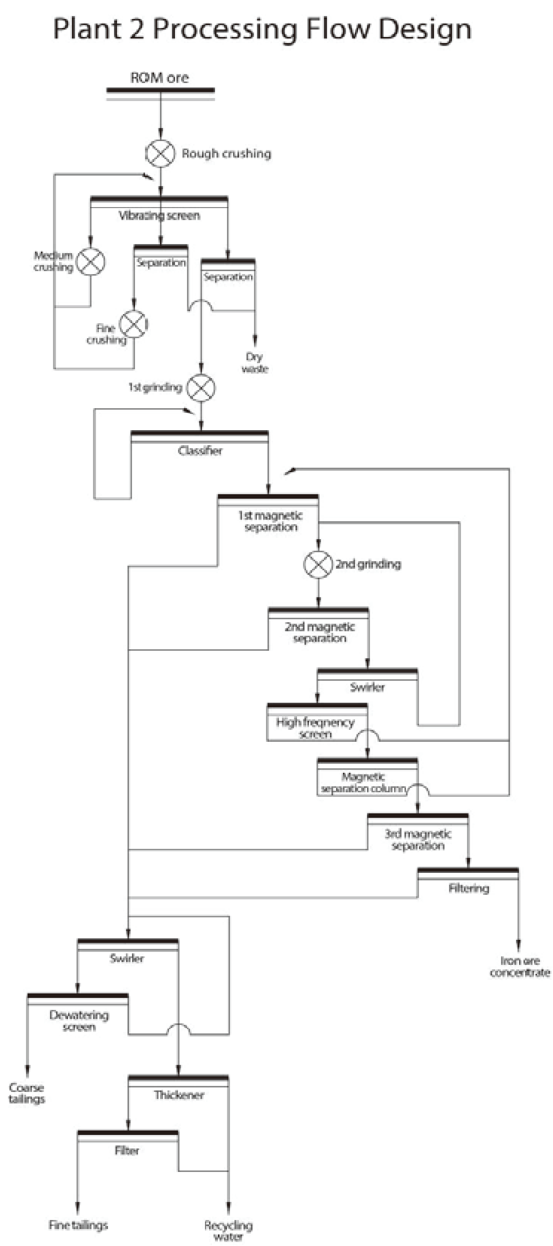


Figure 11–1 Processing flow design of Plant 2

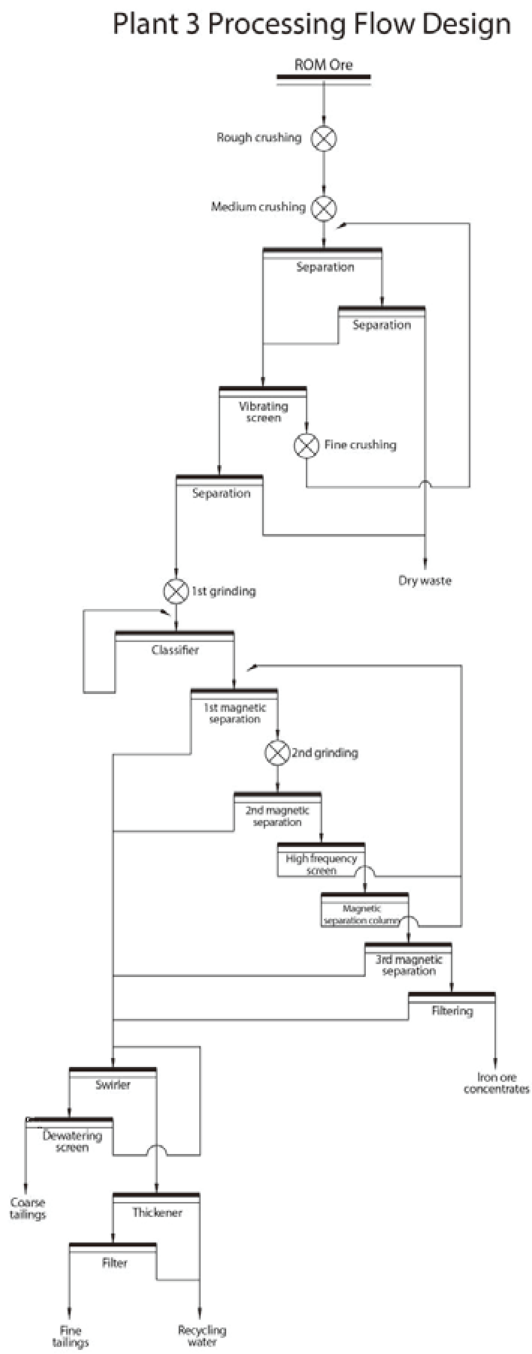


Figure 11–2 Processing flow of Plant 3

Xingzhou Mineral provided Roma with concentrate grades produced at the mine for the period between 27/12/2021 and 14/12/2023 inclusive. These grades included TFe%, S%, SiO_2 TiO_2 but did not include C% or P%.

Plots of this production data (Figure 11–3 to Figure 11–6) show that the concentrate generally exceeded the minimum TFe% grade of ≥65% with only short periods below specifications. The S% graph shows that the concentrate almost always exceeded the maximum S% specification of ≤0.5% incurring a penalty while the concentrates always met the specifications for SiO_2% of ≤8% and TiO_2% ≤0.4%.

Since Roma have not received any details on the C% and P% grades of the concentrate, Roma cannot comment on whether the concentrates produced at the Luobokan Iron Ore Project meet the specifications for these contaminants.

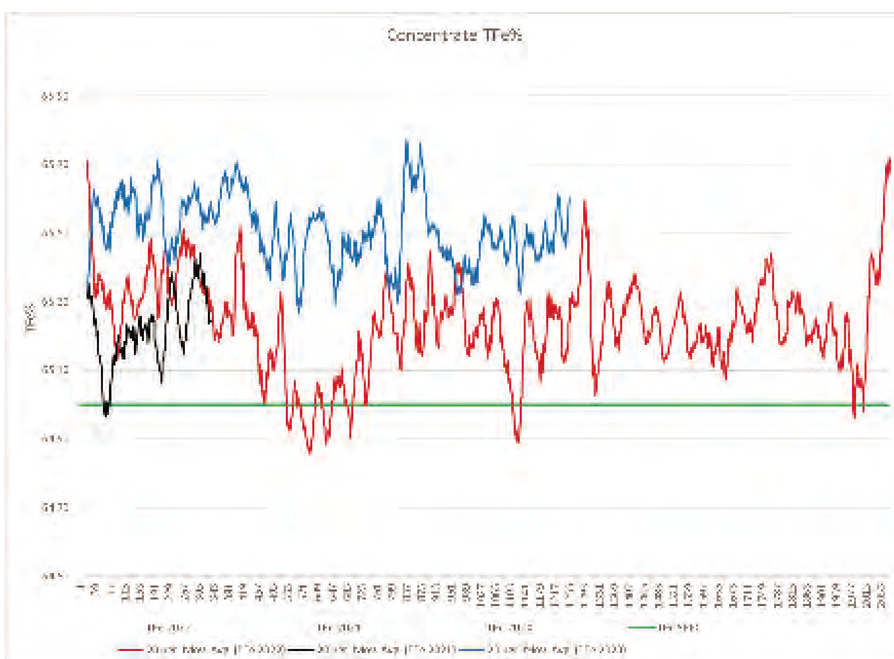


Figure 11–3 Concentrate TFe% grades 2021–2023

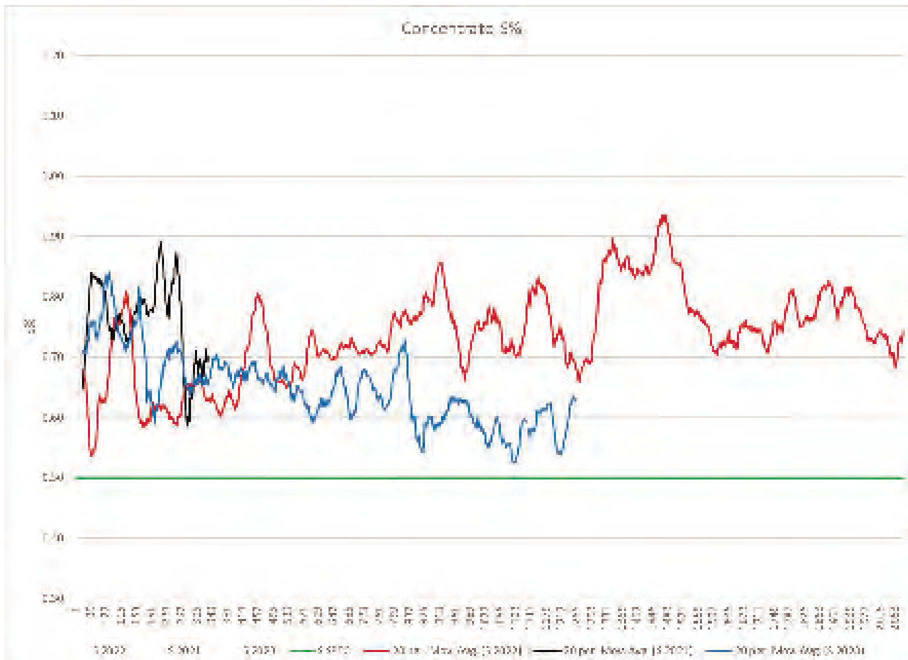


Figure 11–4 Concentrate S% grades 2021–2023

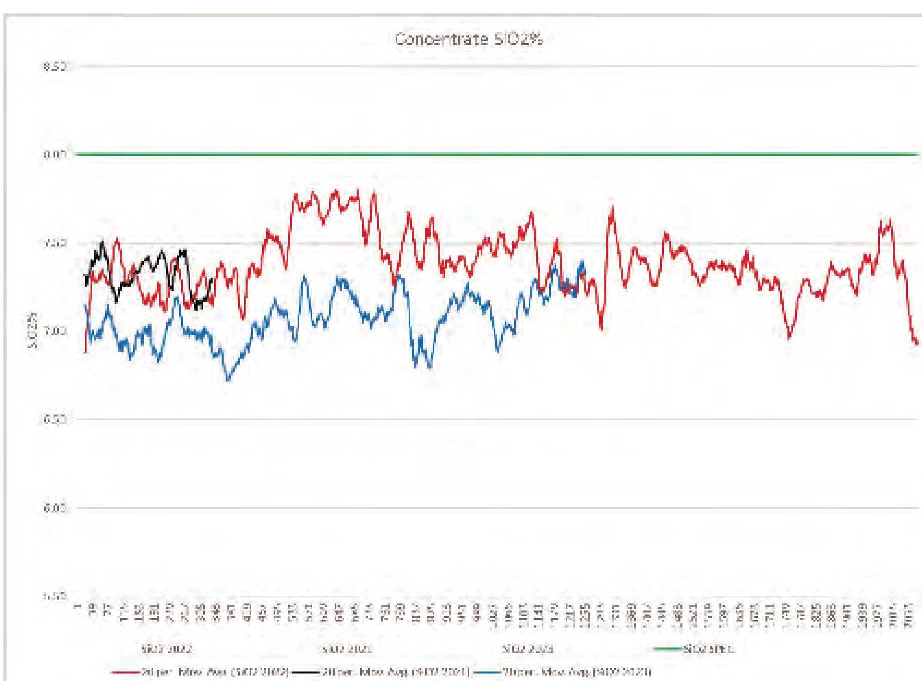


Figure 11–5 Concentrate SiO_2% grades 2021–2023

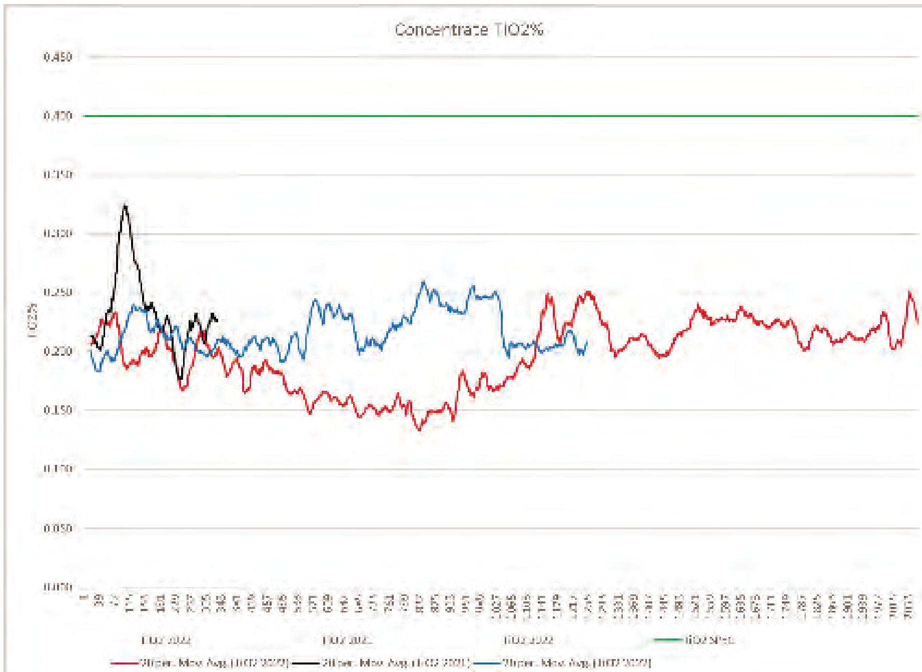


Figure 11–6 Concentrate TiO_2% grades 2021–2023

The dried tailings are being used for site reclamation and in the future for back-filling mined out stopes.

12 MINERAL RESOURCE ESTIMATE

A mineral resource estimate was completed by Roma for the Iron Ore at the Luobokan Iron Ore Project to compare with the latest 2019 Chinese Mineral Resource estimate.

12.1 Method

2020 MineVision mine planning software was used to model the mineralisation and estimate the Mineral Resource.

Xingzhou Mineral had provided all the necessary information including geological logs, maps, reports, topography, assay and trenching data to ROMA. The data was considered of sound quality for the modelling but lacked detailed reports on the QA/QC and verification procedures followed during the drilling, sampling and assaying.

A digital block model was created with cell dimensions of 5m x 5m x 5m. Table 12–1 summarises the model parameters.

	East	**North**	**Elevation**
Maximum	586500	4629250	-305
Minimum	585225	4627625	170
Cell dimension	5	5	5
Number	255	325	95
Algorithm	Inverse distance squared		
Search radius	200	200	200

Table 12–1 Digital block model parameters

To avoid volume variance effects, the drill assay intersections used for interpolating block grades were standardised to 0.25 m.

The drilling assays were imported into the 2020 MineVision software while checking for errors such as overlapping or negative intervals. The ore grade intervals in drillholes were then linked on cross sections generally corresponding with the interpretations on the cross sections used by the 10th Geological Brigade of Liaoning Province generally following the Brigade. These cross-section interpretations were then linked by wireframing the orebodies between the cross-sections to form "orebody solids".

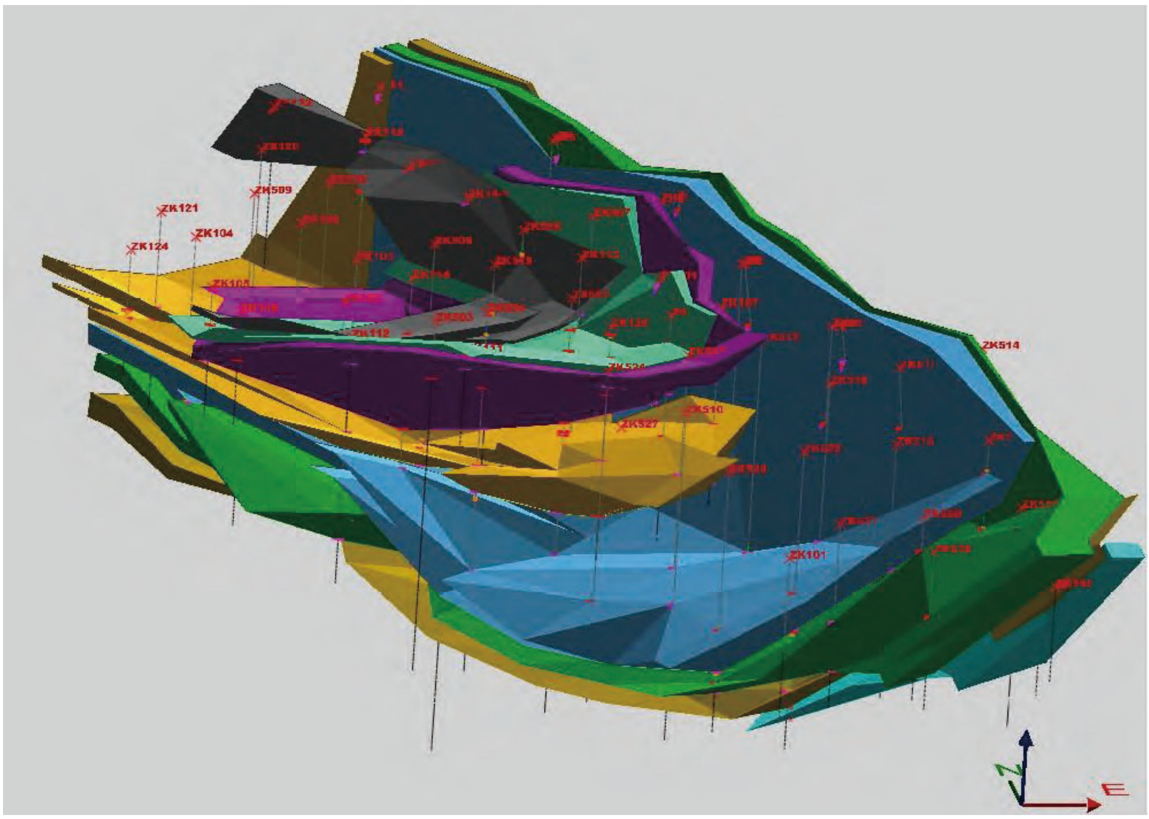


Figure 12–1 Oblique view of wireframes

12.2 Mineral Resource Categories

All the resource model blocks of the two magnetite layers above 10% mFe currently being mined underground and within 50 m of a drill intercept meet the requirements of the JORC Code (2012) Indicated category. All the remaining magnetite layers above 10% mFe within 50 m of a drill intercept have been categorised as Inferred and the remaining wireframed magnetite layers within 200 m of a drill intercept as Exploration Targets. It is noted that an Exploration Target is conceptual in nature so the tonnes and grade are expressed as ranges as there has been insufficient exploration to estimate a Mineral Resource.

These Mineral Resource and Exploration Target estimates refer only to the mFe% grade. Since no drilling assays for S%, SiO_2 TiO_2, C% or P% were available, these Mineral Resource estimates do not consider these potential contaminants that may affect the marketability and value of any concentrates produced from this resource.

12.3 Mineral Resource Statement

The JORC Code (2012) Mineral Resource estimate for the Luobokan Iron Ore Project at a 10% mFe lower cut-off grade, after the completion of the open pit mining but not including any underground mining, is as follows:

Resource Category	Million Tonnes	mFe%
Indicated	37	18.23
Inferred	33	15.53
Total	70	16.95

Table 12–2 2024 Mineral Resource Estimate prior to underground mining for Luobokan Iron Ore Project

An additional Exploration Target of resource is estimated at:

	Million Tonnes		Million Tonnes
Exploration Target	50	to	100
	mFe%		**mFe%**
	12	to	17.00

Table 12–3 Exploration Target estimate for Luobokan Iron Ore Project

**Note:* The potential quantity and grade of an Exploration Target is conceptual in nature so the tonnes and grade are expressed as ranges as there has been insufficient exploration to estimate a Mineral Resource. Furthermore it is uncertain if further exploration will result in the estimation of a Mineral Resource.

This Mineral Resource estimate refers only to the mFe% grade and, since no drilling assays were available, does not consider potential contaminants including S%, SiO_2 TiO_2, C% or P%, that may affect the marketability and value of any concentrates that may be produced from this resource.

Since underground mining commenced in 2021 a total of 2.7 million tonnes @ 17.96% Fe has been produced. These tonnes need to be subtracted from the pre-underground mining Indicated Mineral Resource leaving a Mineral Resource estimate at 29 February 2024 as follows:

Resource Category	Million Tonnes	mFe%
Indicated	34.3	18.23
Inferred	33	15.53
Total	**67.3**	**16.95**

Table 12–4 2024 Mineral Resource Estimate at 29 February 2024 for Luobokan Iron Ore Project

13 ORE RESERVE ESTIMATE

Ore Reserves are a modified sub-set of the Indicated and Measured Mineral Resources and require consideration of the Modifying Factors affecting extraction. These 'Modifying Factors' include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

Since the ROMA Mineral Resource estimate does not include grades for S%, SiO_2 TiO_2, C% or P%, all potentially deleterious contaminants that could affect the marketability and price of any concentrates produced from these resources, nor are detailed plans with feasibility studies available for future underground mining in the shallower dipping mineralisation, ROMA are unable to convert any of the Mineral Resources to Ore Reserves.

14 MINING METHODS

Two different underground mining methods are being adopted to allow for the different orientation of orebodies. Above -80m elevation the mineralisation is steeply dipping along the limbs of the syncline. Below -80m the mineralisation flattens considerably to, in part, horizontal in the axis of the syncline,

Above -80m elevation the steeply dipping ore is mined using the sublevel caving without sill pillar mining method (Figure 14–1).

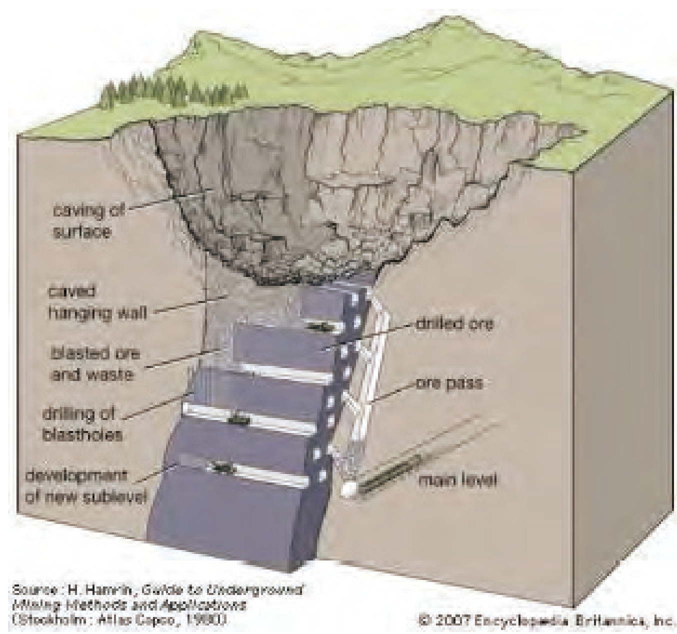


Figure 14–1 Sublevel caving mining method

Using this method the mining is sequentially mined from top to bottom. As the caved ore is extracted the surrounding footwall and hangingwall waste rock gradually fills the void left by the ore mining.

This mining method is budgeted to produce dilution of the ore with waste rock of 20% and mining ore losses of 20%.

Below the -80m elevation the flatter dipping ore will be mined using the panelled room and pillar method with each panel back-filled as they are mined to ensure rock stability as the adjacent panels are mined.

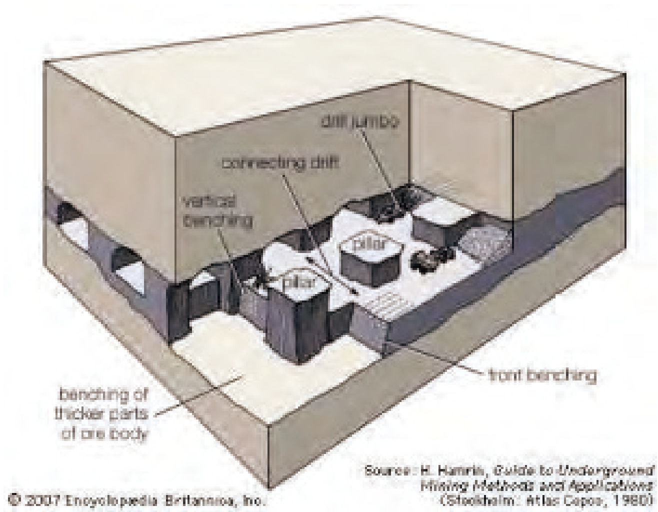


Figure 14–2 Room and pillar mining method

This mining method is budgeted to produce dilution of the ore with waste rock of 10% and mining ore losses of 10%.

15 PROJECT INFRASTRUCTURE

The infrastructure inspected during the site visit was all of sound quality and well managed and maintained.

The current underground mining portal is located at the east end of Pit 3 (West Pit) of the previous open pit operation (Figure 15–1 to Figure 15–3). Two declines are used, Figure 15–3, one for entry (right gate) and one for exit (left gate). The mine access gates are electronically controlled and monitored by the surveillance system.

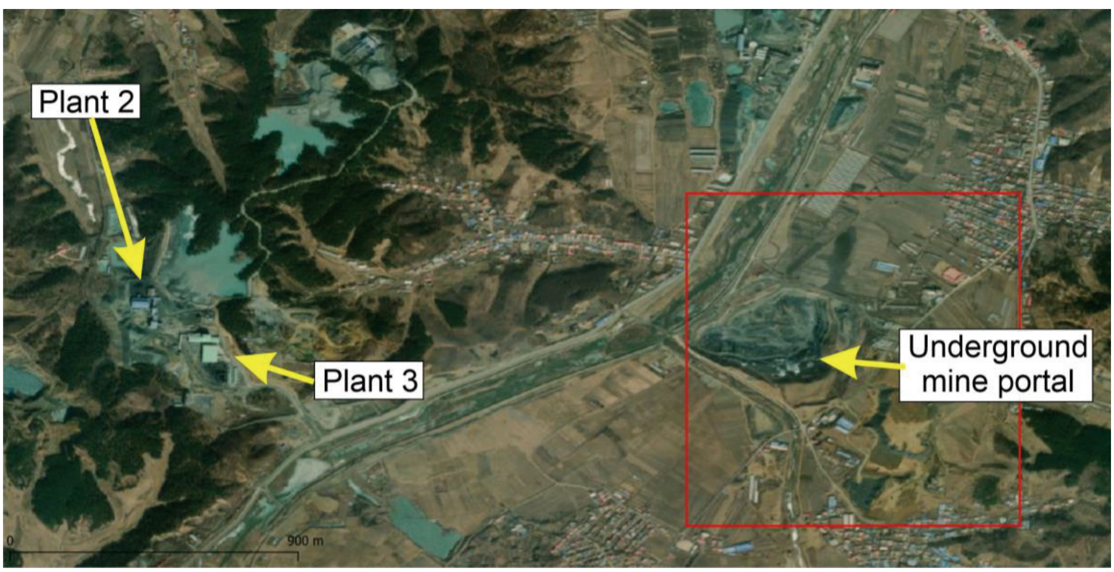


Figure 15–1 Location of the mine pit and the processing plants of the Project (Google Earth, 2024)

Figure 15–2 Location of underground mine portal within open-pit. (Google Earth, 2024)

Figure 15–3 Portals to underground workings

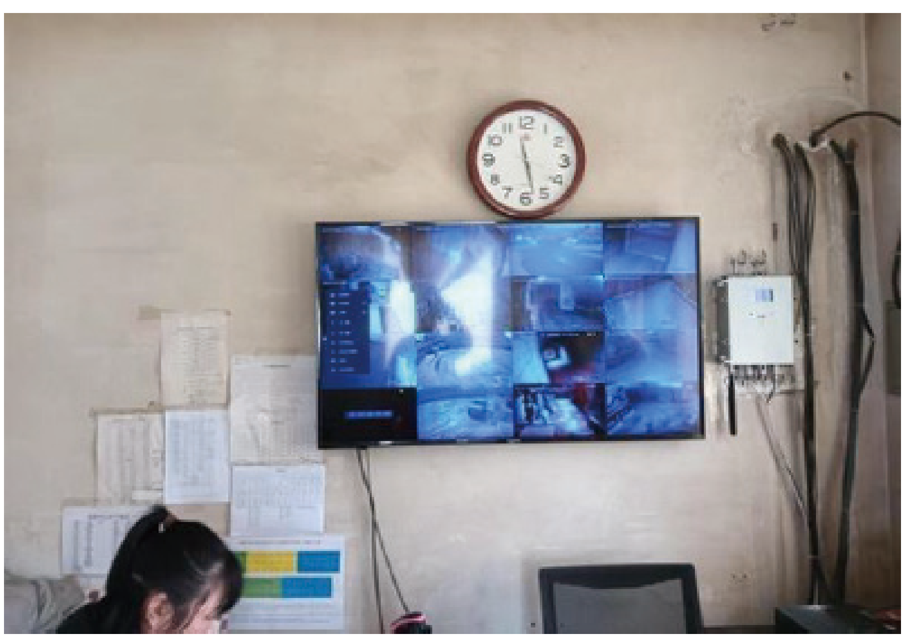


Figure 15–4 Control room monitoring the underground workings and access gates

The mine portals and declines are 5.2m wide and 5.2m high allowing truck access. The underground drives are 4.2m x 4.2m allowing front-end loaders to move the broken ore and load the trucks. All access ramps and underground workings are well constructed with good ventilation, LED lighting and the walls protected with shotcrete.

Figure 15–5 Access decline to underground workings

Figure 15–6 Underground drive

Figure 15–7 Front-end loader at ore pass

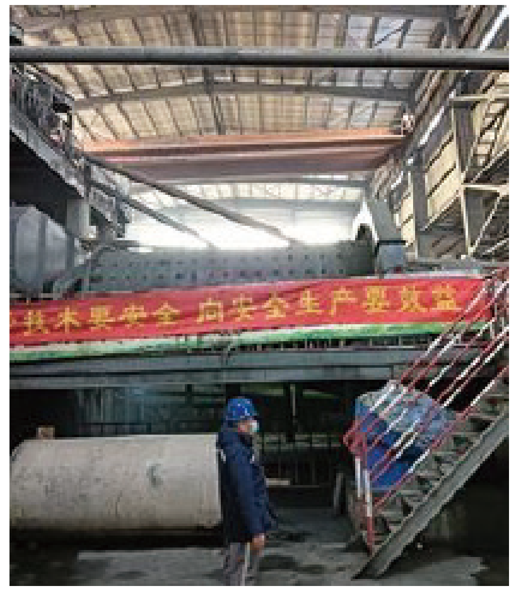
The ore is delivered to the 'Run of Mine' (ROM) stockpiles from underground by truck. Processing Plant 2 and 3 are located adjacent to each other with the ROM pad between them, Figure 15–8. Since Processing Plant 3 is currently not operating all the ore is being fed by conveyor belts to Processing Plant 2 (Figure 15–9).

Figure 15–8 Layout of processing plants infrastructures and the site office (Google Earth, 2024)

Figure 15–9 Ore feed for Processing Plant 2

Doors to the processing plant are kept closed to prevent unauthorised entry and all workers entering the plant must wear appropriate PPEs including safety hat, reflective jacket and safety boots. Roma inspected the crushing and processing plant machinery and considers that the equipment to be in good condition, Figure 15–10.

Semi-processed ore after crushing



Ball mill

Classifier

Magnetic separation

Figure 15–10 Semi-processed ores and machineries in processing plants

Stockpiles of ROM ores, semi-processed ores, dewatered tailings and iron ore concentrates were inspected and sampled for verification assays, Figure 15–11.


ROM ore stockpile


Semi-processed ore stockpile


Tailings stockpile


Iron concentrate stockpile

Figure 15–11 Stockpiles of iron ore at different stages of processing flow.

The site laboratory for internal quality control was also inspected by ROMA during the site visit and found to be clean and orderly and is considered satisfactory.

Figure 15–12 On site laboratory for internal control

The site office building and staff dormitory is located near the processing Plant 3 and found to be satisfactory.

16 ENVIRONMENTAL AND SOCIAL IMPACT

It is government policy to rehabilitate all the land and commit to the restoration of the natural environment after mine closure. According to the *Geological Environment Protection and Land Restoration Plan* submitted by Xingzhou Mineral to the local government Lands Department in January 2020, the total area affected by both open pit and underground operations to be restored by the end of the Project is 21.57 hectares.

Xingzhou Mineral has one year after mine closure to complete the restoration and land reclamation, i.e. from July 2049 to July 2050, followed by another three years for vegetation restoration and management, from July 2050 to July 2053. Xingzhou Mineral has been progressively restoring the land disturbed by the open pit mining since 2016 after mining switched to underground. A total of 5.61 ha of land had been restored between 2016 and 2018.

The further restoration of land affected by open pit and underground mining and other infrastructure including processing plants, roads and office buildings etc. will commence upon mine closure.

The social impact on the local community is considered to be positive with very few residents directly affected by the Project operations.

No major water resources have been affected by the Project.

17 RISK ANALYSIS

17.1 Risk Analysis

The following risk analysis follows Guidance Note 7 of the Stock Exchange of Hong Kong. Risk has been classified from major to minor as follows:

- **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 cash flow 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 cash flow and performance unless mitigated by some corrective action.
- **Minor Risk**: the factor, if uncorrected, will have little or no effect (<10%) on project cash flow and performance.

17.2 Overall Risks

The likelihood of a risk event occurring within a nominal 7-year time frame has been 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 into an overall risk assessment, as shown below:

Likelihood of Risk (within 7 years)	Consequence of Risk Minor	Moderate	Major
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

Table 17–1 Risk Assessment Guidelines

17.3 Project Risks

A summary of the main risks for the projects are included, summarised and ranked by their importance, as follows:

Risk Issue	Likelihood	Risk	Consequence Rating
Geological and Mining			
Variability of orebody continuity and grade	Unlikely	Low	Low
Inaccuracy of geological logging	Possible	Low	Low
Control of mineralisation	Possible	Low	Low

Risk Issue	Likelihood	Risk	Consequence Rating
Inaccuracy of assays	Unlikely	Minor	Low
Future ore produces out of specification grades in concentrates (SiO_2, S, TiO_2, C and P)	Possible	Medium	Medium
Mining flatter dipping ore becomes uneconomical	Possible	Medium	High
Mining contamination and ore losses exceed budget	Possible	Medium	Medium – High
Underground mine collapses damage or destroys stopes and underground development	Possible	Medium	High
Environmental			
Ecology Damage	Probable	Minor	Minor
Contamination of Local Water System	Unlikely	Minor	Low
Legal			
License not renewed	Unlikely	Unlikely	Low
Operational			
Adverse weather conditions	Possible	Minor	Low
Natural Hazards	Unlikely	Minor	Low
Lack of work force	Unlikely	Minor	Low
Lack of power and water	Unlikely	Minor	Low
Marketing			
Price of iron concentrate products falls	Possible	Medium	Medium
Unable to sell quantities of concentrate planned	Possible	Medium	Medium – High

Table 17–2 Main risks and Analyses of the Project

The risks identified for the Project have been rated as Minor to Medium-High. It is believed that the above risks can be generally managed if detailed risk assessments and control procedures are implemented.

17.4 Major Assumptions

We have adopted certain specific assumptions in our assessment of risks and the major ones are as follows:

- Xingzhou Mineral will have free and uninterrupted rights to operate the Projects throughout the period until all resources of the Projects considered in the assessment are fully exploited and subject to no land premium or any substantial payment to the government;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Project operates or intend to operate would be officially obtained and renewable upon expiry;

- The mines and processing plants will be operated by Xingzhou Mineral as planned;

- There exists a reliable and adequate transportation network and nearby customers for the mine products;

- There will be no major changes in the current taxation laws in the localities in which the mines operate or intend to operate and the rates of tax payable shall remain unchanged and all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or financial conditions in the localities in which the mines operate or intend to operate, which would adversely affect the revenues attributable to and the profitability of the mines; and

- Interest rates and exchange rates in the locality for the operation of the Mines will not differ materially from those current.

17.5 Risk Factors

The following are the risk factors have been considered that may affect whether the iron ore mineralisation at the Project has reasonable prospects for eventual economic extraction:

17.6 Resources Risk

There is a possibility in the failure to achieve projected grades and tonnages during mining. Estimates of resources may also change when new information becomes available or new factors arise. There may be variability in the quality of the deposits which may impact the total tonnages produced. Interpretations and deductions of the geology and controls on the mineralisation on which the resource estimates are based (i.e. past drilling, sampling and similar examination) may potentially be found to be inaccurate after further drilling or the commencement of actual production. Any adjustment could affect the development and mining plans, which could materially and adversely affect the revenues and the valuation of the Mine. There can be no assurance the recovery from exploration assay tests will be the same under on-site conditions or in production-scale operations.

Since the iron ore grades produced by the underground mining to date has been consistent with the resource estimates, the risk that the grade and tonnage expectations will not be met is considered to be very medium.

17.7 Mining Risk

Mining risks include the uncertainties associated with projected continuity of an ore deposit, fluctuations in grades and values of the product being mined, mining recoveries, viability of mining method and unforeseen operational and technical problems including mine wall failures.

Mining may be adversely affected or hampered by a variety of non-technical issues such as limitations on activities due to seasonal changes, industrial disputes, land claims, legal challenges associated with land ownership, environmental matters, mining legislation and many other factors beyond the control of Xingzhou Mineral, including many that are partly or wholly unforeseeable. The cost of maintaining mining properties depends on Xingzhou Mineral having access to sufficient development capital, poses another form of risk.

None of the mining risks are believed to be significant at both project areas.

17.8 Sovereign Risk

Mining companies are subject to the regulatory environments in which they operate. Sovereign risk or the probability that the government of a country (or an agency backed by the government) will refuse to comply with the terms of existing agreements during economically difficult or politically volatile times has the potential to significantly devalue a project. The risks of material adverse changes in the government policies or legislation of China are low, that is unlikely to affect the level and practicality of mining activities.

17.9 Tenements and License Extension

The tenements form the basis of the value of the Project. There are risks associated with obtaining renewal of tenements upon expiry of their current term, including the grant of subsequent titles where applied for over the same ground. The grant or refusal of tenements is subject to ministerial discretion and there is no certainty that the renewal of tenements will be granted.

17.10 Commodity Price and Exchange Rate Risks

Commodity prices and exchange rates are constantly changing. Value of the mines depends on iron ore prices and is highly sensitive to price and exchange rate fluctuations, both positively and negatively. A huge fall in iron ore prices and currency depreciation would substantially affect the profitability of the projects. The worst case is that the mines would become uneconomical.

17.11 Operating Cost and Capital Cost Risks

The operating cost estimates used when considering whether the iron ore mineralisation will reasonably be expected to be mined are based on a number of assumptions. The mining business is capital intensive and the development and exploitation of resources, the depreciation and unavailability of equipment and machineries, and the expansion of production capacity will require substantial capital expenditures. There may be potential increases in operating costs which arise from unforeseen operating complexities due to increases of the fuel price or inflation. Operations might not be completed within the scope of the time planned and might exceed the original budgeted capital costs. These would result in risks in achieving the intended economic results or commercial viability, all of which could have a material adverse effect on the results of operations and the business.

17.12 Environmental Risk

There might be environmental management issues with which Xingzhou Mineral may be required to comply from time to time, and there might be substantive legislative and regulatory regimes with which Xingzhou Mineral needs to comply for land access and mining which can lead to significant delays or require changes to mine and processing waste disposal.

17.13 Other Unforeseeable Project Risks

Poor weather conditions over a prolonged period might adversely affect mining and exploration activities and the timing of income generated from the mines. Also, unforeseen major failures, breakdowns or repairs required to key items of mining and processing equipment, mining plant and equipment or mine structure might result in significant delays, notwithstanding regular programs of repair, maintenance and upkeep. In addition, there might be risks associated with unavailability and/or high cost of quality management, contractors and equipment for exploration, mining, and the corporate and administration functions as well as the cost of identifying, negotiating with and engaging the same.

18 CONCLUSIONS AND RECOMMENDATIONS

ROMA confirmed during their site visits that the mining operations are professionally organised, orderly, tidy and safety is taken seriously.

Independent sampling by ROMA of key locations along the production flow-stream has confirmed that the Luobokan Iron Ore Project is producing magnetite concentrates that meet customer specifications with the exception of its sulphur content.

The JORC Code (2012) Mineral Resource estimate for the Luobokan Iron Ore Project, at a 10% mFe lower cut-off grade, at 29 February 2024 is as follows:

Resource Category	Million Tonnes	mFe%
Indicated	34.3	18.23
Inferred	33	15.53
Total	67.3	16.95

Table 18–1 2024 Mineral Resource Estimate at 29 February 2024 for Luobokan Iron Ore Project

An additional exploration target of resource is estimated at:

	Million Tonnes		Million Tonnes
Exploration Target	50	to	100
	mFe%		**mFe%**
	12	to	17.00

Table 18–2 Resource estimate for exploration target of Luobokan Iron Ore Project

**Note:* The potential quantity and grade of an Exploration Target is conceptual in nature so the tonnes and grade are expressed as ranges as there has been insufficient exploration to estimate a Mineral Resource. Furthermore it is uncertain if further exploration will result in the estimation of a Mineral Resource.

ROMA recommend that the following are instigated to enable more reliable mineral resource modelling and improve mine planning:

- Due to the configuration and wide spacing of the drilling to date, it is recommended that more in-fill drilling between and along the current sections is completed before any detailed designs for deeper underground mining is initiated, especially where the mineralisation flattens out in the keel of the syncline.

- All future sampling: including drilling, underground sampling and production monitoring should include assays for S%, SiO_2 TiO_2, C% and P%.

- Mine production including concentrate production to be continually reconciled against the Mineral Resource models to ensure that resource modelling is sufficiently accurate to meet planning requirements and implement any changes necessary to improve the accuracy of the resource modelling.

- Further density measurements are required to ensure more accurate tonnage calculations from ore and waste volumes.

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APPENDIX A:
JORC CODE (2012) TABLE 1

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• All the information available to ROMA on the drilling and sampling is from the 10th Geological Brigade of Liaoning Province who supervised this work and completed Mineral Resource estimates in 2005, 2011 and 2019. In their reports there are very few details on the procedures followed however they state that all drilling and sampling was carried out to Chinese National Standards. These standards, if followed correctly, would also meet the requirements of the JORC Code (2012).
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• All the drilling used to model the resources was standard tube diamond drilling with a core diameter of 48 mm.

Criteria	JORC Code explanation	Commentary
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• The core recovery of all rocks was reported as being 90.0–99.3%, and in the ore as 100%.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• All the core was quantitatively and qualitatively geologically logged on site by Brigade geologists.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• The core was sampled according to geological boundaries with a maximum length of 6.4 m but typically 3 m or 5 m, depending on when the drilling was being sampled.

Criteria	JORC Code explanation	Commentary
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• All the assays were carried out by the 10th Geological Brigade of Liaoning Province. One half of the split core was initially coarsely crushed to -5 mm then to 1–0.83 mm (20 mesh). 1 kg of the crushed core was then pulverised to -200 mesh using a rod mill. • The crushing and pulverising equipment was thoroughly cleaned after each sample. • From the pulverised samples the total Fe% (TFe%) and magnetic Fe% (mFe%) were assayed. • Almost 25% of the samples were sent to the laboratory of Liaoning Nonferrous Geology Bureau 101 Team Co., Ltd. for independent testing.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• The core had been destroyed before the site visit by ROMA so no verification samples were taken. • The sample data was received from Xingzhou Mineral and checked for overlapping intervals and out of range assays, • No corrections were necessary.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• The drill collars were surveyed by Brigade surveyors using the local Chinese grid projection. • A 3D survey of the open pit was provided but not beyond the pit limits which was assumed to be horizontal. • Using the assumed topography will not significantly affect the Mineral Resource modelling and estimate.

Criteria	JORC Code explanation	Commentary
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• The drilling is spaced on a regular 50 m x 100 m grid with some infill holes on some of the sections. • The drill spacing is appropriate for the resource categories reported. • Due to the irregular sample lengths, the assays were composited into regular 2.5 m intervals to avoid volume variance effects.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• All the drill holes were either vertical, or 80o along the east limb of the syncline. • The vertical holes in the core of the syncline give good representative intersections of the flat dipping magnetite zones however the sample intervals in the vertical and 80o drill holes into the steeply dipping east limb of the syncline are greatly longer than the true widths of the ore zones.
Sample security	• *The measures taken to ensure sample security.*	• The samples were constantly kept under secure supervision by Brigade staff from the drill rig to the laboratory.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• There have not been any independent audits or reviews of the sampling techniques and data.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• A copy of the tenement licence is included as an Appendix.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• All the substantial exploration of the project area is described and acknowledged in the report including the various government agencies and in particular the work done by the 10th Geological Brigade of Liaoning Province.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The primary mineral resource in the Fushun County region is "Anshan-Style" Banded Iron Formation (BIF) hosted iron ore found in the Tongshicun Formation. • The Luobokan BIFs are interpreted to be basic volcanics that have been metamorphosed during the Archean to form banded gneisses with alternating silica-rich and iron-rich layers. The iron layers are typically composed of iron oxides, i.e. hematite and magnetite, and iron-rich silicates.

Criteria	JORC Code explanation	Commentary

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ◦ *easting and northing of the drill hole collar*
	  ◦ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*
	  ◦ *dip and azimuth of the hole*
	  ◦ *down hole length and interception depth*
	  ◦ *hole length.*
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*
		• The drill hole collar details of all the drilling used in the Mineral Resource modelling is included as an Appendix.

Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• Due to the irregular sample lengths, the mFe% assays were composited into regular 2.5 m intervals to avoid volume variance effects.

Criteria	JORC Code explanation	Commentary
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• Due to the variable dips of the magnetite zones most of the drilling intercept widths are significantly longer than the true widths of the mineralisation, especially along the steeply dipping east limb of the syncline. • The relationship between the down hole lengths with the true widths is not known but appropriately accommodated during the Mineral Resource modelling.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• All the necessary and appropriate diagrams and maps are included within the body of this report.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• This report describes the entire resource not selective exploration results.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• All the meaningful and material data is included in this report.

Criteria	JORC Code explanation	Commentary
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Further drilling to infill existing drilling is recommended to better define the quantity, orientation and grade of the resources off the steeply dipping east limb of the syncline to assist with mine designing and scheduling of future underground mining.

Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.* • *Data validation procedures used.*	• All the data available to ROMA on the drilling and sampling is from the 10th Geological Brigade of Liaoning Province who supervised this work and completed Mineral Resource estimates in 2005, 2011 and 2019. In their reports there are very few details on the procedures followed however they state that all drilling and sampling was carried out to Chinese National Standards. These standards, if followed correctly, would also meet the requirements of the JORC Code (2012). • The data as provided by the Brigade was uploaded into the 2020 MineVision software and was validated to ensure that the sample intervals did not overlap or the grades were outside expected ranges.

Criteria	JORC Code explanation	Commentary
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• ROMA visited the site twice in March 2024 during which the mine and plant were visited and meetings held with staff to discuss the geology, mining and plant operations.
Geological interpretation	• *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.* • *Nature of the data used and of any assumptions made.* • *The effect, if any, of alternative interpretations on Mineral Resource estimation.* • *The use of geology in guiding and controlling Mineral Resource estimation.* • *The factors affecting continuity both of grade and geology.*	• The magnetite mineralisation is relatively straight forward being in defined layers forming a tight syncline. The detail of the structures would be better defined with further in-fill drilling, including appropriately inclined drill holes, along and between the existing sections. • The lack of detail is not likely to affect the quantity and grade of the resources but other valid alternate interpretations could greatly affect future mine design. • Relatively close spaced sampling of underground development indicates that the continuity assumed in the modelling is valid.
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	• The magnetite mineralisation occurs in several layers that extend for over 1500 m along strike along the eastern limb of a large syncline.

Criteria	JORC Code explanation	Commentary
Estimation and modelling techniques	• *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.* • *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.* • *The assumptions made regarding recovery of by-products.* • *Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).* • *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.* • *Any assumptions behind modelling of selective mining units.* • *Any assumptions about correlation between variables.* • *Description of how the geological interpretation was used to control the resource estimates.* • *Discussion of basis for using or not using grade cutting or capping.* • *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*	• The ROMA Mineral Resource was modelled using 2020 MineVision software with an Inverse Distance Squared algorithm to interpolate grades into wireframed solids. Search radii up to 200 m were used. • The digital block model consisted of 5m x 5m x 5m cells. This cell size is appropriate for the type and structure of the mineralisation being modelled. • The ROMA Mineral Resource estimate compares favourably with the earlier 10th Geological Brigade of Liaoning Province estimates. • The ROMA Mineral Resource estimate does not include S%, SiO_2 TiO_2, C% or P% grades. These elements are all potentially deleterious in any concentrate produced from these Mineral Resources. • No grade cutting was used to modify the grade of the drilling assays. • The Mineral Resource model was visually compared with the drilling intersections and found to correlate as expected.

Criteria	JORC Code explanation	Commentary
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	• All the tonnes are quoted on a dry basis.
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	• A lower cut-off grade of 10% mFe was used to define the wireframes within which the resources were modelled based on those used for previous Mineral Resource estimates.
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	• Xingzhou Mineral confirmed that using a lower cut-off grade of 10% mFe is appropriate and meets current mining requirements.

Criteria	JORC Code explanation	Commentary
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	• Xingzhou Mineral confirmed that using a lower cut-off grade of 10% mFe is appropriate and meets current metallurgical requirements.
Environmental factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	• It is assumed that future mining will continue to meet Government regulations.

Criteria	JORC Code explanation	Commentary
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* • *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.* • *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	• 36 core samples of a range of mFe grades had their densities measured. • The density used by ROMA for their Mineral Resource modelling was calculated using the mFe% Vs Density relationship as shown in Figure 9 1, Density = 0.0201 x mFe% + 3.014.
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.* • *Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/ grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).* • *Whether the result appropriately reflects the Competent Person's view of the deposit.*	• ROMA believe that the Mineral Resource classifications assigned by ROMA are appropriate and consider their relative levels of confidence. • ROMA notes that since the Mineral Resource only considers the mFe% and does not include S%, SiO_2 TiO_2, C% or P% grades the Mineral Resource classified as Indicated does not infer any reliability of the S%, SiO_2 TiO_2, C% or P% grades.
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	• There have been no independent audits or reviews of the ROMA resource modelling.

Criteria	JORC Code explanation	Commentary
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	• ROMA notes that since the Mineral Resource only considers the mFe% and does not include S%, SiO_2 TiO_2, C% or P% grades the Mineral Resource classified as Indicated is at the lower end of this classification and does not infer any reliability of the S%, SiO_2 TiO_2, C% or P% grades. • The ROMA Mineral Resource is a global estimate. • Due to the configuration and wide spacing of the drilling to date, it is recommended that more in-fill drilling between and along the current sections is carried out before any detailed designs for deeper underground mining is initiated.

APPENDIX B:
GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

A list of abbreviations and definitions used in this Report (where appropriate) is shown below.

μ	micron	km^2	square kilometre
ºC	degree Celsius	kt	kiloton
ºF	degree Fahrenheit	kVA	kilovolt-amperes
μg	microgram	kW	kilowatt
A	ampere	kWh	kilowatt-hour
a	annum	L	litre
BIF	Banded Iron Formation	L/s	litres per second
C$	Canadian dollars	m	metre
cal	calorie	M	Mega (million)
CFM	cubic metres per minute	m^2	square metre
cm	centimetre	m^3	cubic metre
cm^2	square centimetre	min	minute
d	day	MASL	metres above sea level
dia	diameter	mm	millimetre
dmt	dry metric tonne	mph	miles per hour
dwt	deadweight ton	MVA	megavolt-amperes
g	gram	MW	megawatt
G	giga (billion)	MWh	megawatt-hour
Gal	Imperial gallon	m^3/h	cubic metres per hour
g/L	gram per litre	opt, oz/st	ounce per short ton
g/t	gram per tonne	RL	relative elevation
gpm	Imperial gallons per minute	s	second
gr/ft^3	grain per cubic foot	t	metric tonne
gr/m^3	grain per cubic metre	t/a	Metric tonne per day
hr	hour	t/m^3	metric tonne per cubic metre
ha	hectare	tpd	metric tonne per day
hp	horsepower	US$	United States dollar
in	inch	USg	United States gallon
in^2	square inch	USgpm	US gallon per minute
J	Joule	V	Volt
k	kilo (thousand)	W	Watt
kcal	kilocalorie	wmt	wet metric tonne
kg	kilogram	yd^3	cubic yard
km	kilometre	yr	Year
km/h	kilometre per hour		

APPENDIX C:
MINING LICENSE


中华人民共和国
采 矿 许 可 证
（正本）
证号：C2300002009102110041694
采矿权人：抚顺兴洲矿业有限公司
地　　址：抚顺市东洲区碾盘乡台沟村
矿山名称：抚顺兴洲矿业有限公司萝卜坎铁矿
经济类型：有限责任公司
有效期限：贰拾伍年零陆个月 自2024年1月8日 至2049年7月8日
开采矿种：铁矿
开采方式：地下开采
生产规模：290.00万吨/年
矿区面积：0.9400平方公里
矿区范围：（见副本）
发证机关
（采矿登记专用章）
二○二四 年 月 日
中华人民共和国自然资源部印制

中华人民共和国

采 矿 许 可 证

（副本）

证号：C2100002009102110041604

采矿权人：抚顺兴洲矿业有限公司

地　　址：抚顺市东洲区碾盘乡台沟村

矿山名称：抚顺兴洲矿业有限公司萝卜坎铁矿

经济类型：有限责任公司

开采矿种：铁矿

开采方式：地下开采

生产规模：290.00万吨/年

矿区面积：0.9400平方公里

有效期限：贰拾伍年零陆个月 自 [illegible] 至 [illegible]

发 证 机 关

（采矿登记专用章）

二〇二四 年 月 日

中华人民共和国自然资源部印制

仅限 矿权评估 事宜

矿区范围拐点坐标：（2000国家大地坐标系）

点号 X坐标 Y坐标

1. [illegible]

2. [illegible]

3. [illegible]

4. [illegible]

5. [illegible]

标高：[illegible]

开采深度：由140米至-320米标高 共有5个拐点圈定

APPENDIX D:
DRILL HOLE COLLAR COORDINATES

	China Geodetic Coordinate System 2000 (CGCS 2000)				
BHID	X	Y	Z	Depth	Year
ZK100	4627638.35	586293.11	116.44	102.20	2010
ZK101	4627735.72	586035.99	111.94	171.83	2010
ZK102	4628489.11	585712.45	103.18	112.10	2010
ZK103	4628602.46	585745.00	104.87	351.27	2010
ZK104	4628649.68	585587.04	112.74	210.14	2011
ZK105	4628525.53	585582.37	105.66	140.42	2010
ZK106	4628708.02	585707.32	104.46	259.52	2011
ZK107	4628450.78	586093.95	110.26	214.45	2011
ZK108	4628574.76	586140.76	108.53	239.69	2010
ZK109	4628427.94	586038.31	109.58	244.58	2010
ZK111	4628331.11	585809.02	108.88	100.70	2010
ZK112	4628380.37	585700.52	106.69	103.83	2010
ZK113	4628601.56	585977.52	106.04	280.12	2010
ZK114	4628545.35	585792.29	106.72	292.74	2011
ZK115	4628576.39	585882.87	109.26	255.10	2010
ZK116	4628461.58	585600.15	103.92	124.40	2010
ZK119	4628954.14	585817.86	104.01	392.70	2010
ZK120	4628906.87	585701.61	107.74	317.24	2010
ZK121	4628725.87	585565.24	110.83	212.91	2011
ZK122	4629030.30	585737.07	107.20	196.74	2010
ZK124	4628616.80	585514.38	111.64	135.04	2011
ZK127	4628393.84	586208.41	109.48	210.90	2010
ZK128	4628400.06	585971.19	109.38	254.58	2010
ZK129	4628760.09	586105.36	108.70	210.82	2010
ZK130	4628934.95	586011.60	106.56	230.89	2010
ZK131	4629087.77	585856.47	104.18	199.35	2010
ZK14–1	4628778.59	585891.61	104.27	600.30	2017
ZK501	4628533.98	586045.94	108.20	364.07	2005
ZK502	4628481.77	585945.62	108.50	450.30	2005
ZK503	4628423.89	585794.50	107.20	379.40	2005
ZK504	4628446.97	585852.18	108.00	391.04	2005
ZK505	4628639.31	585832.34	107.50	395.30	2005
ZK506	4628680.05	585931.10	106.80	400.30	2005
ZK507	4628715.30	586009.44	107.50	384.20	2005
ZK508	4628756.27	586087.26	107.40	300.25	2005
ZK509	4628783.66	585672.07	107.80	359.85	2005

	China Geodetic Coordinate System 2000 (CGCS 2000)				
BHID	X	Y	Z	Depth	Year
ZK510	4628148.15	586003.06	111.40	355.29	2005
ZK511	4628862.83	585847.08	105.00	401.81	2005
ZK512	4628355.24	586118.69	110.00	367.03	2005
ZK513	4628396.23	586198.76	109.50	337.36	2005
ZK514	4628302.56	586336.04	120.10	200.40	2005
ZK515	4628264.86	586244.82	114.10	306.00	2005
ZK516	4628229.03	586166.43	111.50	344.70	2005
ZK517	4628040.03	586296.00	121.50	250.05	2005
ZK518	4628029.96	586198.61	121.10	274.20	2005
ZK519	4627840.96	586293.56	125.10	240.39	2005
ZK520	4627987.17	586018.95	108.80	281.63	2005
ZK521	4627730.39	586298.66	113.90	150.25	2005
ZK522	4628010.80	586099.73	121.40	322.42	2005
ZK523	4628317.02	586035.80	109.30	364.20	2005
ZK524	4628276.64	585946.28	108.50	360.20	2005
ZK525	4628930.69	586005.86	106.50	300.45	2005
ZK526	4628576.19	586138.10	108.30	315.68	2005
ZK527	4628115.14	585930.61	108.90	290.04	2005
ZK528	4627745.41	586186.75	113.80	170.58	2005
ZK529	4627840.04	586193.15	115.50	198.56	2005
ZK530	4628822.04	585755.75	104.30	373.24	2005
ZK531	4627829.39	586105.02	112.40	198.60	2005

APPENDIX E:
BUSINESS LICENSE


营业执照

统一社会信用代码

名称 抚顺兴洲矿业有限公司

类型 有限责任公司

法定代表人

经营范围

注册资本

成立日期 2003年09月22日

住所

登记机关

2023年1月27日

APPENDIX F:
PRODUCTION SAFETY CERTIFICATES


安全生产许可证

企业名称

主要负责人

单位地址

经济类型

有效期 至

许可范围

发证机关

发证日期 年 月 日

MEM

统一社会信用代码

安全生产许可证

编号

企业名称

许可范围 尾矿库运营

主要负责人

单位地址

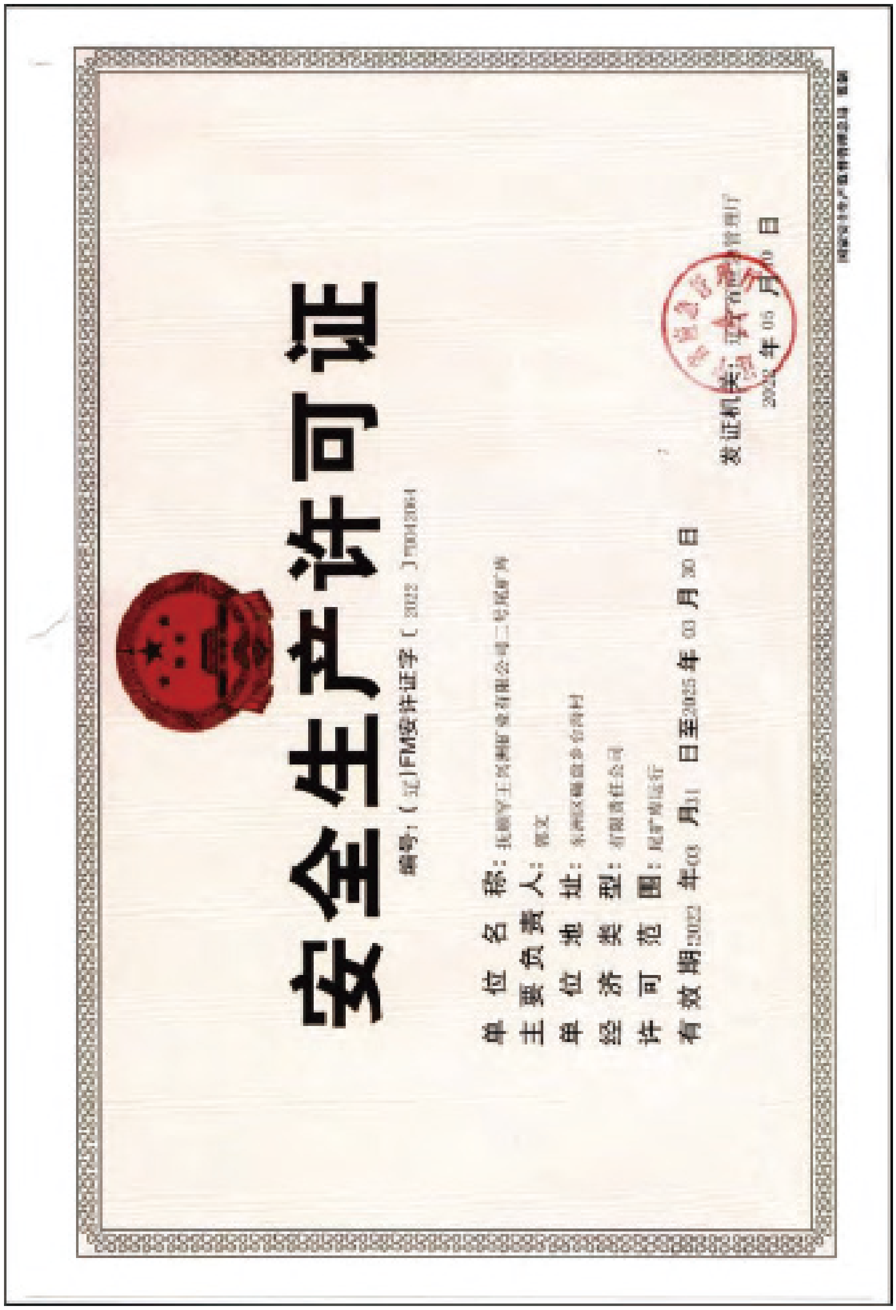
经济类型 有限责任公司

有效期 2022年10月17日 至 2025年10月16日

发证机关

发证日期 2023 年08 月07 日

MEM



安全生产许可证

编号：（辽）FM安许证字〔2022〕

单 位 名 称：

主要负责人：

单 位 地 址：

经 济 类 型：

许 可 范 围：

有 效 期：2022 年 03 月 11 日至 2025 年 03 月 30 日

发证机关：

年 月 日

APPENDIX G:
LABORATORY ASSAY CERTIFICATE
(ROMA SAMPLES)

SGS

SGS Tianjin Mineral Laboratory

SGS Mansion, No.41
Kaitai Business Incubation Building
The 5th Avenue, TEDA
Tianjin, China, 300457

Lab Ref MNG240157TJ
Client Ref /
Project DEFAULT
Reported 29/03/24
Status Final
Page Page 2 of 4

ANALYTICAL REPORT

Method	GB/T 6730.5-2022	DZG 20.01-2011	GB/T 6730.62-2005	GB/T 6730.62-2005	GB/T 6730.62-2005	GB/T 6730.61-2022
Units	%	%	%	%	%	%
Detection Limit	15	0.07	0.08	0.005	0.004	0.01
Upper Limit	0	0	0	0	0	0
	TFe	mFe	SiO_2	P	TiO_2	C
RM01	64.45	61.78	7.77	0.025	0.25	0.063
RM02	64.77	62.12	7.42	0.024	0.25	0.066
RM03	64.74	61.55	7.63	0.022	0.26	0.067
RM04	27.94	9.04	49.52	0.059	0.13	0.23
RM05	26.26	10.56	50.64	0.072	0.11	0.26
RM06	25.95	13.34	50.82	0.079	0.16	0.27
RM07	30.08	14.40	47.02	0.080	0.096	0.18
RM08	31.10	15.04	46.18	0.091	0.093	0.18
RM09	16.39	2.69	54.76	0.052	0.31	0.24
RM10	18.95	1.80	51.83	0.056	0.23	0.65
RM11	19.17	1.56	59.94	0.071	0.075	0.21
RM12	19.01	1.60	59.24	0.068	0.090	0.22
RM13	19.37	1.47	59.43	0.072	0.080	0.22
RM14	64.50	61.84	7.53	0.022	0.23	0.059
RM15	64.53	62.08	7.33	0.023	0.23	0.063

******To be continued******

- *not analysed* / *I.S. insufficient sample* / *L.N.R. listed not received*

Results are not intended for commercial settlement purposes.

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Page	Page 3 of 4

ANALYTICAL REPORT

******Continued from previous page******

Method **Units** **Detection Limit** **Upper Limit**	GB/T 6730.61-2022 % 0.005 0 S
RM01	0.62
RM02	0.63
RM03	0.62
RM04	0.37
RM05	0.34
RM06	0.18
RM07	0.29
RM08	0.29
RM09	0.33
RM10	0.46
RM11	0.20
RM12	0.21
RM13	0.20
RM14	0.71
RM15	0.64

******To be continued******

- not analysed / I.S. insufficient sample / L.N.R. listed not received

Results are not intended for commercial settlement purposes.

The following is the text of a report dated 28 June 2024 prepared for the purpose of incorporation into this circular received from Roma Appraisals Limited in connection with its opinion on the market value of 96.62% equity interest in Fushun Xingzhou as at 31 December 2023.

ROMA

Rooms 1101–4, 11/F Harcourt House
39 Gloucester Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

28 June 2024

Pak Tak International Limited
20/F, One Continental
No. 232 Wan Chai Road
Wan Chai
Hong Kong

Case Ref: ML/OT8354/JAN24(b)

Dear Sir/Madam,

Re: Valuation of Fushun Xingzhou Mining Co., Ltd Luobokan Iron Ore Project in Liaoning, China

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SUMMARY

In accordance with the instructions from Pak Tak International Limited (hereinafter referred to as the "**Company**"), we have performed a valuation of iron ore project (hereinafter referred to as the "**Project**") as at 31 December 2023 (hereinafter referred to as the "**Date of Valuation**"), which are currently owned by Fushun Xingzhou Mining Co., Ltd (撫順興洲礦業有限公司) (hereinafter referred to as the "**Business Enterprise**"). The Business Enterprise is expected to be directly held as to 96.62% by a subsidiary established in the PRC of Zongchuan Investment Group Co., Limited (宗傳投資集團有限公司) (hereinafter referred to as the "**Target Company**"; together with its subsidiaries, hereinafter referred to as the "**Target Group**") and thereby become a subsidiary of the Target Company and the principal operating subsidiary in the Target Group upon completion of reorganisation.

This report states the purpose of valuation, scope of work, economic and industry overviews, an overview of the Business Enterprise and the Project, basis of valuation, investigation and analysis, valuation methodology, major assumptions, risk factors, information reviewed, limiting conditions, references and presents our opinion of value. A business valuation on 96.62% equity interest in the Fushun Xingzhou as instructed by the Company and abbreviations and glossary are included in Appendix A and Appendix B of this report respectively.

This report has been prepared in accordance with the guidelines set by the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Project ("**VALMIN Code (2015)**") prepared by the VALMIN Committee in Australia and Chapter 18 of the Listing Rules of the Stock Exchange of Hong Kong Limited ("**Listing Rule Chapter 18**"). This report is prepared based on information compiled by and under the supervision of Mr. Ian D. Buckingham (hereinafter referred to as the "**Competent Evaluator**"). In particular, Mr. Buckingham is the author of this report and has reviewed all the major assumptions adopted in the valuation model and ensured this valuation report is compliant with the VALMIN Code (2015) and Listing Rule Chapter 18.

According to the competent person's report (hereinafter referred to as the "**Competent Person's Report**") dated 28 June 2024 prepared by Roma Oil and Mining Associates Limited (hereinafter referred to as the "**ROMA**") (ROMA and the Business Enterprise together referred to as "**Technical Consultants**"), resources of the Project have been estimated under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition ("**2012 JORC Code**").

Our investigations included discussions with members of the management of the Company and the Business Enterprise in relation to the development and prospects of the iron ore mining industry, and the development, operations and other relevant information of the Business Enterprise and the Project. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the industry from external public sources as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise and the Project provided to us by the management of the Company and the Business Enterprise, and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business and market information. We also relied upon the information provided and the parameters advised by the Technical Consultants, who have conducted a site visit to the Project.

The valuation of the Project requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. In the process of valuing the Project, we have taken into account the mining operations, performance and financial information of the Business Enterprise and the Project. We have considered the adoption of the discounted cash flow ("**DCF**") method under the Income-Based Approach in determining the value of the Project.

The VALMIN Code (2015) seeks to determine a market value (hereinafter referred to as "**Market Value**"). Based on our experience, we acknowledge that the DCF method of valuing Project generate only a technical value (hereinafter referred to as "**Technical Value**") as defined in accordance with the VALMIN Code (2015), which excludes any premium or discount to account for market considerations. Inevitably, the Technical Value obtained using this method appears low in an optimistic (bull) market, but high in a pessimistic (bear) market. Hence, the valuation must be converted to Market Value by considering the current market premium/discount applicable to the underlying Technical Value.

Based on the investigation and analysis conducted, the valuation method employed, and the sensitivity analyses performed, the Market Value of the Project as at the Date of Valuation, in our opinion, were reasonably stated as follows:

Market Value of the Project as at 31 December 2023

	Range of Market Value	**Preferred Market Value**
	RMB	*RMB*
Market Value of the Project	771,990,000 to 885,750,000	825,720,000

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, ROMA acknowledges that this report may be made available to the Company for public documentation purpose only.

ROMA assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Business Enterprise and/or their representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development and prospect of the iron ore mining industry, the development, operations and other relevant information of the Business Enterprise and the Project. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise and the Project provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all the matters that an audit or more extensive examination might disclose.

3. ECONOMIC OVERVIEW

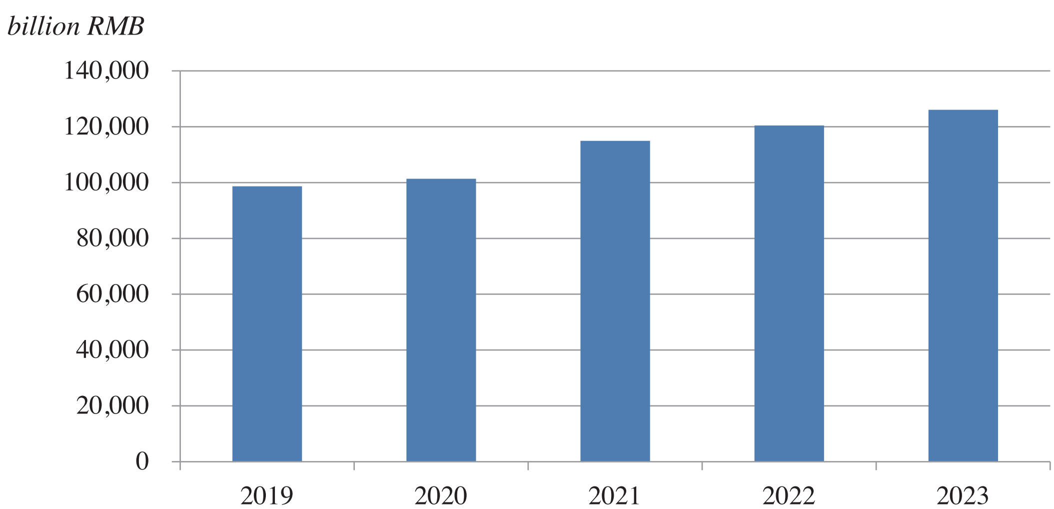
3.1 Overview of the economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("**GDP**") of China in 2023 was RMB126,058 billion, a year-over-year nominal increase of 4.64% compared to 2022. China was the largest economy in the world, in terms of nominal GDP measured by the International Monetary Fund ("**IMF**") in 2021. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending on infrastructure and real estate.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2019 to 2023, the compound annual growth rate of China's nominal GDP was 6.32%. An upward trend in China's nominal GDP was observed from 2019 to 2023. Figure 1 illustrates the nominal GDP of China from 2019 to 2023.

Figure 1 – China's Nominal GDP from 2019 to 2023

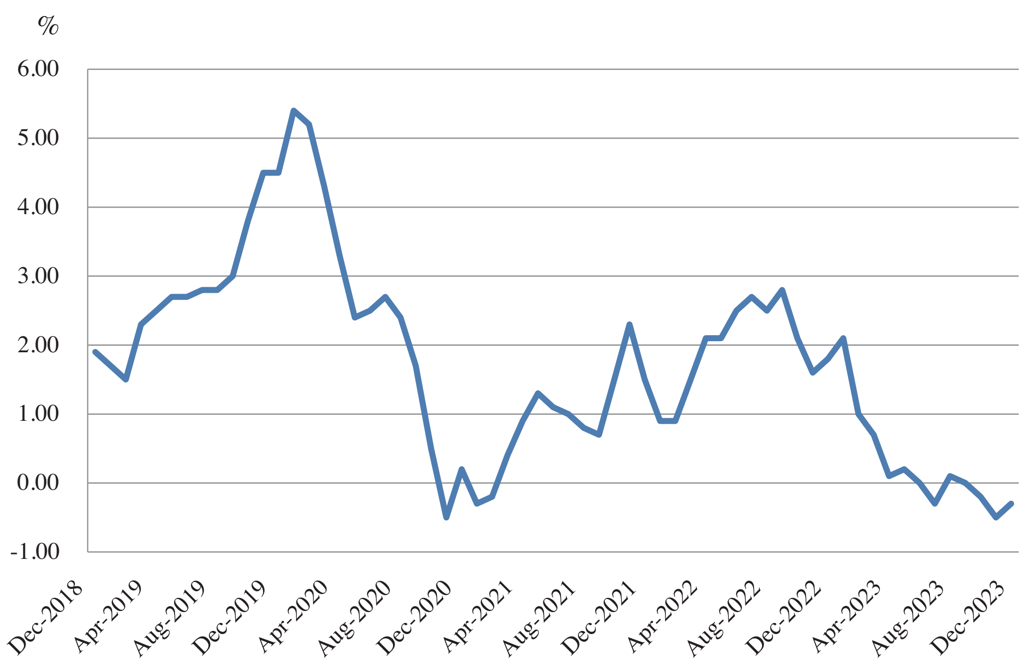


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling the inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class demand for food and commodities has been rising continuously. According to the National Bureau of Statistics of China, the consumer price index ("**CPI**") demonstrated an uptrend from 2018 to 2019. In 2019, the year-over-year change in CPI increased from 1.7% in January to 4.5% in December. In 2020, the year-over-year change in CPI started out high at 5.4% in January, yet it significantly decreased to 0.2% in December. In 2021, the year-over-year change in CPI dropped to (0.3%) in January and rose to 1.5% in December. The year-over-year change in CPI dropped to 0.9% in January 2022 and increased to 2.8% in September 2022 and then dropped to (0.3%) in December 2023. Figure 2 shows the year-over-year change in the CPI of China from December 2018 to December 2023.

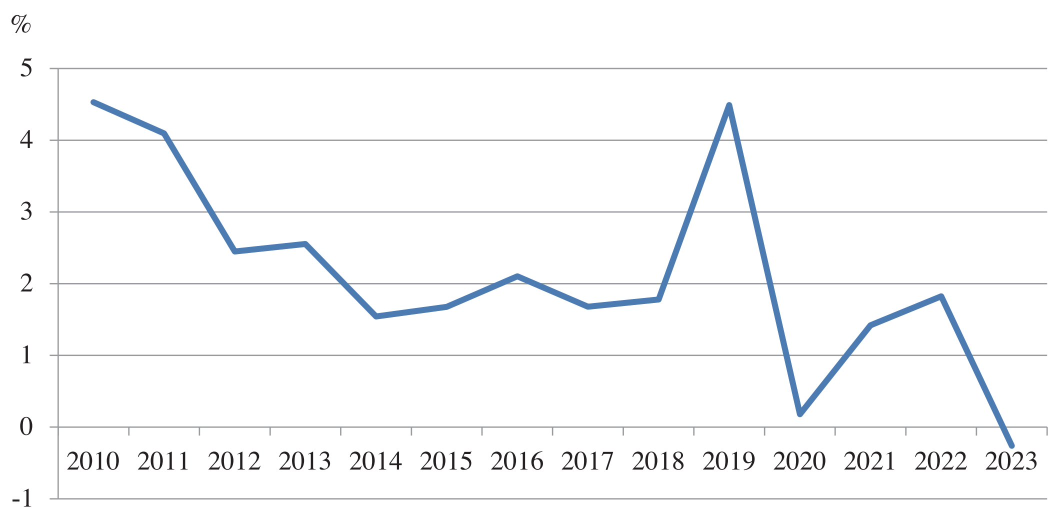
Figure 2 – Year-over-year Change in China's CPI from December 2018 to December 2023



Source: Bloomberg

China's inflation rate has been volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007 and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.5% in 2014. The inflation rate has been fluctuating in recent years. It started to climb in 2015 and 2016 from 1.6% to 2.1%, then decreased in 2017 to 1.8% and eventually rose again to 1.9% in 2018. The inflation rate increased to 4.5% in 2019 while decreasing to -0.31% in 2020 due to the outbreak of Covid-19. The yearly inflation rate in China will be 1.4% in 2021 and then increase to 1.8 in 2022. It has dropped to (0.3) in the year of 2023. According to the IMF's forecast, the long-term inflation rate of China is expected to be around 2.0%. Figure 3 shows the historical trend of China's inflation rate from 2010 to 2023.

Figure 3 – China's Inflation Rate from 2010 to 2023



Source: International Monetary Fund

4. INDUSTRY OVERVIEW

4.1 Worldwide iron ore industry

4.1.1 Overview

Iron ores are rocks and minerals where metallic iron can be extracted. It is the fourth most common element in the Earth's crust and comes in several forms. There are four main types, each with unique properties:

- Magnetite (FE3O4): Magnetite is distinctive due to its magnetic properties, which simplify the separation process. It contains up to 70% iron.

- Hematite (Fe2O3): Hematite is the most prevalent type, renowned for its high iron content and its reddish-brown color. It is less magnetic than magnetite, which affects extraction techniques.

- Limonite (FeO (OH)nH2O): Limonite contains lower iron levels and is often used for applications requiring lower iron content.

- Siderite (FeCO3): Siderite contains iron carbonate, which must undergo additional processing to be usable.

The global iron ore market is volatile and is affected by various factors which include industrial demand for steel, global economic trends, and geopolitical issues. Global industrialization in growing economies such as India and China are factors that boost the growth of the market into the future. However, the market is susceptible to price volatility due to changes in supply, policy shifts in major consuming countries, and periodic economic downturns. Trade policies also play a crucial role, with tariffs and agreements directly affecting market stability and pricing.

4.1.2 World iron ore production

World iron ore production has experienced substantial growth over the past several decades, driven by the expanding demand from the steel industry, particularly in emerging economies. As of recent years, global iron ore production has reached approximately two billion metric tons annually, with the majority contributed by a few key countries that possess large, high-quality iron ore reserves.

	Mine Production			
	Usable ore (millions)		**Iron Content (millions)**	
	2022	**2023estimated**	**2022**	**2023estimated**
United States	39,000	44,000	24,700	28,000
Australia	944,000	960,000	584,000	590,000
Brazil	435,000	440,000	276,000	280,000
Canada	69,000	70,000	41,400	42,000
Chile	17,700	18,000	11,100	11,000
China	272,000	280,000	170,000	170,000
India	251,000	270,000	156,000	170,000
Iran	78,300	77,000	51,300	50,000
Kazakhstan	53,600	53,000	8,890	8,800
Mauritania	12,700	13,000	7,950	8,100
Mexico	10,800	12,000	6,800	7,600
Peru	19,300	19,000	12,900	13,000
Russia	84,200	88,000	55,800	58,000
South Africa	63,700	61,000	40,500	39,000
Sweden	38,900	38,000	27,700	27,000
Turkey	17,700	17,000	10,700	10,000
Ukraine	34,100	36,000	21,300	22,000
Other countries	57,200	48,000	32,200	27,000
World total (rounded)	2,500,000	2,500,000	1,540,000	1,500,000

Source: U.S. Geological Survey, Mineral Commodity Summaries, January 2024

Australia stands as the foremost producer of iron ore, accounting for over 900 million tons of the total global output. The Pilbara region is notable for its vast deposits and high-grade iron ore, which is predominantly hematite. Brazil follows as the second-largest producer, with the state of Minas Gerais and the Carajás Mine being significant contributors. The Brazilian mines are renowned for their sizeable output and reserves, producing slightly lesser quantities than Australia but with ore that rivals Australian ore in quality. Other notable producers include China, India, and Russia, each contributing substantially to the global supply but often using much of their production for domestic consumption.

In 2023, iron ore production and trade were estimated to rise due to restocking and increased consumption of intermediate products. According to the World Steel Association's forecast global finished steel consumption to increase by 1.8% in 2023 and by 1.9% in 2024. According to Bloomberg, after a strong 2023, iron ore supply could stagnate as major iron ore producers are unlikely to add any new tons in 2024 unless India continues to export at the current rate, which would be unlikely due to dropping prices in Q1 2024.

4.1.3 World iron ore reserve

As of 2024, global iron ore reserves continue to support the demands of the steel-making industry, with Australia and Brazil leading in both volume and quality. Advances in exploration and mining technologies, alongside a heightened focus on sustainable practices, are shaping the development and management of these reserves.

	Reserves (million metric tons)	
	Crude ore	**Iron content**
United States	3,100	1,300
Australia	658,000	627,000
Brazil	34,000	15,000
Canada	6,000	2,300
Chile	NA	NA
China	20,000	6,900
India	5,500	3,400
Iran	3,300	1,500
Kazakhstan	2,500	900
Mauritania	NA	NA
Mexico	NA	NA
Peru	2,600	1,200
Russia	29,000	14,000
South Africa	990	620
Sweden	1,300	600
Turkey	152	99
Ukraine	76,500	72,300
Other countries	18,000	9,500
World total (rounded)	190,000	87,000

Source: U.S. Geological Survey, Mineral Commodity Summaries, January 2024

While Australia and Brazil are the mainstays of iron ore supply, other regions such as Russia, China, and India also contribute significantly. 2024 has seen increased efforts in exploration and technology application to better assess and tap into these resources. New deposits are being explored with state-of-the-art geological technology, ensuring a steady augmentation of the known reserves.

- **Australia**: The Pilbara region continues to be a powerhouse in global iron ore production, with substantial reserves of high-grade hematite ore. Recent surveys have indicated potential new deposits north of the existing mining areas, suggesting possibilities for expansion.

- **Brazil**: Known for its vast reserves of high-quality ore in the states of Minas Gerais and Pará, Brazil remains a critical player. The Carajás Mine is not only one of the largest but also among the richest iron deposits in the world.

- **Russia**: With reserves primarily located in the Kursk Magnetic Anomaly, Russia holds significant magnetite resources. The area is known for its substantial volume, although the depth of ore bodies presents challenges.

- **China**: Although possessing extensive reserves, the iron ore quality varies, and high-grade deposits are less common. Efforts to enhance the beneficiation processes to upgrade the ore quality are ongoing.

- **India**: Concentrated in Odisha and Jharkhand, India's reserves include both hematite and magnetite. Recent government-led initiatives have aimed to increase exploration and reduce import dependency.

4.1.4 China's iron ore market

In 2024, China's position in the global iron ore market remains pivotal due to its status as the world's largest consumer and a major importer of the commodity. Despite the country's intensive efforts to ramp up domestic production, the immense demand driven by its massive steel industry continues to necessitate significant imports from abroad. The Chinese iron ore market this year reflects a blend of robust demand, evolving supply dynamics, and rigorous regulatory landscapes which collectively shape its strategic economic policies.

The demand for iron ore in China continues to be driven by substantial urbanization and numerous infrastructural developments. Additionally, sectors such as automotive manufacturing, which rely heavily on steel, contribute to the sustained demand. While the demand remains strong, there is a noticeable shift towards the stabilization of growth rates, influenced by a maturing industrial base and an increasing emphasis on sustainability. This shift is further characterized by a growing preference for high-quality ore, which supports more efficient steel production processes and aligns with China's stringent environmental goals aimed at reducing carbon emissions.

Despite a slight increase in domestic iron ore production in regions like Hebei, Liaoning, and Shanxi, China still faces a significant shortfall, which it compensates for through imports. Australia and Brazil remain the primary suppliers, though there is a strategic move towards diversifying these sources. In line with its Belt and Road Initiative, China has been forging new alliances with iron ore-producing nations in Africa and other parts of Asia, aiming to reduce its dependency on traditional suppliers and mitigate risks associated with geopolitical tensions.

Technological advancement is a hallmark of China's approach to overcoming challenges within the iron ore sector. Innovations in beneficiation processes that enhance the iron content of lower-grade domestic ores, along with advancements in smelting technologies that decrease environmental impact, are becoming increasingly prominent. The integration of automation and artificial intelligence across mining operations and supply chain logistics also reflects a drive towards greater efficiency and sustainability.

Regulatory and trade dynamics in 2024 continue to focus on decreasing external dependencies. Through strategic tariffs and trade negotiations, coupled with investments in foreign mining assets, China aims to secure a more stable and controllable supply chain. Simultaneously, stringent environmental regulations compel the industry towards lower emissions and higher operational standards.

However, these initiatives also introduce challenges, such as dealing with the volatility of global iron ore prices and adhering to strict environmental standards. Yet, they open opportunities for technological innovation and international cooperation in securing iron ore supplies. Strategic planning in resource management and the promotion of recycled steel usage are among the recommendations for mitigating raw material shortages and enhancing environmental sustainability.

In conclusion, the iron ore market in China in 2024 is characterized by a dynamic interplay of demand consistency, supply chain adjustments, and proactive regulatory frameworks. As the Chinese steel industry continues to influence global iron ore dynamics significantly, its strategies and policies will likely continue to have far-reaching impacts on the global market, promoting technological, economic, and environmental developments across the iron ore and steel production landscapes.

5. THE BUSINESS ENTERPRISE

5.1 Overview of the Business Enterprise and the Project

The Business Enterprise is principally engaged in iron ore production and the sale of iron concentrate powder in the PRC.

The Project is located in Dongzhou District, Fushun, Liaoning Province, China, approximately 55 km east of the city centre of Shenyang. The Project can be accessed from the city centre of Shenyang by car along a sealed highway in approximately one hour. The operation conducted open-pit mining from 2004 to 2019 before converting entirely to underground mining in 2022.

A mining license with license number C2100002009102110041604 ("**Mining License**") was granted to the Business Enterprise on 6 September 2016 for the development of the Luobokan iron ore project. The license was updated to underground mining and the production scale was expanded from 1.0 million tonnes per year to 2.9 million tonnes per year on 8 January 2024. The validity of the license is twenty-five years and 6 months with an area of 0.9400 square kilometers.

Table 1 – Summary of the Mining License

License Type	Mining license
License Number	C2100002009102110041604
Holder	Fushun Xingzhou Mining Co., Ltd
Address	Fushun City Dongzhou District Nianpan Township Taigou Village
Mine Name	Fushun Xingzhou Mineral Limited Luobokan Iron Ore Mine
Ore Type	Iron Ore
Mining Method Allowed	Underground mining
Max. Mining Capacity	2.90 million tonnes per year
Area	0.9400 square kilometre
Validity	8 January 2024 to 8 July 2049
Elevation	140m to -320m

5.2 Resource estimates

According to the Competent Person's Report prepared by ROMA, resources of the Project have been estimated under the 2012 JORC Code. The resource estimates of the Project as at 29 February 2024 according to the Competent Person's Report are as follows:

Resource Category	Million Tonnes	mFe%
Indicated	34.3	18.23
Inferred	33	15.53
Total	**67.3**	**16.95**

Source: Competent Person's Report

According to the Competent Person's Report, the mining recovery is 85% and the dilution rate is 15%. We considered that the information contained in the Competent Person's Report could be reasonably relied on.

5.3 Geological setting and mineralization

The Project is located within the Liaodong Peninsula Belt, east of the Tan-Lu Fault, forming part of the north-eastern segment of the North China Craton. This region consists of Early Archean to Paleoproterozoic basement rocks overlain by Mesoproterozoic to Cenozoic cover (Yang et al., 2007). The Late Archean basement rocks consist of 2.5-billion-year-old diorite–tonalite–granodiorite suites which were deformed during the Paleoproterozoic and Early Cretaceous.

The Paleoproterozoic orogenic belt at the eastern margin of the Eastern Block of the North China Craton called the Jiao-Liao-Ji Belt. This consists of greenschist to lower amphibolite facies sedimentary and volcanic successions and associated granitic and mafic intrusions (Zhao et al., 2005). The Paleoproterozoic rocks (the Liaohe Group) unconformably overlie the Late Archean rocks being deposited and then metamorphosed during a 1.9-billion-year-old orogenic event. Subsequently, the Liaodong Peninsula was covered by thick sequences of Mesoproterozoic to Neoproterozoic and Palaeozoic sediments.

The main lithostratigraphic unit of the Jiao-Liao-Ji Belt is the Liaohe assemblage, which is sedimentary-rich and transitions from a lower arkose and volcanic-rich sequence, through a carbonate-rich sequence to an upper argillaceous-rich sequence (Li et al., 2005).

Mesozoic intrusive rocks are widely distributed in the Liaodong Peninsula and cover an area of approximately 20,000 km^2. Magmatism mostly occurred in the Late Jurassic and Early Cretaceous, with minor Triassic magmatism consisting of mafic dikes, nepheline, syenites, diorites and monzogranites with mafic enclaves.

6. BASIS OF VALUATION

Our valuation is conducted on a Market Value basis. According to the VALMIN Code (2015), **Market Value** is defined as "the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion."

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development and prospect of the iron ore industry, and the development, operations and other relevant information of the Business Enterprise and the Project. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the iron ore mining industry from external public sources which we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise and the Project provided to us by the Management and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information. We relied upon the information provided by and the parameters advised by the Technical Consultants who conducted several site visits. Based on our experience and professional judgment, we consider that the opinions expressed by the Technical Consultant and the information contained in the Competent Person's Report are appropriate for the purposes of this valuation.

The valuation of the Project requires consideration of all pertinent factors, which may or may not affect the operation of the Project and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Business Enterprise and the Project;
- The financial conditions of the Business Enterprise and the Project;
- The economy in general and the specific economic environment and market elements affecting the businesses, industries and markets;
- Relevant licenses and agreements;
- The business risks of the Business Enterprise such as the ability to maintain competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar projects.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtaining the Market Value of the Project, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing mineral assets that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a mineral asset by comparing prices at which other mineral assets of a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indications of prices of other similar mineral assets that have been sold recently.

The right transactions employed in analysing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the mineral asset. The underlying theory of this approach is that the value of the mineral asset can be measured by the present worth of the economic benefits to be received over the useful life of the mineral asset. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the mineral asset will continue to maintain stable economic benefits and growth rates.

8.3 Asset-Based Approach

The Asset-Based Approach values a mineral asset by aggregating the costs of developing the asset to its current condition or replacing that asset.

8.4 Valuation of the Project

In the process of valuing the Project, we have taken into account the proposed operations, anticipated performance and financial information available for the Business Enterprise and the Project. The Asset-Based Approach was not adopted because it could not reflect the future economic benefit and hence the Market Value of the Project. The Market-Based Approach was not adopted because it could not account for the characteristics of the mining plans, methods and equipment concerning the Project, and there were limited comparable transactions of similar mineral assets available in the market. Therefore, we have considered the adoption of the DCF method under the Income-Based Approach in determining the value of the Project.

The VALMIN Code (2015) seeks to determine the Market Value. Based on our experience, we acknowledge that the DCF method of valuing Project generate only a technical value as defined in accordance with the VALMIN Code (2015), which excludes any premium or discount to account for market considerations. Inevitably, the Technical Value obtained using this method appears low in an optimistic (bull) market, but high in a pessimistic (bear) market. Hence, the valuation must be converted to Market Value by considering the current market premium/discount applicable to the underlying Technical Value.

Based on our understanding of the VALMIN Code (2015), an alternative valuation approach should be done to cross-check with the result, but after discussions with the Competent Evaluator it was decided that the DCF method is the most accurate and provides the most reasonable depiction of value for the valuation of the Project. The methodology follows what is performed in the global mining industry. Also, there are no corresponding transaction or data that properly reflects the Project.

8.5 Discounted cash flow

Under the Income-Based Approach, we have adopted the DCF method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The expected free cash flow for each year was determined as follows:

Expected Free Cash Flow = Net Profit + Depreciation - Change in Net Working Capital - Capital Expenditure

The present value of the expected free cash flows was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + \cdots + CF_n/(1+r)^n$$

In which
PVCF = Present value of the expected free cash flows;
CF = Expected free cash flow;
r = Discount rate; and
n = Number of years.

To adopt this method, we estimated the weighted average cost of capital ("**WACC**") of the Project as a basic discount rate. The WACC of the Project is the minimum required return that an entity must earn to satisfy its various capital providers including shareholders and debt holders. The WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - T_c)$$

In which
R_e = *Cost of equity;*
R_d = *Cost of debt;*
W_e = *Weight of equity value to enterprise value;*
W_d = *Weight of debt value to enterprise value; and*
T_c = *Corporate tax rate.*

8.5.1 Cost of debt

The cost of debt was determined by the expected lending rate of the Project. Since the interest expenses paid on debt are tax-deductible for the Project, the cost of the Project to get debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate by the cost of debt.

8.5.2 Cost of equity

The cost of equity was determined using the Capital Asset Pricing Model ("**CAPM**"), which describes the relationship between the risk of the Project and expected return to investors. It is calculated by the following formula:

$$R_e = R_f + \beta \times \text{Market Risk Premium} + \text{Other Risk Premium}$$

In which
R_e = *Cost of equity;*
R_f = *Risk-free rate; and*
β = *Beta coefficient*

8.5.3 Comparable companies

We identified several listed companies with business scopes and operations similar to those of the Project to be comparable companies (hereinafter referred to as the "**Comparable Companies**"). The Comparable Companies were generated by searching specifically within the sector of iron and filtering based on the criterion that the geographic segment revenue percentage from China should be greater than 50%. Furthermore, companies not involved in iron ore were excluded from the list. By employing these search criteria, the intention was to identify companies that operate within the same sector and have a significant presence in the Chinese market. This approach helps to ensure that the comparable companies are representative and comparable to the project under evaluation, as they share similar industry dynamics, market conditions, and geographic factors. Excluding companies not engaged in iron ore mining further enhances the comparability of the identified companies to the project.

The Comparable Companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in iron ore mining and trading business in China;
- The geographic segment revenue percentage from China greater than 50%;
- The companies are listed in Hong Kong or China;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

Details of the Comparable Companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description	Percentage of Revenue Attributable to Relevant Business	Beta	Debt to Equity Ratio
China Hanking Holdings Ltd	3788.HK	Hong Kong	China Hanking Holdings Ltd produces iron ore concentrates. The company mines iron ore, produces iron ore concentrates, and markets the concentrates primarily to iron and steel producers in Liaoning Province, China.	100%	0.822	103.94%
Aowei Holdings Ltd	1370.HK	Hong Kong	Aowei Holdings Ltd operates as a holding company. The company through its subsidiaries, offers iron ore mining and processing services. The company serves customers in Hong Kong and China.	88%	0.235	90.43%

Company Name	Stock Code	Listing Location	Business Description	Percentage of Revenue Attributable to Relevant Business	Beta	Debt to Equity Ratio
Hainan Mining Co Ltd	601969.CH	China	Hainan Mining Co Ltd provides iron ore mining services. The company produces iron ore including lump ore, fine ore, and iron fines. The company offers products for steel industry.	59%	1.573	16.00%
Inner Mongolia Dazhong Mining Co Ltd	001203.CH	China	Inner Mongolia Dazhong Mining Co Ltd operates mining businesses. The company mines, sells, and selects iron ores, iron ore fines, iron ore pellets, and other products. The company also produces oxidized pellets.	94%	1.390	34.41%

Source: Bloomberg

Below is the summary of the key parameters of the discount rate adopted as at the Date of Valuation:

Key Parameters	**As at 31 December 2023**
(a) Risk-free Rate	2.56%
(b) Market Risk Premium	6.07%
(c) Beta Coefficient	1.13
(d) Size Premium	3.05%
(e) Firm Specific Risk Premium	1.00%
(f) Cost of Equity	13.44%
(g) Cost of Debt	5.90%
(h) Weight of Equity Value to Enterprise Value	61.57%
(i) Weight of Debt Value to Enterprise Value	38.43%
(j) Corporate Tax Rate	25.00%
WACC	9.98%

Notes:

(a) The risk-free rate adopted was the yield rate of the China government 10-year bond as at the Date of Valuation as extracted from Bloomberg.

(b) The market expected return adopted was the market expected return in China Market Risk Premium extracted from Damodaran Online.

(c) The beta coefficient adopted was the median adjusted beta of the comparable companies as extracted from Bloomberg.

The respective beta coefficients of the comparable companies are displayed as table shown below:

Company Name	Stock Code	Effective Tax Rate	Adjusted Beta
China Hanking Holdings Ltd	3788.HK	27.55%	0.469
Aowei Holdings Ltd	1370.HK	44.11%	0.156
Hainan Mining Co Ltd	601969.CH	19.26%	1.393
Inner Mongolia Dazhong Mining Co Ltd	001203.CH	11.11%	1.064
Median Adjusted Beta			**0.766**

The adjusted beta was calculated by the following formula:

Adjusted beta = Beta/ 1+(1 – Effective Tax Rate) x D/E Ratio

Note: the effective tax rate of the comparable companies as at the Date of Valuation was extracted from Bloomberg.

The adopted 1.13 beta coefficient were then calculated by the following formula:

Beta coefficient = Median Adjusted Beta x 1+(1 – Tax Rate) x Median D/E Ratio

(d) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study published by Duff & Phelps, LLC.

(e) The firm specific risk premium adopted was to reflect the Project specific risk of the Project, which is subject to our professional judgment. The factors considered to arriving at the firm specific risk premium were included operation history, the description provided from the management view, and account for unsystematic risk such as forecast risks and illiquidity risk of the Project.

(f) The cost of equity was determined based on Capital Asset Pricing Model ("**CAPM**") plus firm specific risk premium.

(g) The cost of debt was estimated with reference to China Above 5 years best lending rate as at the Date of Valuation as extracted from Bloomberg plus firm specific risk premium.

(h) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

The respective debt-to-equity ratio (the "**D/E**" or "**D/E ratio**") of the comparable companies are displayed as table shown below:

Company Name	Stock Code	D/E Ratio
China Hanking Holdings Ltd	3788.HK	103.94%
Aowei Holdings Ltd	1370.HK	90.43%
Hainan Mining Co Ltd	601969.CH	16.00%
Inner Mongolia Dazhong Mining Co Ltd	001203.CH	34.41%
Median D/E Ratio		**62.42%**
Weight of Equity Value to Enterprise Value (1/(1+D/E)) (a)		61.57%
Weight of Debt Value to Enterprise Value (1-a)		38.43%

Note: Figures may not sum up due to rounding.

(i) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

(j) The corporate tax rate adopted was the corporate tax rate in China.

Accounting for the above items, the WACC of 9.98% for the Project was determined as at the Date of Valuation.

Furthermore, we adopted additional premiums of 1.00% on the WACC to arrive at the discount rate of 10.98% for the mining license as at the Date of Valuation.

8.5.4 Portfolio of resources included in the valuation

In accordance with Listing Rule Chapter 18 of the Hong Kong Stock Exchange, valuations for inferred resources are not permitted. According to the Competent Person's Report, mineral resources estimated for the Project were indicated and inferred resources, only indicated resources (hereinafter referred to as "**Indicated Resources**") were included in the valuation of the Project.

In this valuation, 85% of Indicated Resources were considered to reflect the level of confidence of the resources in terms of tonnage, densities, shape, physical characteristics, grade and mineral content.

8.5.4.1 Production schedule

According to the Competent Person's Report, the estimated indicated resource for the Project was about 34.3 million tonnes as at 29 February 2024.

The estimated production schedule, mining recovery of 85% and dilution rate of 15% were determined with reference to the Competent Person's Report. The forecasted ore production and iron ore content would be as follows:

	2024	**2025**	**2026**	**2027**	**2028**
Ore Production (tonnes)	1,600,000	2,900,000	3,900,000	4,000,000	4,000,000
Iron Content (tonnes)	324,214	587,637	790,271	810,534	810,534

Note: Figures may not sum up due to rounding.

	2029	**2030**	**2031**	**2032**	**2033**
Ore Production (tonnes)	4,000,000	4,000,000	4,000,000	4,000,000	1,900,000
Iron Content (tonnes)	810,534	810,534	810,534	810,534	385,004

Note: Figures may not sum up due to rounding.

8.5.4.2 Price and revenue

Sales price from 2024 to 2033 was RMB881 per tonne excluding VAT, which was based on historical sales prices RMB996 included 13% VAT for the fiscal year 2023 provided by the Management. After consulting with Competent Evaluator, this approach considers actual market conditions and historical data, given the fluctuating nature of iron ore prices, maintaining a conservative approach by keeping the sales price unchanged provides a cautious estimation. The estimated revenues for iron ore of the Project were as follows:

	2024	**2025**	**2026**	**2027**	**2028**
Total Revenue *(RMB)*	285,766,977	517,952,646	696,557,007	714,417,443	714,417,443

	2029	**2030**	**2031**	**2032**	**2033**
Total Revenue *(RMB)*	714,417,443	714,417,443	714,417,443	714,417,443	339,348,286

8.5.4.3 Operating costs

In FY2023, the historical mining operating cost was recorded at RMB64 per tonne. The transition of the Project from open-pit to underground mining during the period of FY2022 to FY2023 resulted in an upward trend in mining operating costs for FY2023. Considering the expansion of the mining operation and the historical fluctuation observed in mining operating costs, mining operating costs were estimated to increase by 5% per year from 2024 to 2033. The 5% annual increase is based on the quantitative analysis that was performed on the operating expenses of the comparable companies for the average % changes over a period of 10 years. After consulting with Competent Evaluator, the assumption of a 5% annual increase from 2024 to 2033 reflects a realistic expectation of rising costs over time.

The historical operating costs of comparable companies from 2013 to 2023 were as follows:

IS OPERATING EXPN	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019	31/12/2018
3788 HK Equity	218.954	181.941	157.696	184.558	141.37	281.207
	19%	14%	-16%	27%	-69%	124%
1370 HK Equity	148.665	-70.163	51.086	55.135	302.119	105.214
	NA	NA	-8%	-170%	105%	-149%
601969 CH Equity	289.6759	201.5129	614.1329	206.1246	76.8704	315.4628
	36%	-111%	109%	99%	-141%	51%
001203 CH Equity	210.8043	178.8559	91.4041	142.6956	NA	NA
	16%	67%	-45%	NA		

Cont. Table of operating costs of comparable companies

IS OPERATING EXPN	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013	Average of % Changes
3788 HK Equity	81.06	147.12	337.607	167.592	236.386	
	-60%	-83%	70%	-34%		-0.8%
1370 HK Equity	467.942	55.441	463.377	107.064	67.45	
	213%	-212%	147%	46%		-3%
601969 CH Equity	190.1543	236.7549	116.7728	NA	NA	
	-22%	71%	NA			11%
001203 CH Equity	NA	NA	NA	NA	NA	
	NA	NA	NA	NA		13%
Average of % Changes of Comparable Companies						5.0%

Source: Bloomberg

Observations were made on the available operating costs of comparable companies from FY2013 to FY2023. For 3788 HK Equity, the average percentage change in operating costs from 2014 to 2023 was recorded as -0.8%. For 1370 HK Equity, abnormal operating cost of -70.163 in FY2022 was excluded, the average percentage change in operating costs from 2014 to 2021, excluding the abnormal cost, was determined to be -3%. The average of percentage changes of operating costs from 2016 to 2023 for 601969 CH Equity was 11%, and average of percentage changes of operating costs from 2021 to 2023 for 001203 CH Equity was 13%.

Therefore, when considering the available data on operating costs, the average of the percentage changes for these comparable companies from 2013 to 2023 amounts to 5%.

Processing Operating Cost, Administration Cost Excluding Depreciation and Amortization, and Selling Costs from 2024 to 2029 adopted were advised by the Management, and costs from 2030 to 2033 were projected by 2.16% China inflation rate per year. The use of management advice for the initial period ensures alignment with their expectations and insights. The subsequent inflation-based projection is a common approach to account for the effects of inflation on costs.

Historical costs of processing operating costs, administration costs and selling costs for FY2021, FY2022 and FY2023 were as follow:

(RMB/tonne)	**2021**	**2022**	**2023**
Processing Operating Cost	29.00	33.00	40.00
Administration Cost, excl. Depreciation & Amortization	10.00	17.00	17.00
Selling Cost	1.30	2.00	1.60

During the period from FY2022 to FY2023, the Project underwent a significant transition from open-pit mining to underground mining. The Management took into consideration the potential fluctuations, uncertainties in costs and impact of inflation over the projected period that may arise from the transition of mining methods. After FY2030, the production of ore and related costs are expected to stabilize and become more manageable. Consequently, the cost projections beyond FY2033 will primarily reflect the anticipated impact of inflation, as the Management expects a more predictable and consistent production environment.

Costs of Government tax from 2024 to 2033 were advised by the Management. It is assumed that potential tax loss carries forward in FY2024 and FY2025, since there was a loss in FY2023. Starting from 2026 onwards, it is assumed that the government tax will be stable. As the Management is likely to have a good understanding of the applicable tax regulations and obligations, their advice on government tax costs can be considered reasonable.

The production costs adopted for the financial year 2024 to 2033 were projected as follow:

(RMB/tonne)	**2024**	**2025**	**2026**	**2027**	**2028**
Mining Operating Cost	67.20	70.56	74.09	77.79	81.68
Processing Operating Cost	45.00	30.00	28.00	25.00	25.00
Administration Cost, excl. Depreciation & Amortization	27.00	15.00	10.00	10.00	10.00
Selling Cost	1.60	1.50	1.30	1.30	1.30
Government Tax	5.00	10.00	13.00	13.00	13.00

(RMB/tonne)	**2029**	**2030**	**2031**	**2032**	**2033**
Mining Operating Cost	85.77	90.05	94.56	99.29	104.25
Processing Operating Cost	26.00	26.56	27.13	27.72	28.32
Administration Cost, excl. Depreciation & Amortization	10.00	10.22	10.44	10.66	10.89
Selling Cost	1.30	1.33	1.36	1.39	1.42
Government Tax	13.00	13.00	13.00	13.00	13.00

8.5.4.4 Depreciation expense

The depreciation expense was estimated by the straight-line depreciation with 5% salvage rate of the property, plant and equipment for the year ended 31 December 2023 which was RMB221,962,185, with a weighted average useful life of 15.11 years. The amount of RMB221,962,185 property, plant and equipment for the year ended 31 December 2023 from unaudited financial statements of the Business Enterprise for the year ended 31 December 2023, before the combined statements of financial position was available. The amount of RMB221,962,185 property, plant and equipment comprise buildings, machinery, transport and electronic equipment, which, after accounting adjustments, is equivalent to RMB111,813,000 buildings, RMB86,193,000 plant and machinery and RMB7,428,000 other equipment in note 15 of Appendix II ACCOUNTANTS' REPORT OF THE TARGET COMPANY. The depreciation expense also included straight-line depreciation of projects in progress, intangible assets and long-term deferred expenses with a useful life of 8 years, 13 years and 20 years respectively.

8.5.4.5 Tax expenses

The income tax expense was estimated by adopting a China corporate tax rate of 25%.

8.5.4.6 Net income

Net income was derived by subtracting operating costs, VAT related taxes, resources tax, income tax, depreciation and amortization expense from the revenue.

8.5.4.7 Working capital

For the Project, the change in working capital was estimated with reference to the 3-year average historical working capital ratios of the Business Enterprise, as computed with reference to the audited financial statements of the Business Enterprise.

For the Project, the change in working capital was estimated with reference to the 3-year average historical working capital ratios 1.004 of the Business Enterprise, as computed with reference to the audited financial statements for FY2021 and FY2022 of the Business Enterprise and unaudited financial statements of the Business Enterprise for the year ended 31 December 2023, before the combined statements of financial position was available.

8.5.4.8 Capital expenditure

As advised by the Management, there is no material capital expenditure from the financial year of 2024 to 2033, since they have been recognized in previous financial period.

8.5.5 Market value and range of value of the Project

Based on the DCF method, assumptions stated above and in compliance with the VALMIN (2015), we determined a Technical Value for the Project of RMB825,720,000. This Technical Value must then be adjusted by an appropriate market premium/discount value to derive the Market Value for the Project as required to comply with the VALMIN Code (2015).

To determine the market premium/discount, the Competent Evaluator reviewed global demand and supply information for iron ore and assessed potential market conditions.

Even though the price of iron ore industry was rising towards the end of 2023, there are still a lot of uncertainty heading into 2024 with the state of the iron ore industry. With higher scrap utilization and lower steel net export, it is believed that China's import is unlikely to exceed market expectations in 2024. Globally, iron ore demand could stagnate due to higher scrap use and greater blast- furnace efficiency could limit the need for imported ore. This explains why it is our opinion that the market premium/discount to be applied to the Technical Value should be the value 1.0. In other words, the Technical Value that has been determined represents the Market Value of the Project.

The VALMIN Code (2015) requires that a value range for the Project be determined and that within the range of values the Valuer states their preferred value. The Technical Value that we have determined is our Preferred Value, which is RMB825,720,000.

The low-end and high-end values for the Project were determined after analyses of the sensitivity data in section 8.5.6 below and included reference to the major risk factors associated with the Project as identified in section 10 below. A significant variable was the discount rate and accordingly we selected and estimated our value range based on this risk criterion. The Competent Evaluator believed the discount rate would be reasonably ranged from 11.98% – 7.98%. Hence, a discount rate of 11.98% was applied to arrive at the low-end value of the range; while a discount rate of 7.98% was applied to arrive at the high-end value of the range.

The application of these discount rates has provided a value range of RMB771,990,000 to RMB885,750,000. ROMA's preferred value is RMB825,720,000.

8.5.6 Sensitivity analyses

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, sensitivity analyse was carried out on the Technical Value of the Project with respect to the discount rate from the status quo. The results of the sensitivity analyse for the valuation of the Project was as follows respectively:

Absolute Change in Discount Rate	**Applied Discount Rate**	**Technical Value** *(RMB)*
2.0%	11.98%	771,990,000
1.5%	11.48%	784,880,000
1.0%	10.98%	798,130,000
0.5%	10.48%	811,730,000
0.0%	9.98%	825,720,000
(0.5%)	9.48%	840,100,000
(1.0%)	8.98%	854,890,000
(1.5%)	8.48%	870,100,000
(2.0%)	7.98%	885,750,000

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- Assume no significant difference in mineral resources between 31 December 2023 and 29 February 2024;
- As advised by the Management, the land rehabilitation cost have been incurred before, and assumed it is not significant for the financial year of 2024 to 2033;
- As advised by the Management, there is no capital expenditure from the financial year of 2024 to 2033, since they have been recognized in previous financial period;
- The iron ore operating costs were mainly based on the projection from the Management and the experience of the Management in the relevant iron ore and iron concentrate powder industry. Given the information we obtained, we assume the estimated operating costs provided by the Management can reasonably reflect the current market status of the Project;
- The Business Enterprise have free and uninterrupted rights to allocate the Project throughout the period until all Measured and Indicated resources adopted in the valuation are fully exploited and subject to no land premium or any payment to the government of a substantial amount;

- We noted that the Date of Valuation is earlier than the date of the Competent Person's Report. As advised by the Management, there was no material difference for all parameters as stated in the Competent Person's Report and Business Plan as at the Date of Valuation;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operate or intends to operate would be officially obtained and renewable upon expiry;

- The Business Enterprise will be operated as planned;

- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operate, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There exists a reliable and adequate transportation network and capacity for processing the mining products;

- There will be no major changes in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and the rates of tax payable shall remain unchanged and all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Business Enterprise; and

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.

10. RISK FACTORS

The following are the risk factors of the Business Enterprise and Project which have been considered in the valuation:

10.1 Reserves and resources

There is a possibility of failure to achieve projected grades and tonnages. Estimates of reserves and resources may also change when new information becomes available or new factors arise. There may be variability in the quality of the deposits which may impact the total tonnages produced. Interpretations and deductions of the geology and controls on the mineralization on which the reserve and resource estimates are based (i.e. past drilling, sampling and similar examination) may potentially be found to be inaccurate when further drilling or the commencement of actual production takes place. Any adjustment could affect the development and mining plans, which could materially and adversely affect the revenues and the valuation of the Project. There can be no assurance that the recovery from exploration assay tests will be the same under on-site conditions or in production-scale operations.

10.2 Future prices and the global economy

Revenues of the Project depend on future prices in general and they are highly sensitive to price fluctuations, both positively and negatively. A huge fall in prices would substantially reduce the valuation. The worst case is that the Project would become uneconomical.

10.3 Processing

The operating cost estimates are based on a number of assumptions. The mining business is capital intensive and the development and exploitation of resources and reserves, the depreciation and unavailability of machinery and equipment and the expansion of production capacity will require substantial capital expenditures. There may be potential increases in operating costs which arise from unforeseen operating complexities due to increases in fuel price or inflation. Operations may not be completed within the scope of the time planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability, all of which could have a material adverse effect on the results of operations and the business.

10.4 Operating costs

The operating cost estimates are based on a number of assumptions. The mining business is capital intensive and the development and exploitation of reserves and resources, the depreciation and unavailability of equipment and machinery, and the expansion of production capacity will require substantial capital expenditures. There may be potential increases in operating costs which arise from unforeseen operating complexities due to increases of the fuel price or inflation. Operations may not be completed within the scope of the time planned, original budgets may be exceeded, and the intended economic results or commercial viability may not be achieved. All of which could have a material adverse effect on the results of operations and the business.

10.5 Tenements and licenses extension

The mining license forms the basis of the value of the Project. There is a risk that the application to extend the term and enlarge the capacity of the mining and exploration license and/or other operating licenses might not be successful.

10.6 Future plans

Any changes to the production plans or the differences between the future and the actual productions may happen. Those variances may or may not be material. Accordingly, the valuation outcome may change.

11. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors and information affecting the Market Value of the Project. The factors and information considered included, but were not necessarily limited to, the following:

- The Competent Person's Report;
- 撫順興洲礦業有限公司蘿蔔坎鐵礦勘探報告;
- 撫順罕王興洲礦山地質環境保護與土地復墾方案;
- Historical sales contracts provided by the Management;
- A copy of the mining license of the Business Plan provided by the Management;
- Audited financial statements of the Business Enterprise for the years ended 31 December 2021 and 2022 provided by the Management;
- General descriptions of the Business Enterprise and the Project;
- Historical information of the Business Enterprise and the Project provided by the Management;
- Registrations and legal documents related to the Business Enterprise and the Project provided by the Management, including certificates of incorporation;
- Market trends of the iron ore mining industry; and
- Economic outlook in China.

We have assumed the accuracy of the information provided and relied to a considerable extent on such information in arriving at our opinion.

12. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on information such as the company background and business nature of the Business Enterprise and the Project provided to us.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability is assumed for their accuracy.

We have relied to a considerable extent on the historical and/or prospective information provided by the Management and other third parties in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulations. Also, ownership of the Project was in responsible hands, unless otherwise stated in this report. The quality of the Management may have a direct impact on the viability of the business as well as the Market Value of the Project.

We have not investigated the title to or any legal liabilities of the Business Enterprise and the Project and have assumed no responsibility for the titles to the Project appraised.

Our conclusion of the Market Value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No changes to any item in any part of this report shall be made by anyone except ROMA. We accept no responsibility for any such unauthorized changes. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of ROMA through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of ROMA.

The working papers and models for this valuation are being kept in our files and would be available for further reference. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fees have been paid in full.

13. REFERENCES

The list of sources of information cited in this report is stated as follows:

- Bloomberg; and
- The Competent Person's Report.

14. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Project, the Company, the Business Enterprise and their holding companies, subsidiaries and associated companies, or the values reported herein.

15. OPINION OF VALUE

Based on the investigation and analysis stated above, the valuation method employed, and the sensitivity analyses performed, the Market Value of the Project as at the Date of Valuation, in our opinion, were reasonably stated as follows:

Market Value of the Project as at 31 December 2023

	Range of Value *RMB*	**Preferred Market Value** *RMB*
Market Value of the Project	771,990,000 to 885,750,000	825,720,000

Yours faithfully,
For and on behalf of
Roma Appraisals Limited
Ian D. Buckingham
Competent Evaluator

Statement of Qualification of the Competent Evaluator – Ian D. Buckingham

I, Ian D. Buckingham, hereby confirm that:

- I have carried out the assignment for Roma Oil and Mining Associates Limited, located at:

  Suite 1101-4, 11/F, Harcourt House
  39 Gloucester Road, Wan Chai, Hong Kong
  Tel: (852) 2529 6878
  Fax: (852) 2529 6806

- I graduated with Associateship and Fellowship Diplomas in Geology from Royal Melbourne Institute of Technology with extra studies in mining engineering and primary metallurgy, a Bachelor's Degree of Applied Science in Applied Geology from Victorian Institute of Colleges and a Master of Business Administration from RMIT University.

- I am a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM), Member of Petroleum Exploration Society of Australia (MPESA) and American Association of Petroleum Geologists (MAAPG).

- I understood the definition "Specialist" as set out in the VALMIN Code (2015). My past relevant experience, qualifications and my affiliation with professional associations have fulfilled the requirements to be a "Specialist" for the purpose of the valuation report.

- I have studied the revised Chapter 18 of the Hong Kong Listing Rules and understood the definition "Competent Evaluator". My past relevant experience, qualifications and my affiliation with professional associations have fulfilled the requirements to be a "Competent Evaluator" as set out in the listing rules for the purpose of the valuation report.

- I am the primary author responsible for the preparation and compilation of the valuation report.

- I have neither present nor prospective interests in the Project, the Business Enterprise, the Company or the values reported herein.

- I am not aware of any material fact or material change with respect to the subject matter of the valuation report that is not reflected in the valuation report.

- This report has been prepared in accordance with the guidelines set by the VALMIN Code (2015) established by the VALMIN Committee in Australia.

APPENDIX A – BUSINESS VALUATION

Valuation of 96.62% equity interests in Fushun Xingzhou Mining Co., Ltd

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In accordance with the instructions from the Company to us to conduct a business valuation on 96.62% equity interest in the Business Enterprise, we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the market value of 96.62% equity interest in the Business Enterprise as at the Date of Valuation.

1. PURPOSE OF BUSINESS VALUATION

This appendix is prepared solely for the use of the directors and management of the Company. In addition, ROMA acknowledges that this appendix may be made available to the Company for public documentation reference purpose only.

ROMA assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this appendix. If others choose to rely in any way on the contents of this appendix they do so entirely at their own risk.

2. BASIS OF VALUATION

Our valuation is based on going concern premise and conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council, **market value** is defined as "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".

3. VALUATION METHODOLOGY

In arriving at the market value of 96.62% equity interest in the Business Enterprise, the Asset-based approach was employed to determine the appraised value of such equity interest in the Business Enterprise. The Asset-based approach specifically means the balances of cash, debt, non-operating assets and non-operating liabilities of the Business Enterprise to the preferred Market Value were adjusted on the preferred Market Value of the Project as at the Date of Valuation. Given that the Project has already been valued, the asset-based approach offers a suitable method to derive the value of the sale shares.

4. SUMMARY OF BUSINESS VALUATION

	As at 31 December 2023
	RMB
Preferred Market Value of Project	825,720,000
Add: Cash	5,703,529
Less: Debt	(385,000,000)
Add: Non-Operating Assets	115,943
Less: Non-Operating Liabilities	0
Market Value of 100% Equity Interest	446,539,472
Marketability Discount	15.69%
Market Value of 100% Equity Interest After Marketability Discount	376,477,429
Equity Interest held by the Target Company	96.62%
96.62% Equity Interest held by the Target Company	363,752,492
96.62% Equity Interest held by the Target Company (Rounded)	**363,750,000**

Notes 1: Figures may not sum up due to rounding;

Note 2: Balances of cash, non-operating assets and non-operating liabilities were estimated with reference to the management accounts of the Business Enterprise as at 31 December 2023;

Note 3: The amount of RMB115,943 non-operating assets were other current assets of the Business Enterprise. As advised by the Management, the other current assets related to VAT retention from previous years, which were RMB103,899.87 VAT paid and RMB12,043.52 enterprise income tax payable from unaudited financial statements of the Business Enterprise for the year ended 31 December 2023, before the combined statements of financial position was available; and

Note 4: Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to the result of the restricted stock study published in "Stout Restricted Stock Study 2023" by Stout Risius Ross, LLC, a discount for lack of marketability of 15.69% was adopted in arriving at the market value of the Business Enterprise as at the Date of Valuation.

5. MAJOR ASSUMPTIONS

- The unaudited financial statements of the Business Enterprise for the year ended 31 December 2023 can reasonably represent the Business Enterprise's financial positions as at the Date of Valuation since the audited financial statements of the Business Enterprise as at the Date of Valuation were not available;

- Assumed the book values of the cash, debt, non-operating assets and non-operating liabilities were equal to their market values;

- Assumed no legal and agency cost required for disposal;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operates or intends to operate would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operates, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.

6. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 96.62% equity interest in the Business Enterprise as at the Date of Valuation, in our opinion, was reasonably stated as **RMB363,750,000 (RENMINBI THREE HUNDRED SIXTY THREE MILLION SEVEN HUNDRED AND FIFTY THOUSAND ONLY)**.

APPENDIX B – ABBREVIATIONS AND GLOSSARY

µ	Micron
^{o}C	degree Celsius
^{o}F	degree Fahrenheit
µg	microgram
A	ampere
a	Annum
Bbl	barrels
bcm	bank cubic metre
Btu	British thermal units
C$	Canadian Dollars
cal	Calorie
CFM	cubic metres per minute
cm	centimetre
cm^2	square centimetre
d	Day
dia	diameter
dmt	dry metric tonne
dwt	deadweight ton
FC	fixed carbon
FOB	free on board
ft	Foot
ft/s	foot per second
ft^2	square foot
ft^3	cubic foot
g	Gram
G	giga (billion)
Gal	Imperial gallon
g/L	gram per litre
g/t	gram per tonne
gpm	Imperial gallons per minute
gr/ft^3	grain per cubic foot
gr/m^3	grain per cubic metre
H	hydrogen
hr	Hour
ha	hectare
k	kilo (thousand)
kg	kilogram
km	kilometre
km^2	square kilometre
kPa	kilopascal
kVA	kilovolt-amperes
kW	kilowatt
kWh	kilowatt-hour
L	litre
L/s	litres per second
m	metre
M	Mega (million)
m^2	square metre
m^3	cubic metre
Mad	moisture in air dry basis
min	minute
MASL	metres above sea level
mm	millimetre
mph	miles per hour
MVA	megavolt-amperes
MW	megawatt
MWh	megawatt-hour
m^3/h	cubic metres per hour
opt, oz/st	ounce per short ton
oz	Troy ounce (31.1035g)
oz/dmt	ounce per dry metric tonne
ppm	part per million
psia	pound per square inch absolute
Psig	pound per square inch gauge
Q_{gr}	gross calorific value
Q_{net}	net calorific value
RL	relative elevation
S	second
SG	Specific Gravity
St	sulphur content
ST	short ton
T	metric tonne
Tpa	metric tonne per year
Tpd	metric tonne per day
RMB	Renminbi

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive in any material aspect, and there are no other facts the omission of which would render any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests or Short Positions in the Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, to the best of the knowledge of the Directors, the interests of the Directors in the shares of the Company as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, to be entered in the register referred to in section 352 of the SFO pursuant to the requirements therein, and/or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Name of Director	Number of Shares Held *(Note 1)*	Capacity	Approximate % Shareholding *(Note 2)*
Mr. Liao Nangang ("**Mr. Liao**") *(Note 3)*	980,000,000	Interests of controlled corporation	20.94%

Notes:

1. All interests disclosed above represent long positions in the Shares.

2. The percentage was calculated based on the total number of issued Shares as at the Latest Practicable Date, which was 4,680,000,000.

3. These 980,000,000 Shares were owned by Tengyue Holding Limited ("**Tengyue Holding**"), which was wholly owned by Beyond Glory Holdings Limited ("**Beyond Glory**"), which was in turn wholly owned by Mr. Liao. Accordingly, Beyond Glory and Mr. Liao were each deemed to be interested in all the Shares held by Tengyue Holding by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, to be entered in the register referred to in section 352 of the SFO pursuant to the requirements therein, and/or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, as at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract entered or to be entered into between the Company and any Director or proposed Director (excluding service contracts that would expire or may be terminated by the Company within a year without payment of any non-statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any business apart from the Group's business which competed or was likely to compete, either directly or indirectly, with the Group's business.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group, nor did any Director have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

6. LITIGATION

For the year ended 31 December 2023, one of the subsidiaries of the Group, Shenzhen Golden Flourish Supply Chain Limited defaulted on repayment of interest-bearing bank borrowing from Shenzhen Branch of Hua Xia Bank Co., Ltd ("**Hua Xia Bank**") with aggregate principal amount and related aggregate interest amount of approximately RMB294,300,000 (equivalent to approximately HKD322,612,000). Afterwards, the Company and its certain subsidiaries (the "**Defendants**") received a legal claim filed by Hua Xia Bank in respect of breach of loan agreements. As at the Latest Practicable Date, the legal proceedings have not commenced yet.

Save as disclosed above and as at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

Set forth below are the contracts, not being contracts entered into in the ordinary course of business, entered into by the members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) a sale and purchase agreement dated 10 October 2023 entered into between Empire Sun Group Limited as the purchaser and Golden Flourish Property Limited, a direct wholly-owned subsidiary of the Company, as the vendor, pursuant to which the vendor agreed to sell and the purchaser agreed to purchase the entire issued share capital of the target company for the consideration of HK$38,000,000

(b) a placing agreement dated 9 November 2023 entered into between the Company and ChaoShang Securities Limited as placing agent, pursuant to which ChaoShang Securities Limited conditionally agreed to procure placees to subscribe for up to 780,000,000 new shares at the placing price of HK$0.019 per placing share for a placing commission of 1% of the aggregate placing price of the shares so placed; and

(c) the Agreement.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Roma Appraisals Limited	Independent professional valuer and competent evaluator under Chapter 18 of the Listing Rules
Roma Oil and Mining Associates Limited	Independent technical consultant and competent person under Chapter 18 of the Listing Rules
Deloitte Touche Tohmatsu	Certified public accountants
Baker Tilly Hong Kong Limited	Certified public accountants
CL Partners CPA Limited	Certified public accountants

The experts have given and have not withdrawn their written consent to the issue of this circular with its opinion, advice and report included in the form and context in which they are included.

As at the Latest Practicable Date, the experts were not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

9. GENERAL

(a) The registered office of the Company was situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's head office and principal place of business in Hong Kong was situated at 20/F, One Continental, No. 232 Wan Chai Road, Wan Chai, Hong Kong.

(b) The company secretary of the Company is Mr. Sze Kat Man. Mr. Sze is also the financial controller of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants.

(c) The Company's share registrar and transfer office in Hong Kong, Tricor Standard Limited, is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) In the event of any inconsistency between the English version and the Chinese version of this circular, the English version of this circular shall prevail.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www. paktakintl.com) for a period of 14 days from the date of this circular:

(a) the Agreement and the Supplemental Agreement;

(b) the material contracts as referred to in the section headed "7. Material Contracts" in this appendix;

(c) the accountant's report of the Target Company, the text of which is set out in Appendix II to this circular;

(d) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(e) the competent person's report, the text of which is set out in Appendix V to this circular;

(f) the valuation report of 96.62% of the equity interest in Fushun Xingzhou, the text of which is set out in Appendix VI to this circular;

(g) the written consent of the experts as referred to in the section headed "8. Qualification and Consent of Experts" in this appendix.

PAK TAK INTERNATIONAL LIMITED
(百德國際有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2668)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**SGM**") of Pak Tak International Limited (百德國際有限公司*) (the "**Company**") will be held at Room 3, 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong at 11:00 a.m. on Friday, 19 July 2024 to consider, and if thought fit, pass (with or without amendments or supplements) the following resolution (unless otherwise specified or the context requires otherwise, terms and expressions as defined in the circular of the Company dated 28 June 2024 (the "**Circular**") shall carry the same meanings when used herein):

ORDINARY RESOLUTION

"**THAT**:

(a) the agreement (the "**Agreement**") dated 29 February 2024 entered into between the Company, Zongchuan Investment Holding Co., Limited (宗傳投資控股有限公司) (the "**Vendor**") and Zongchuan Investment Group Co., Limited (宗傳投資集團有限公司) (the "**Target Company**") in relation to the acquisition of the entire issued share capital of the Target Company by the Company from the Vendor, whose details are set forth in the Circular (a copy of which marked "A" is produced to the SGM and signed by the chairman of the SGM for identification purpose), the execution thereof and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the issue and allotment of 950,000,000 shares ("**Consideration Shares**") of the Company at the issue price of HK$0.336 per Consideration Share to the Vendor or its designated third party pursuant to the terms of the Agreement be and are hereby approved ("**Specific Mandate**");

(c) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in, the Consideration Shares, the Directors be and are hereby granted the specific mandate and any one Director be and is hereby specifically authorised to exercise all the powers of the Company to allot, issue and credit as fully paid the Consideration

Shares, on and subject to the terms and conditions of the Agreement, provided that such authority granted to the Directors shall be in addition to, and shall not prejudice or revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior or subsequent to the passing of this resolution; and

(d) each of the Directors be and is hereby authorised to do all such acts and things, sign, ratify and execute all such documents and take all such steps as the Director may in his/her discretion consider necessary, appropriate, desirable and/or expedient for the purpose of implementing or giving effect to or otherwise in connection with the Agreement, the Specific Mandate and/or any of the transactions contemplated thereunder, and be and is further authorised to agree to all such variations and amendments to any document and to give all such waivers of the obligations under any document as are, in his/her opinion, in the interests of the Company and its shareholders."

By order of the Board of Directors
Pak Tak International Limited
Liao Nangang
Chairman

Hong Kong, 28 June 2024

* *For identification purpose only*

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
20/F, One Continental
No. 232 Wan Chai Road
Wan Chai
Hong Kong

Notes:

1. Any Shareholder entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the AGM. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

2. Shareholders who intend to appoint a proxy to attend the SGM shall complete and sign the form of proxy and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, to the Company's Hong Kong branch share registrar & transfer office, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for holding the SGM (i.e. at or before 11:00 a.m. on Wednesday, 17 July 2024 (Hong Kong time)) or any adjournment of the SGM (as the case may be) in accordance with the instructions printed thereon. Delivery of the form of proxy will not preclude a Shareholder from attending and voting at the SGM, and in such an event, the form of proxy will be deemed to be revoked.

3. The register of members of the Company will be closed from Tuesday, 16 July 2024 to Friday, 19 July 2024, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to be eligible to attend and vote at the SGM, all properly completed transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar & transfer office, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 15 July 2024.

4. If typhoon signal No. 8 or above, or a black rainstorm warning is in effect at 8:00 a.m. on the date of the SGM, the SGM will be postponed until further notice from the Company. The Company will post an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.paktakintl.com) to notify Shareholders of the date, time and place of the rescheduled SGM. The SGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions having regard to their own situation.

As at the date of this notice, the Board of Directors comprises Mr. Liao Nangang, Ms. Qian Pu, Mr. Wang Jian and Mr. Zhou Yijie as executive Directors; Mr. Liu Xiaowei as non-executive Director; and Ms. Chan Ching Yi, Mr. Chan Kin Sang and Mr. Zheng Suijun as independent non-executive Directors.