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**If you have sold or transferred** all your shares in **Asia Resources Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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# Asia Resources Holdings Limited

## 亞洲資源控股有限公司\*

*(incorporated in Bermuda with limited liability)*

(Stock Code: 899)

### MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF TWO TARGET COMPANIES INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

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A letter from the Board is set out on pages 7 to 79 of this circular.

A notice convening a special general meeting of the Company to be held at Units 1302-03, 13/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong, on Tuesday, 28 November 2023 at 11:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the special general meeting (i.e. not later than 11:00 a.m. on Sunday, 26 November 2023 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

\* For identification purpose only

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:*

“Acquisitions”	the acquisition of the entire issued share capital in, and the relevant Shareholder’s Loan advanced to, Target Company A by the Purchaser from the Vendor pursuant to the terms and conditions of Agreement A, and the 73.1% of the issued share capital in, and the relevant Shareholder’s Loan advanced to, Target Company B by the Purchaser from the Vendor pursuant to the terms and conditions of Agreement B, and each an “Acquisition”
“Agreement A”	the sale and purchase agreement dated 23 August 2023 entered into between the Purchaser, the Vendor, the Target Company A and the Guarantors in respect of the acquisition of the entire issued share capital in, and the relevant Shareholder’s Loan advanced to, the Target Company A
“Agreement B”	the sale and purchase agreement dated 23 August 2023 entered into between the Purchaser, the Vendor, the Target Company B and the Guarantors in respect of the acquisition of the 73.1% of the issued share capital in, and the relevant Shareholder’s Loan advanced to, the Target Company B
“Agreements”	collectively, the Agreement A and the Agreement B, each an “Agreement”
“Announcement”	the announcement of the Company dated 23 August 2023 in relation to the Acquisitions
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day, other than a Saturday or Sunday or public holiday in Hong Kong, on which the commercial banks are open for general business

## DEFINITIONS

“Bye-Laws”	the existing bye-laws of the Company
“close associates”	has the meaning ascribed to it under the Listing Rules
“Company”	Asia Resources Holdings Limited (亞洲資源控股有限公司), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 899)
“Competent Person”	has the meaning ascribed to it under Chapter 18 of the Listing Rules
“Competent Person’s Report” or “CPR”	the competent person’s report dated 9 November 2023 prepared by AP Appraisal Limited, which is set out in Appendix VIII to this circular
“Completion”	the completion of the Acquisitions in accordance with the terms and conditions of the Agreements
“Consideration Shares”	new Shares of the Company to be allotted and issued by the Company at the Issue Price for part payment of the consideration for the Acquisitions
“Dalian Chuanghe”	大連創和置地有限公司 (Dalian Chuanghe Landmark Co. Ltd.*), a company established in the PRC and a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group immediately after the Completion
“Group”	the Company and its subsidiaries
“Guarantor A”	Mr. Chen Huaijun (陳懷軍), a merchant and the 70% shareholder of each of the Target Companies
“Guarantor B”	Mr. Chen Dongrao (陳東堯), a merchant and the 30% shareholder of each of the Target Companies
“Guarantors”	collectively, the Guarantor A and the Guarantor B

## DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Chenxi”	Hunan Chenxi Holdings Co., Ltd.* (湖南辰熹控股有限公司), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Target Company A
“Hunan Hongjia”	Hunan Hongjia Holdings Co., Ltd.* (湖南虹嘉控股有限公司), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Target Company B
“Hunan Xintian”	Hunan Xintian Fusi Spring Water Company Limited* (湖南新田富鋸礦泉水有限公司), a company incorporated in the PRC with limited liability, which is principally engaged in exploitation, production and sales of spring water and an indirect wholly-owned subsidiary of the Company
“Independent Third Party”	third parties independent of the Group and its connected persons
“Issue Price”	HK\$0.23 per Consideration Share
“Jinhao Mining” or “JinHao Mining”	ZhenYuan County JinHao Mining Co., Ltd. *(鎮沅彝族哈尼族拉祜族自治縣金豪礦業有限公司), a company incorporated in the PRC with limited liability, which is principally engaged in mineral exploration and mining activities in the PRC and a wholly-owned subsidiary of Hunan Hongjia upon completion of the reorganisation
“Jiuyuan Mining” or “JiuYuan Mining”	ZhenYuan County JiuYuan Mining Co., Ltd. *(鎮沅縣九源礦業有限公司), a company incorporated in the PRC with limited liability, which is principally engaged in mineral exploration and mining activities in the PRC and a wholly-owned subsidiary of Hunan Chenxi upon completion of the reorganisation

## DEFINITIONS

“Latest Practicable Date”	6 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular only excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Project Jinhao” or “Project JinHao”	the mineral resources project by Jinhao Mining consisting of an exploration license with minerals of copper, lead and silver located at Enshui Road (Minjiang Market Section), Zhenyuan Yi Hani Lahu Autonomous County, Pu’er City, Yunnan Province, the PRC* (中國雲南省普洱市鎮沅彝族哈尼族拉祜族自治縣恩水路(民江集貿市場段))
“Project Jiuyuan” or “Project JiuYuan”	the mineral resources project by Jiuyuan Mining consisting of a mining license with minerals of lead and zinc located at Jiujia Township, Zhenyuan County, Pu’er City, Yunnan Province, the PRC* (中國雲南省普洱市鎮沅縣九甲鄉)
“Projects”	collectively, the Project Jiuyuan and the Project Jinhao, each a “Project”
“Promissory Notes”	the promissory note in the principal amount of HK\$29,640,000 to be issued by the Purchaser to the Vendor pursuant to the terms of Agreement A, and the promissory note in the principal amount of HK\$127,193,600 to be issued by the Purchaser to the Vendor pursuant to the terms of Agreement B, each a “Promissory Note”
“Purchaser”	East Dynasty Group Limited (東匯集團有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company

## DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares A”	50,000 shares in the share capital of Target Company A, representing the entire issued share capital of Target Company A as at the Latest Practicable Date
“Sale Shares B”	36,550 shares in the share capital of Target Company B, representing 73.1% of the issued share capital of Target Company B as at the Latest Practicable Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	a special general meeting of the Company to be held on Tuesday, 28 November 2023 for the Shareholders to consider and, if thought fit, approve the Agreements and the transactions contemplated thereunder
“Share(s)”	ordinary shares(s) of the Company of par value of HK\$0.1 each
“Shareholder(s)”	the holder(s) of the Shares
“Shareholder’s Loan”	the entire amount of the shareholder’s loan advanced by the Vendor to the Target Company A (if any) and 73.1% of the shareholder’s loan advanced by the Vendor to the Target Company B (if any)
“Short-Hole Shrinkage Method”	a mining method commonly adopted for narrow ore bodies with steep incline, involving blasted (broken) ore that remains in the stope to support the hanging wall and footwall
“Short-Wall Caving Mining Method”	a mining method similar to longwall mining but with shorter face length to control the operation of the supports applied at the mining face

## DEFINITIONS

“Specific Mandate”	a specific mandate to allot and issue the Consideration Shares which is subject to the approval by the Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, the Target Company A and the Target Company B and each a “Target Company”
“Target Company A”	Yonyin Investment Holdings Limited (永亦投資控股有限公司), a company incorporated in the British Virgin Islands with limited liabilities, which is wholly-owned by the Vendor as at the Latest Practicable Date
“Target Company B”	Yongming Investment Holdings Limited (永名投資控股有限公司), a company incorporated in the British Virgin Islands with limited liabilities, which is wholly-owned by the Vendor as at the Latest Practicable Date
“Valuation Reports”	the valuation report issued by the Valuer on the Target Company A dated 9 November 2023, in compliance with the requirements of Chapter 18 of the Listing Rules, and the valuation report issued by the Valuer on the Target Company B dated 9 November 2023, in compliance with the requirements of Chapter 18 of the Listing Rules, and each a “Valuation Report”
“Valuer” or “Independent Valuer”	AP Appraisal Limited, an independent valuer
“Vendor”	Creation Financial Group Limited (創世金融集團有限公司), a company incorporated in the British Virgin Islands with limited liabilities, and the sole shareholder of the Target Companies as at the Latest Practicable Date
“%”	per cent.

\* For identification purpose only



**Asia Resources Holdings Limited**  
**亞洲資源控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 899)**

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Mr. Liu Yan Chee James

Mr. Li Xiaoming

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*Independent Non-executive Directors:*

Mr. Ba Junyu

Mr. Zhu Xueyi

Mr. Wong Chung Man

9 November 2023

*To the shareholders*

Dear Sir/Madam,

**MAJOR TRANSACTION  
IN RELATION TO THE ACQUISITION OF  
TWO TARGET COMPANIES  
INVOLVING THE ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE**

**INTRODUCTION**

Reference is made to the Announcement.

The purpose of this circular is to provide you with the information with regard to, among other things, (i) further details of the Agreements; (ii) the financial information of the Target Companies; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) the Competent Person's Report; (v) the Valuation Reports on the Target Companies; (vi) a notice convening the SGM; and (vii) other information as required under the Listing Rules.

\* For identification purpose only

## LETTER FROM THE BOARD

### THE ACQUISITIONS

On 23 August 2023 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor, the Target Companies and the Guarantors entered into the Agreements, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares A (representing the entire issued share capital of the Target Company A) and the Sale Shares B (representing 73.1% of the issued share capital of Target Company B) and the Shareholder's Loan in accordance with the terms and conditions of the Agreements respectively. Upon the completion of reorganisation of the Target Companies and its subsidiaries, the Target Company A, through Hunan Chenxi and Jiuyuan Mining, will indirectly hold Project Jiuyuan situated in the PRC and the Target Company B, through Hunan Hongjia and Jinhao Mining, will indirectly hold Project Jinhao situated in the PRC.

Upon Completion, the Target Companies will become the subsidiaries of the Company and their financial results will be consolidated into the financial statements of the Company.

### THE AGREEMENTS

The principal terms of the Agreements are set out below:

#### **Agreement A**

#### *Date*

23 August 2023 (after trading hours)

#### *Parties*

- (1) East Dynasty Group Limited, a direct wholly-owned subsidiary of the Company, as the Purchaser;
- (2) Creation Financial Group Limited, as the Vendor;
- (3) Yonyin Investment Holdings Limited as the Target Company A;
- (4) Mr. Chen Huaijun (陳懷軍) as the Guarantor A; and
- (5) Mr. Chen Dongrao (陳東堯) as the Guarantor B.

Considering that the Guarantors, namely Mr. Chen Huaijun and Mr. Chen Dongrao, hold 70% and 30% of the entire issued share capital of the Vendor respectively, and have the effective ability to exercise control over the Vendor, the Board is of the view that the Vendor will proceed in accordance with the terms of the Agreement A accordingly.

## LETTER FROM THE BOARD

### *Subject matter*

The Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares A and the entire shareholder's loan advanced to the Target Company A in accordance with the terms and conditions of the Agreement A. The Guarantors agreed to guarantee that the Vendor will proceed in accordance with the terms under the Agreement A.

There was no shareholder's loan advanced to the Target Company A as at the date of the Agreement A. Nevertheless, the Company anticipated that there may be possibility that certain shareholder's loan may be advanced to the Target Company A during the reorganization of the Target Company A and its subsidiaries subsequent to the date of the Agreement A. Therefore, for prudence sake, the shareholder's loan has been included in the subject of the transaction under the Agreement A. As at the Latest Practicable Date, the aforesaid reorganization has been completed and the shareholder's loan advanced to the Target Company A was less than HK\$1,000. As the reorganization has been completed, the Company does not anticipate any need for further advances of shareholder's loans to the Target Company A.

Upon Completion, the Target Company A will become an indirect wholly-owned subsidiary of the Company and the financial results of Target Company A will be consolidated into the financial statements of the Group.

There is no restriction on subsequent sale of the Sale Shares A.

### *Consideration*

The total consideration for the acquisition of the entire issued share capital of, and the shareholder's loan advanced to, the Target Company A shall be HK\$37,000,000, which shall be payable by the Purchaser in the following manner:

- (a) by way of issue of promissory note in the principal amount of HK\$29,640,000 to the Vendor upon Completion; and
- (b) by the allotment and issue of 32,000,000 Consideration Shares at the Issue Price of HK\$0.23 per Consideration Share by the Company to the Vendor (equivalent to the amount of HK\$7,360,000) within 6 months after Completion;

provided that if the Target Company A or its subsidiaries have any liability before Completion that has not been disclosed to the Purchaser, the Purchaser has the right to deduct the equivalent amount from the total consideration for the Sale Shares A. The Vendor agrees not to raise any claim or proceedings regarding such deduction.

## LETTER FROM THE BOARD

Given that the amount of shareholder's loan advanced to the Target Company A is minimal, there will be no adjustment of the total consideration for the Sale Shares A due to the shareholder's loan.

### *Basis of the Consideration*

The total consideration for the Sale Shares A and the relevant Shareholders' Loan was determined after arm's length negotiations between the Purchaser and the Vendor taking into account a number of factors including but not limited to:

- (i) the unaudited net assets of the Target Company A and Jiuyuan Mining as at 30 June 2023, being nil and approximately RMB27,476,000 (equivalent to approximately HK\$29,630,000) respectively. The assets of Project Jiuyuan comprises of mine equipment of approximately RMB29,700,000 and factory plant of approximately RMB3,400,000. The assets of Project Jiuyuan will allow the Company to save on operating costs and time, as well as effectively reduce its mining output schedule. As such, commercial production could be commenced shortly after Completion and generate cashflow for the Group;
- (ii) the appraised market value of Jiuyuan Mining as at 30 June 2023 in the aggregate amount of HK\$37,000,000 based on an independent professional valuation. The total consideration of HK\$37,000,000 is in general equal to the said valuation. Details of the methodology and assumptions adopted in the valuation are set out in the Appendix IX of this circular;
- (iii) the estimated reserves and resources of Project Jiuyuan which would be able to generate revenue and bring continuous cash flow to the Group shortly after completion of acquisition. Details of the mineral reserves and resources of Project Jiuyuan are set out in the Competent Person's Report in the Appendix VIII of this circular;
- (iv) the future prospects and profitability of the Target Company A in respect of the lead and zinc industry in the PRC. The Group is optimistic over the long-term development and outlook of the Target Company A in view of the lead and zinc exports as well as their application in various industries worldwide which supports a strong demand for both metals in refined form; and
- (v) the Promissory Notes and the proposed issue of Consideration Shares will not constitute additional cash flow burden until the commercialization of the mining projects are in place, and the Group will be able to leverage the returns from its mining business in the partial repayment of its Promissory Notes upon maturity.

## LETTER FROM THE BOARD

### *Conditions Precedent*

Completion of Agreement A is conditional upon the satisfaction of the following conditions precedent:

- (a) compliance by the Purchaser and the Company of all requirements under the Listing Rules in respect of the transactions contemplated in the Agreement A and the obtaining of all approvals from the Stock Exchange and other regulatory authorities and/or governmental departments (including Shareholders' approval) required under the Listing Rules and the applicable laws;
- (b) completion of the due diligence on the legal, financial, business and assets of the Target Company A by the Purchaser with satisfactory results in all respects;
- (c) the warranties given by the Vendor as set out in the Agreement A remain true and accurate in all material respects;
- (d) there is no material adverse change in the Target Company A and its subsidiaries;
- (e) no title, mining or other material operational issues on Project Jiuyuan have been identified and the valuation of Project Jiuyuan is not less than HK\$37,000,000;
- (f) the Purchaser has received a PRC legal opinion in form and substance satisfactory to the Purchaser on matters in respect of Hunan Chenxi, Jiuyuan Mining and Project Jiuyuan;
- (g) the Purchaser has received a competent person's report in form and substance satisfactory to the Purchaser on matters in respect of Project Jiuyuan;
- (h) the Target Company A and its subsidiaries have completed reorganization to the satisfaction of the Purchaser; and
- (i) the Stock Exchange has granted the listing of and permission to deal in the Consideration Shares and not subsequently revoked prior to Completion.

## LETTER FROM THE BOARD

The Purchaser may waive the conditions as set out in paragraphs (b) to (f) above. As at the Latest Practicable Date, the Purchaser has no intention to waive any of the aforesaid conditions. The Purchaser will carefully evaluate the situation to decide whether to exercise its discretion to waive any of the conditions, if necessary. The Purchaser will only consider waiving any unfulfilled conditions (if any) if the impact of the failure to fulfil the relevant condition is relatively minor and will not affect the overall benefits which are expected to achieve from the Acquisitions as a whole. If any of the conditions has not been satisfied within 6 months from the date of the Agreement A (or such other date as the Vendor and the Purchaser may agree in writing), which is the long-stop date for the Agreement A, either the Vendor or the Purchaser may terminate the Agreement A and no party shall have any claim against the other party, except in respect of any antecedent breach.

As at the Latest Practicable Date, (i) conditions (b), (e) and (h) have been fulfilled, (ii) conditions (c) and (d) are fulfilled, provided that it will still be subject to the circumstances as at the date of Completion, (iii) conditions (a) and (i) remain outstanding, and (iv) for conditions (f) and (g), the relevant final draft documents have been completed and are available, pending Completion.

### *Completion*

Subject to the satisfaction of all conditions precedent, Completion shall take place on the third Business Day following the date of the satisfaction or waiver of all the conditions precedent of the Agreement A (or such other date as the Vendor and the Purchaser may agree in writing).

### **Agreement B**

### *Date*

23 August 2023 (after trading hours)

### *Parties*

- (1) East Dynasty Group Limited, a direct wholly-owned subsidiary of the Company, as the Purchaser;
- (2) Creation Financial Group Limited, as the Vendor;
- (3) Yongming Investment Holdings Limited as the Target Company B;
- (4) Mr. Chen Huaijun (陳懷軍) as the Guarantor A; and
- (5) Mr. Chen Dongrao (陳東堯) as the Guarantor B.

## LETTER FROM THE BOARD

Considering that the Guarantors, namely Mr. Chen Huaijun and Mr. Chen Dongrao, hold 70% and 30% of the entire issued share capital of the Vendor respectively, and have the effective ability to exercise control over the Vendor, the Board is of the view that the Vendor will proceed in accordance with the terms of the Agreement B accordingly.

### *Subject matter*

The Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell the Sale Shares B and the 73.1% of the shareholder's loan advanced to the Target Company B in accordance with the terms and conditions of the Agreement B. The Guarantors agreed to guarantee that the Vendor will proceed in accordance with the terms under the Agreement B.

There was no shareholder's loan advanced to the Target Company B as at the date of the Agreement B. Nevertheless, the Company anticipates that there may be possibility that certain shareholder's loan may be advanced to the Target Company B during the reorganization of the Target Company B and its subsidiaries subsequent to the date of the Agreement B. Therefore, for prudence sake, the shareholder's loan has been included in the subject of the transaction under the Agreement B. As at the Latest Practicable Date, the aforesaid reorganization has been completed and the shareholder's loan advanced to the Target Company B was less than HK\$1,000. As the reorganization has been completed, the Company does not anticipate any need for further advances of shareholder's loans to the Target Company B.

Upon Completion, the Target Company B will become an indirect non-wholly owned subsidiary of the Company and the financial results of Target Company B will be consolidated into the financial statements of the Group.

There is no restriction on subsequent sale of the Sale Shares B.

### *Consideration*

The total consideration for the acquisition of 73.1% of the issued share capital of, and the shareholder's loan advanced to, the Target Company B shall be HK\$163,000,000, which shall be payable by the Purchaser in the following manner:

- (a) by way of issue of promissory note in the principal amount of HK\$127,193,600 to the Vendor upon Completion; and

## LETTER FROM THE BOARD

- (b) by the allotment and issue of 155,680,000 Consideration Shares at the Issue Price of HK\$ 0.23 per Consideration Share by the Company to the Vendor (equivalent to the amount of HK\$35,806,400) within 6 months after Completion;

provided that if the Target Company B or its subsidiaries have any liability before Completion that has not been disclosed to the Purchaser, the Purchaser has the right to deduct the equivalent amount from the total consideration for the Sale Shares B. The Vendor agrees not to raise any claim or proceedings regarding such deduction.

Given that the amount of shareholder's loan advanced to the Target Company B is minimal, there will be no adjustment for the total consideration of the Sale Shares B due to the shareholder's Loan.

### *Basis of the Consideration*

The total consideration for the Sale Shares B and the relevant Shareholders' Loan was determined after arm's length negotiations between the Purchaser and the Vendor taking into account a number of factors including but not limited to:

- (i) the unaudited net assets of the Target Company B and Jinhao Mining as at 30 June 2023, being nil and approximately RMB34,395,000 (equivalent to approximately HK\$37,091,000) respectively;
- (ii) the appraised market value of Jinhao Mining as at 30 June 2023 in the aggregate amount of HK\$223,000,000 based on an independent professional valuation. The total consideration of HK\$163,000,000 is in general equal to the relevant percentage of shareholding interest of the said valuation. Details of the methodology and assumptions adopted in the valuation are set out in the Appendix X of this circular;
- (iii) the estimated resources of Project Jinhao which would be able to generate revenue and bring continuous cash flow to the Group shortly after completion of acquisition. Details of the mineral resources of Project Jinhao are set out in the Competent Person's Report in the Appendix VIII of this circular;



## LETTER FROM THE BOARD

- (iv) the future prospects and profitability of the Target Company B in respect of the lead and zinc industry in the PRC. The Group is optimistic over the long-term development and outlook of the Target Company B in view of the lead and zinc exports as well as their application in various industries worldwide which supports a strong demand for both metals in refined form; and
- (v) the Promissory Notes and the proposed issue of Consideration Shares will not constitute additional cash flow burden until the commercialization of the mining projects are in place, and the Group will be able to leverage the returns from its mining business in the partial repayment of its Promissory Notes upon maturity.

### *Conditions Precedent*

Completion of Agreement B is conditional upon the satisfaction of the following conditions precedent:

- (a) compliance by the Purchaser and the Company of all requirements under the Listing Rules in respect of the transactions contemplated in Agreement B and the obtaining of all approvals from the Stock Exchange and other regulatory authorities and/or governmental departments (including Shareholders' approval) required under the Listing Rules and the applicable laws;
- (b) the completion of the due diligence on the legal, financial, business and assets of Target Company B by the Purchaser with satisfactory results in all respects;
- (c) the warranties given by the Vendor as set out in the Agreement B remain true and accurate in all material respects;
- (d) there is no material adverse change in the Target Company B and its subsidiaries;
- (e) no title, mining or other material operational issues on the Project Jinhao have been identified and the valuation of Project Jinhao is not less than HK\$223,000,000;

## LETTER FROM THE BOARD

- (f) the Purchaser has received a PRC legal opinion in form and substance satisfactory to the Purchaser on matters in respect of Hunan Hongjia, Jinhao Mining and Project Jinhao;
- (g) the Purchaser has received a competent person's report in form and substance satisfactory to the Purchaser on matters in respect of Project Jinhao;
- (h) the Target Company B and its subsidiaries have completed reorganization to the satisfaction of the Purchaser; and
- (i) the Stock Exchange has granted the listing of and permission to deal in the Consideration Shares and not subsequently revoked prior to Completion.

The Purchaser may waive the conditions as set out in paragraphs (b) to (f) above. As at the Latest Practicable Date, the Purchaser has no intention to waive any of the aforesaid conditions. The Purchaser will carefully evaluate the situation to decide whether to exercise its discretion to waive any of the conditions, if necessary. The Purchaser will only consider waiving any unfulfilled conditions (if any) if the impact of the failure to fulfil the relevant condition is relatively minor and will not affect the overall benefits which are expected to achieve from the Acquisitions as a whole. If any of the conditions has not been satisfied within 6 months from the date of the Agreement B (or such other date as the Vendor and the Purchaser may agree in writing), which is the long-stop date for the Agreement B, either the Vendor or the Purchaser may terminate the Agreement B and no party shall have any claim against the other party, except in respect of any antecedent breach.

As at the Latest Practicable Date, (i) conditions (b), (e) and (h) have been fulfilled, (ii) conditions (c) and (d) are fulfilled, provided that it will still be subject to the circumstances as at the date of Completion, (iii) conditions (a) and (i) remain outstanding, and (iv) for conditions (f) and (g), the relevant final draft documents have been completed and are available, pending Completion.

The Agreement A and the Agreement B are not inter-conditional to each other.

## LETTER FROM THE BOARD

### *Completion*

Subject to the satisfaction of all conditions precedent, Completion shall take place on the third Business Day following the date of the satisfaction or waiver of all the conditions precedent of the Agreement B (or such other date as the Vendor and the Purchaser may agree in writing).

### INFORMATION ON THE PROMISSORY NOTES

Pursuant to the Agreement A and the Agreement B, approximately 78% of the total consideration of the Agreement A and the Agreement B will be satisfied by way of issue of Promissory Notes to the Vendor in the amount of HK\$29,640,000 and HK\$127,193,600 respectively.

Set out below are the principal terms of the Promissory Notes:

Issuer	the Company
Issue Date	the date of Completion
Principal Amount to be issued	HK\$29,640,000 for the Agreement A; HK\$127,193,600 for the Agreement B
Holder of the Promissory Note	the Vendor
Issue Price	100% of the principal amount of the Promissory Notes to be issued
Maturity date	the date falling on the 1st anniversary date after the date of issue of the Promissory Notes
Interest	3% per annum on the outstanding principal amount of the Promissory Notes, payable on the maturity date of the Promissory Notes
Transferability	The holder of the Promissory Notes may assign or transfer the Promissory Notes to any third party by endorsement without the prior written consent of the Company.

## LETTER FROM THE BOARD

Security	The obligations of the Purchaser under the Promissory Notes are unsecured.
Early redemption	The Purchaser may by giving of not less than 5 Business Days' prior notice in writing to the holder of the Promissory Notes to repay the whole or any part of the Promissory Notes and the accrued interests up to the date of redemption.
Events of Default	<p>The holder of Promissory Notes may give notice to the Purchaser requiring the Purchaser to redeem the whole (but not part) of the outstanding principal amount and the accrued interests of the Promissory Notes upon the occurrence of any of the following events and at any time thereafter:</p> <ul style="list-style-type: none"><li>(a) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any material part of the undertaking, property, assets or revenues of the Purchaser, in each case, which would have a material adverse effect on the ability of the Purchaser to perform its obligations under the Promissory Notes;</li><li>(b) the Purchaser is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the whole or any material part of its undertaking, property, assets or revenues or enters into a general assignment or compromise with or for the benefit of its creditors, in each case, which would have a material adverse effect on the ability of the Purchaser to perform its obligations under the Promissory Notes;</li><li>(c) a resolution is passed for the winding-up of the Purchaser or equivalent actions has taken place in the place of incorporation of the Purchaser;</li></ul>

## LETTER FROM THE BOARD

- (d) any order is made by a competent court or any petition is filed for winding-up or dissolution of the Purchaser;
- (e) the Purchaser defaults in the repayment of the indebtedness at the maturity thereof or at the expiration of any applicable grace period thereof, or any guarantee of or indemnity in respect of any indebtedness given by the Purchaser shall not be honoured when due and called upon, in each case, which would have a material adverse effect on the ability of the Purchaser to perform its obligations under the Promissory Notes; or
- (f) the Purchaser merges with any other corporation (other than a merger in which the Purchaser is the continuing corporation).

Application for listing            No application will be made for the listing of the Promissory Notes on any stock exchange.

The Company intends to repay the outstanding amounts under the Promissory Notes by the internal resources of the Group. According to the annual report of the Company for the year ended 31 March 2023, the Group had bank balance and cash of approximately HK\$32,000,000 as at 31 March 2023. In addition, the Company has various revenue and expected revenue as set out in the following to repay the Promissory Notes. As at 31 March 2023, Mr. Li Yuguo owed the Group an aggregate sum of RMB92,957,000. For details of the repayment from Mr. Li Yuguo to the Group and the relevant agreements, please refer to the circular of the Company dated 30 September 2022. The Group is considering to demand Mr. Li Yuguo to repay the defaulted amount and the accruing damages by installments, rather than obligating him to pay the entire outstanding sum in one lump sum later. This approach would allow the Group to receive periodic payments and to gradually recover the defaulted amount over time. Mr. Li Yuguo has indicated to the Group that he will fully repay the defaulted amount before the end of 2023. In the meantime, the Group is charging Mr. Li Yuguo default interests on the defaulted amount calculated on a daily basis at the rate of 15% per annum until payment. As disclosed in the circular of the Company dated 30 September 2022, the default interest rate was agreed between the Group and Mr. Li Yuguo at the material time when the fourth further supplemental agreement was entered into on 19 August 2022 and was determined after arm's length negotiations between the Group and Mr. Li Yuguo after considering (i) the market conditions at the material time which remained challenging amid the uncertainties

## LETTER FROM THE BOARD

caused by the outbreak of COVID-19 pandemic; and (ii) the prevailing market interest rate at the material time which ranged from 0.0% to 15.0% per annum, with an average of approximately 6.5% per annum and a median of approximately 5.4% per annum (based on the market research conducted by the Company on the financial assistances provided by other companies listed on the Main Board or GEM of the Stock Exchange to connected persons). The Company is now only temporarily refrain from taking action against Mr. Li Yuguo on the defaulted amount and the Company has not entered into any agreement for, nor given any consent to, any extension or other arrangements in respect of the defaulted payments. Therefore, there is no implications under Chapter 14 or 14A of the Listing Rules at this stage. In the meantime, while the Group has considered enforcing the securities which Mr. Li Yuguo has provided, the Group has also carefully assessed the prevailing market conditions and considered that the enforcement of the securities may not be preferable at this stage due to the recent unfavorable market conditions and unattractive pricing. In addition, it is expected that the Group will be able to receive the consideration of RMB150,000,000 for the disposal of the entire issued capital of Century Strong Limited, which is the company holding certain properties in Yantian District, Shenzhen, the PRC, pursuant to a sales and purchase agreement dated 27 April 2023 entered into by the Group. For further details, please refer to the announcement of the Company dated 2 May 2023 and the circular of the Company dated 23 June 2023. It is also expected that there will be revenue generated once the commercial production of water mining factory of the Group in Hunan is commenced during the year ending 31 March 2024. The Group also holds certain investment properties in Zhejiang and Suzhou. There are existing tenants occupying those properties, which generate rental income and cash flow for the Group.

The interest rate of 3% per annum of the Promissory Notes was determined with reference to the lower of the China Loan Prime Rate of 3.45% as at the date of the Agreements.

The terms of the Promissory Notes are determined after arm's length commercial negotiation between the Purchaser and the Vendor with reference to the prevailing market condition and the financial position of the Group, including (i) with reference to the China Loan Prime Rate of 3.45% and the HSBC's Hong Kong Dollar Best Lending Rate of 5.875% as at the date of the Agreements, the fixed interest rate of 3% per annum as determined would allow the Group to minimize any unnecessary financial burden and interest expenses than securing external debt financing, as well as minimizing any unnecessary debt-to-equity impact and to allow flexibility to the financial position of the Group; (ii) the manageable repayment schedule would allow time for repayment to be in line with the commercialization of the mining projects; and (iii) the issue of Promissory Note would not have any dilution impact to existing Shareholders should equity fund-raising is implemented. In view of the above, the Directors consider the terms of the Promissory Notes are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

## LETTER FROM THE BOARD

### VIEWS OF THE BOARD ON THE MARKET, THE COMPETENT PERSON, THE VALUER, THE VALUATION AND THE CONSIDERATION

#### *Views on the market*

According to GlobalData, a data analytics and consulting company in England, China is the world's largest producer of zinc in 2022, and accounts for approximately 33% of global zinc production. In 2020, China's share of total global zinc production accounted for approximately 46.9%.

According to Reuters, the media division of Thomson Reuters being a Canadian multinational media conglomerate, China was a net exporter of refined zinc for the first time in 2022 since 2007, while its export of refined lead has accelerated over the third quarter of 2021 after two years of muted trade activity. Despite outbound shipments of both lead and zinc in refined form are subject to an export tax, high physical premiums resulting from high demand in both Europe and the United States continue to draw refined lead out of China throughout 2022. Furthermore, considering that approximately 50% of the currently produced zinc is used to produce anti-corrosion coatings by galvanization, the amount of galvanized steel in China has been growing exponentially, reflecting the global increase in zinc consumption.

According to Reuters, the International Lead and Zinc Study Group states that the lead and zinc industry in the PRC has witnessed significant developments and shows promising prospects following the surge in exports to Western lead buyers as a result of smelter production issues. China's exports of refined lead have reached 116,500 tonnes in 2022, marking the highest annual total amount since 2007. Furthermore, the lead price on the Shanghai Futures Exchange experienced a surge, reaching a four-year high of RMB17,540 per metric ton, indicating a strong demand for lead.

As such, the lead and zinc industry in the PRC indicates promising prospects with growing demand in both domestic and exports markets.

## LETTER FROM THE BOARD

### *Views on the Competent Person and the Valuer*

The Board has also reviewed and enquired the Competent Person's qualification and experience in relation to the performance of the evaluation, as well as understanding the credentials of the Independent Valuer. The Competent Person is professionally qualified and is a member in good standing of Australasian Institute of Mining and Metallurgy of Australia (AusIMM), Canadian Institute of Mining, Metallurgy and Petroleum of Canada (CIM), and Society for Mining, Metallurgy, and Exploration (SME), for more than ten years. The Competent Person had extensive experiences of undertaking (i) geological evaluation for the Cobriza Copper-Zinc mine of The Doe Run Company in Peru; (ii) geochemical survey and resource estimation for a Silver mine of Grand Central Silver Mines, Inc. in the United States; (iii) resources and reserve estimation for Ok Tedi Copper-Gold mine of Ok Tedi Mining Ltd. in Papua New Guinea; (iv) geochemical mapping, geochemical surveys, and geological exploration for Tintaya Copper Mine of BHP Billiton in Peru; (v) resource estimation and evaluation for the PaiJiLu Vanadium-Silver mine of the Synergy Group Company in China; (vi) resource estimation and evaluation for the AnJiaZhuang Lead-Zinc mine of KaiYuan Mining Company in China; and (vii) resource estimation and evaluation for the Wushan Copper mine of Grand T G Gold Holdings Ltd. in China. The Board understood that the Independent Valuer has an active advisory practice providing valuation to clients with respect to acquisition transactions involving a variety of industries worldwide, and possess over 15 years of experiences in conducting valuation of the mining industry. As such, the Board is of the view that the Competent Person and the Independent Valuer has extensive experiences in valuing similar mining projects over the years and they are independent from the Company.

The Board has enquired with the Competent Person and Independent Valuer as to its independence from the Group and the Vendor and were given to understand that the Competent Person and Independent Valuer are third parties independent of the Group and its connected persons and the Vendor. The Competent Person and the Independent Valuer also confirmed to the Board that they were not aware of any relationship or interest between themselves and the Group or any other parties that would reasonably be considered to affect their independence to act as Competent Person and Independent Valuer for the Company. Apart from normal professional fees payable to them in connection with their engagement for the Competent Person's Report and the valuations, no arrangement exist whereby they will receive any fee or benefit from the Group and its connected persons and the Vendor. The Board also noted from the engagement letters entered into between the Company and the Competent Person and the Independent Valuer that the scope of work was appropriate for the Competent Person and the Independent Valuer to form the opinions required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Competent Person and the Independent Valuer. There is no standing retainer between the Company and the Valuer and the Company only engages the Valuer on a case-by-case basis.



## LETTER FROM THE BOARD

### *Views on the Valuation and the Consideration*

In order to assess the fairness and reasonableness of the Consideration, the Board has reviewed the various assumptions, selection criteria of peer companies adopted and valuation approach used for determining the valuation outcome of the Projects. Further to the discussion with the Valuer, the Board understood that (i) the income approach was considered the most appropriate as there were insufficient comparable transactions in the market and the other approaches do not take into account future growth potential; and (ii) the rationale of the selection criteria and key assumptions represent an exhaustive analysis to the best of the Valuer's expertise in the valuation of mining projects.

Furthermore, with respect to the capital expenditures on the mining infrastructures of Jinhao Mining, and the depreciation and impairment of its property, plant and equipment at a cost of RMB69,000,000 as at 30 June 2023 (the "**Impairment**"), the Board has made further enquiries with the Valuer and understood that (i) the Impairment has been taken into account in the valuation of the Projects; (ii) a planned investment of RMB105,000,000 as necessary capital expenditure to be reinvested for the construction of the mining infrastructure on Jinhao Mining (the "**Planned Investment**") has been taken into account; and (iii) the Planned Investment is considered necessary in order to commence the mining operations of Jinhao Mining and enable the same to achieve cash inflow of not less than RMB75,000,000 from the year ending 2026 and generating revenue ranging from RMB159,000,000 to RMB179,000,000 million during the forecasted period as mentioned in the Valuation Reports. It must be stressed that the Planned Investment is an investment determined by the Group to be contributed to the Target Company B for the purpose of enhancing the productivity and profitability of Project Jinhao but not the consideration requested by, nor payable to, the Vendor. As such, based on careful assessments of the investment option in order to realize the full benefits from the Projects, it is considered that the Planned Investment supports the view of the Board that the terms of the transaction to be fair and reasonable.

## LETTER FROM THE BOARD

Following arm's length negotiations between the Company and the Vendor, having taken into account (i) the depreciation and impairment of its property, plant and equipment of a cost of RMB69,000,000 as at 30 June 2023; and (ii) the cost of Planned Investment as a partial result of the Impairment having been appropriately accounted for, the Consideration for Target Company B was arrived at with due regard to, among others, the aforesaid factors. With the relaxation of COVID-19 restrictions, the demand for lead and zinc is experiencing an upward trend. As a result, the Board expects that the Planned Investment over the first two years, which will be funded by internal resources of the Group, will yield profitable returns. Considering that the Impairment and the qualified opinion expressed by the accountant in relation to historical capital expenditure may be primarily resulted from the possible clerical error in the misplacement of supporting documents for the capital expenditures previously incurred, the PRC is experiencing sustained economic growth, accelerated industrialization, and urbanization as the COVID-19 situation improves (the "**Post-COVID Factors**") and the Board considers the causes of the Impairment and the qualified opinion are no longer applicable and the Post-COVID Factors will create long-term and sustainable demand for natural resources.

As such, the Board is of the view that the impact due to the Impairment has been considered in the valuation, and no adverse impact of the Impairment and the cost of Planned Investment has affected the fairness and reasonableness of the terms of the transaction.

Accordingly, the Board considers that the consideration is fair and reasonable taking into account of the valuation outcome of the Projects.

Having considered that (i) the relevant shareholder's loans advanced to the Target Company A and the Target Company B are immaterial; (ii) the future prospects and profitability for the demand of lead and zinc in the PRC; (iii) the credentials and experiences of the Competent Person and the Independent Valuer in relation to the valuation of the Projects; and (iv) the valuation approach and assumptions in determining the valuation outcome of the Projects, the Board is of the view that the consideration of the Acquisitions is fair and reasonable.

## LETTER FROM THE BOARD

### ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Pursuant to the Agreement A and the Agreement B, HK\$7,360,000 of the consideration of the Agreement A and HK\$35,806,400 of the consideration of the Agreement B respectively, will be satisfied by way of allotment and issue of Consideration Shares to the Vendor at the Issue Price of HK\$0.23 per Consideration Share.

Authorised share capital	As at the Latest Practicable Date, the authorised share capital of the Company was HK\$2,500,000,000, comprising 25,000,000,000 Shares.
Issued share capital	As at the Latest Practicable Date, the issued share capital of the Company was HK\$93,840,280, comprising 938,402,800 Shares.
Value of Consideration Shares	<p>HK\$43,166,400 in aggregate based on the Issue Price of HK\$0.23 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 it represents:</p> <ul style="list-style-type: none"><li>(i) the closing price of HK\$0.23 per Share as quoted on the Stock Exchange on the date of the Agreement A and the Agreement B;</li><li>(ii) a premium of approximately 2.4% to the average closing price of approximately HK\$0.2246 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 A and the Agreement B; and</li><li>(iii) a premium of approximately 55.1% to the average closing price of approximately HK\$0.1483 per Share as quoted on the Stock Exchange for the last six months up to and including the last trading day immediately before the date of the Agreement A and the Agreement B.</li></ul>

The aggregate nominal value of the Consideration Shares is HK\$18,768,000.

## LETTER FROM THE BOARD

Conditions of issue of Consideration Shares	The issue of Consideration Shares is subject to the Completion, the Shareholders' approval and the approval granted by the Stock Exchange for the listing of, and permission to deal in the Consideration Shares. None of the conditions may be waived. The Consideration Shares will be issued and allotted pursuant to the Specific Mandate after the Completion and the Company has taken control of the Target Companies. The Directors will not issue the Consideration Shares to the Vendor unless and until it is certain that the Acquisitions have been duly completed. As at the Latest Practicable Date, the abovementioned conditions remain unsatisfied.
Ranking	The Consideration Shares, when issued and fully paid, shall rank pari passu in all respects with the Shares in issue as at the date of issue of Consideration Shares.
Percentage of shareholding	<p>The Consideration Shares of an aggregate of 187,680,000 Shares (comprising 32,000,000 Shares for the consideration for Agreement A and 155,680,000 Shares for the consideration for Agreement B) represent approximately 20.00% of the Company's issued share capital as at the Latest Practicable Date and approximately 16.67% of the Company's issued share capital as enlarged by the Consideration Shares.</p> <p>The dilution effect is set out in the table under the paragraph headed "Effect on Shareholding Structure of the Company" of this Letter from the Board.</p>
Lock-up period	The Consideration Shares are not subject to any lock-up period.
Disposal restrictions	The Consideration Shares are not subject to any disposal restrictions.

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

## LETTER FROM THE BOARD

As at 31 March 2023, the Group had cash and cash equivalents of approximately HK\$32,000,000. The Directors have taken into account that, if the consideration of Agreement A and Agreement B is paid in cash in their entirety, this may potentially exert pressures on the Group's liquidity in its operations in the coming year. The Directors have explored, apart from issue of new shares, other financing alternatives such as debt financing and other means of equity fund raising, including the issue of new shares or convertible bonds. The Company's financial loss position presented practical obstacles in obtaining loan financing. As disclosed in the annual report of the Company for the year ended 31 March 2023, the loss of the Company for the year was approximately HK\$266,058,000 and accumulated an ever-rising level of total liabilities of approximately HK\$290,192,000 as at the year ended 31 March 2023. With consideration of the loss position of the Company in recent years, the Directors were advised that the Company would be subject to unfavourable interest rates and financing terms in relation to additional debt financing. Subject to the potential additional interest burden for the Company, the Directors considered that the lengthy due diligence and negotiations with financial institutions would be undesirable as the additional borrowings would potentially increase the Company's finance cost in the long run, adding high interest burden to the increasing trend of the Company's total liabilities as a whole. As a result, the Directors were of the view that loan financing would not be a preferable option to the Company. As for commission, the Company has completed two placings of new Shares in the previous financial year, which have given the Board an understanding of the approximate commission rates and other costs for equity financing. The commission rate for the two placings was 1.5% on the gross proceeds of the new Shares which were successfully placed by the placing agent. Further, the general mandate to issue new Shares granted to the Directors at the material time has been fully utilized and specific mandate will be required if the Company proceeds with any equity financing. There is no assurance that, if the Company proceeds with equity financing again after the two recent placings of new Shares, it will be able to secure sufficient number of investors within a short period or at all, or on terms acceptable to the Company. With consideration that it would be favourable for the Company to realise and capitalize from the business opportunities of the Acquisitions as soon as preferable, the Directors believe that any mismatch between the prolonged timing of the Acquisitions and any alternative equity fundraising would force the Company to forgo investment opportunities in high-valued projects and miss the development opportunities made available from the Projects, which would not be in the long-term interests of the Company and its Shareholders as a whole.

The Directors considered that debt financing would result in interest burden, and potentially increase the Group's finance costs. The Group may also be subject to other restrictive covenants imposed by the financial institutions on debt financing. The Group will also need to arrange financial resources to repay the loan debt in the future. Debt financing will also affect the gearing ratio of the Company. Considering the possibility of lengthy negotiations and unfavourable conditions imposed by financial institutions, the Directors believed that debt financing would be the least preferable option to the Company and its Shareholders as a whole.

## LETTER FROM THE BOARD

The Directors also considered that while other means of equity fund raising may allow new and existing investors to participate and maintain their shareholding interest, there was no guarantee that the Group could achieve the appropriate funding required at the material time of the Acquisitions. In particular, the Group may incur high placing commissions and professional fees in order to achieve the appropriate funding required by the Group. As time was of the essence in commencing the operations of Project Jiuyuan and Project Jinhao and realizing their benefits by following their respective estimated mining schedules, any delay in equity fund raising may also negatively affect the Company's ability to meet the projected production targets of Project Jiuyuan and Project Jinhao.

In addition, the allotment and issue of the Consideration Shares by the Company to satisfy the Consideration will have a dilution effect on the shareholding of the existing Shareholders by approximately 16.67%. Despite the dilution impact of the Shareholders, taking into consideration that (i) the allotment and issue of the Consideration Shares will form as partial settlement of the Consideration without immediate significant cash outlay of the Group, thereby reserving financial resources of the Group to be strategically utilised in the planned geological exploration, mining operation and commercialization of its Projects; (ii) act as an incentive for the Vendors to take an active role in the contribution to the commencement of the Projects and the continuous growth of the Group; and (iii) the subsequent revenue which will be generated and the possible turn around from the loss-making position of the Company during the full commercialisation of the Projects, the Directors consider that the potential dilution effect on the shareholding of the Shareholders is justifiable in this regard.

The Company has no plan or intention to conduct any equity fund raising activities within the 12 months from the Latest Practicable Date.

### REASONS FOR AND BENEFITS OF THE ACQUISITIONS

Pursuant to the ongoing development strategies of the Group, the Group has been seeking investment opportunities from time to time with a view to diversify and enhance its asset portfolio, broaden its sources of income and accelerate further growth of the Group as a whole. Prior to the property-driven economic crises in the PRC, with consideration of the respective past experiences in the mining industry possessed by the Group and its management, the Directors have been actively in negotiations to invest and capitalize in the natural resources mining industry since 2020. Considering that the scale of operation and the location of the Projects are suitable for the Group and the Acquisitions would allow the Group to diversify its income stream and risks as a hedging mechanism during the downturn of the property crises in the PRC and turn around from the loss-making position of the Group, the Acquisitions will contribute steady cash flow and income to the Group. The Acquisitions represent an excellent opportunity for the Group to invest in the natural resources industry in the PRC.

## LETTER FROM THE BOARD

In view of the development objective of the Group to enter as a market player in the natural resources industry, the Directors have taken into account the following factors: (i) the prospect of the natural resources mining industry taking into account the high demand of zinc and lead under rapid economic growth in the emerging countries, which is the major driving force for expanding the production capacity of the zinc and lead ore industries; (ii) the continued development of the new energy industry in China and globally supports strong demand for lead and zinc as important components in the production process (e.g. electric vehicle batteries and infrastructure projects); (iii) the synergy effect in the demand of zinc used in the form of galvanized steel in the construction sector and property development industry; (iv) the continuous robust growth of the economy in the PRC; (v) the continuous development of certain production industries in the PRC and worldwide which supports a strong demand as an essential ingredient for lead and zinc in their production process; and (vi) the potential to commercialise and realise returns in the respective Projects in view of the high demand for lead and zinc, the Directors are of the view that the Acquisitions would broaden its revenue base and enhance its financial conditions, as well as provide growth potential to the Group.

The Board acknowledges that the lead and zinc industry was affected by the COVID-19 pandemic. During the pandemic, the demand for lead and zinc experienced a significant decrease due to economic slowdowns and disruptions in various sectors. However, the Board recognizes that after the COVID-19 pandemic, the demand for lead and zinc has rebounded significantly. The Board believes that the acquisitions in the lead and zinc industry in China have strategic implications for diversifying the Group's income stream, hedging risks, and reversing previous loss-making position. The Acquisitions may potentially enable the Group to diversify its income stream by tapping into the strong and promising lead and zinc industry in the PRC. With high demand for these metals both domestically and internationally, especially in emerging industries and infrastructure projects, the Group can broaden its revenue base beyond mining projects. China's position as the world's largest producer of lead and zinc, accounting for a significant share of global production, presents a substantial market opportunity for the Group to capitalize on.

## LETTER FROM THE BOARD

The Board believes the Acquisitions will be a profitable investment. In particular, the continued economic growth, accelerated industrialization and urbanization in the PRC will lead to a sustainable demand for natural resources in the long run.

As at the Latest Practicable Date, the Company has no plan nor has entered into any agreement, arrangement, undertaking or negotiation to acquire new business or dispose of its existing businesses.

The Board has also taken into account the following experiences of the respective Directors and senior management in relation to mining industry:

Mr. Li Yuguo the chairman and an executive director of the Company, has been an executive director of Future Bright Mining Holdings Limited (stock code: 2212) (“**Future Bright**”) since 2018, a listed company principally engaged in the marble mining business and focused on the development of an open pit mine located in the PRC. He had also held the position as the chief executive officer of Future Bright from 2020 to 2022. Mr. Li also has experiences in various mining businesses in China, including his directorship in Guangxi Huatai Mining Company Limited\* (廣西華泰礦業有限公司) and his involvement in Beijing Jiutai Group Co. Ltd and related affiliate companies.

Mr. Yang Xiaoqiang, the vice-chairman and a non-executive director of the Company, has been an executive director of Future Bright since 2020, after his first appointment as a non-executive director of Future Bright in 2018.

Mr. Liu Yan Chee James, the chief executive officer and an executive director of the Company, has been an executive director of Future Bright since 2019, and had served as the chief executive officer of Future Bright from 2018 to 2020.

\* For identification purpose only



## LETTER FROM THE BOARD

Mr. Zhu Xueyi, an independent non-executive director of the Company, commenced his education career at the School of Management at China University of Mining and Technology since 1976, and has been holding the position as head of the Research Institute of Finance and Accounting at China University of Mining and Technology since 2007. As such, Mr. Zhu Xueyi has been familiar with the financial aspects of mining operations.

The Company and certain members of the senior management previously or currently engaged in the Projects have tentatively agreed to enter into formal engagements for a period of not less than 3 years following Completion. Furthermore, the Company has also confirmed the engagement of 1 other engineer with expertise in geological exploration and mining operations, allowing prompt leverage of their expertise upon commencement of the respective mining and commercialization processes. Therefore, the Board has the necessary expertise to manage the Projects and the Company will be able to manage the Projects.

The Board will be responsible for the oversight and supervision of the Target Companies while the management of the daily operations of the Target Companies will be delegated to the management of the Target Companies. With the experiences and expertise of the relevant Directors as disclosed above, the Board will formulate the overall strategy, business goals and operation models of the Target Companies in order to ensure efficient management and workflow within the mining operations. The Board will also work closely with the management of the Target Companies and oversee the financial budgeting, resource allocation, and sales processes of the mining operations. The Group will also utilize its established business networks and assist the Target Companies in identifying and securing potential customers.

Further, the Board will also ensure proper business integration of the Target Companies into the Group. The Board will establish and implement internal controls systems and regulatory compliance frameworks within the Target Companies, including, inter alia, the monitoring of legal and regulatory compliance (including but not limited to the Listing Rules), the obtaining and maintaining of all relevant exploration and mining permits and certificates required for its mining operations, and the proper operation and financial reporting mechanism between the Target Companies and the Company, etc.

## LETTER FROM THE BOARD

Certain members of the existing management of the Target Companies have already agreed to stay in the Target Companies after Completion and will be assigned with the responsibility of continuing to manage their daily operations, in particular during the transition period. The Company may also consider recruiting additional management personnels and professionals to participate in the management of the Target Companies, if needed. In particular, subject to the resource allocation and development progress of Project Jiuyuan in 2024, the Company will engage additional management and engineers with expertise in geological exploration and mining operations in preparation for the commencement of mining for Project Jinhao in 2025.

Taking into consideration the reasons for and benefits of the Acquisitions to the Group, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreements and the transactions contemplated therein, including the total consideration, are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors had any material interest in the Acquisitions nor were required to abstain from voting on the relevant resolution(s) of the Board.

### INFORMATION ON THE PARTIES AND THE TARGET COMPANIES

#### Information on the Company and the Purchaser

The Company is an investment holding company.

The Group is principally engaged in (i) water business and (ii) property development and investment business.

The Purchaser is primarily engaged in investment holding.

#### Information on the Vendor

The Vendor is engaged in investment holding and is ultimately held by the Guarantor A and the Guarantor B as to 70% and 30% respectively.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

## LETTER FROM THE BOARD

### Information on the Target Companies and the Projects

#### *Target Company A*

Target Company A is an investment holding company incorporated in the British Virgin Islands with limited liabilities, whose main asset is the entire equity interest of Hunan Chenxi, which will hold the entire equity interest in Jiuyuan Mining upon completion of the reorganization. Jiuyuan Mining holds the Project Jiuyuan.

#### *Project Jiuyuan*

Project Jiuyuan, owned by Jiuyuan Mining, is located in ZhenYuan County, Pu'er City, Yunnan Province, the PRC. Project Jiuyuan has a mining license across an area of 0.9844 sq. km, with mineral resources of lead and zinc.

Project Jiuyuan began infrastructure construction in 2003 and carried out small-scale mining activities until 2013. From 2014 to 2016, due to the shrinkage of international and domestic metal markets, the mine did not carry out normal mining activities. Project Jiuyuan mined 45,330 tons of ores during 2017-2021. There was no mining activity during 2022 and 2023 since strict pandemic control measures in the PRC in 2022.

Further information of Project Jiuyuan is set out in the Competent Person's Report in Appendix VIII to this circular.

#### *Target Company B*

Target Company B is an investment holding company incorporated in the British Virgin Islands with limited liabilities, whose main asset is the entire equity interest of Hunan Hongjia, which will hold the entire equity interest in Jinhao Mining upon completion of the reorganization. Jinhao Mining holds the Project Jinhao.

## LETTER FROM THE BOARD

### *Project Jinhao*

Project Jinhao, owned by Jinhao Mining, is located at ZhenYuan County, Pu'er City, Yunnan Province, the PRC. Project Jinhao is a mineral resources project with an exploration license across an area of 7.31 sq. km, with mineral resources of lead, copper, and silver.

There was an exploration history but no mining history in the Project Jinhao. Both Project Jiuyuan and Project Jinhao are all located within the rich mineralization zone of Pu'er City, which have opportunities to expand exploration and mining boundaries and increase greatly in resources and reserves of various minerals and deposits including lead, zinc, copper and silver.

Further information of Project Jinhao is set out in the Competent Person's Report in Appendix VIII to this circular.

As at the Latest Practicable Date, the reorganisation of the Target Companies and its subsidiaries has been completed.

### **Financial Information of the Target Companies, Hunan Chenxi, Hunan Hongjia, Jiuyuan Mining and Jinhao Mining**

The Target Companies have been recently incorporated with no significant assets nor liabilities.

The following unaudited financial information is extracted from the management accounts of the Target Companies compiled in accordance with the generally accepted accounting principles of Hong Kong.

## LETTER FROM THE BOARD

### *Target Company A*

	<b>From 8 June 2023 (date of incorporation) to 30 June 2023 (unaudited) HK\$</b>
Revenue	Nil
Profit before and after tax	Nil

The unaudited net assets of the Target Company A as at 30 June 2023 were nil.

### *Target Company B*

	<b>From 15 June 2023 (date of incorporation) to 30 June 2023 (unaudited) HK\$</b>
Revenue	Nil
Profit before and after tax	Nil

The unaudited net assets of the Target Company B as at 30 June 2023 were nil.

### *Hunan Chenxi and Hunan Hongjia*

Hunan Chenxi and Hunan Hongjia were both incorporated on 4 August 2023 and they had no financial information as at 30 June 2023.

Each of Hunan Chenxi and Hunan Hongjia is the direct wholly-owned subsidiary of the Target Company A and the Target Company B respectively. Given they were incorporated recently, their profits before and after tax and net assets value as at the date of the Agreements were nil. Their only assets, after reorganization and as at the Latest Practicable Date, were the entire equity interest in Jiuyuan Mining and the entire equity interest in Jinhao Mining respectively.

## LETTER FROM THE BOARD

### Jiuyuan Mining and Jinhao Mining

The following unaudited financial information is extracted from the management accounts of Jiuyuan Mining and Jinhao Mining compiled in accordance with the generally accepted accounting principles of the PRC:

#### *Jiuyuan Mining*

	Year ended 31 December 2021 <i>RMB'000</i> (unaudited)	Year ended 31 December 2022 <i>RMB'000</i> (unaudited)	Six months ended 30 June 2023 <i>RMB'000</i> (unaudited)
Revenue	3,598	–	–
Loss before tax	(1,685)	(665)	(222)
Loss after tax	(1,685)	(665)	(222)

The unaudited net assets of Jiuyuan Mining as at 30 June 2023 were approximately RMB27,476,000.

#### *Jinhao Mining*

	Year ended 31 December 2021 <i>RMB'000</i> (unaudited)	Year ended 31 December 2022 <i>RMB'000</i> (unaudited)	Six months ended 30 June 2023 <i>RMB'000</i> (unaudited)
Revenue	–	–	–
Loss before tax	–	–*	–
Loss after tax	–	–*	–

\* *less than RMB1,000*

The unaudited net assets of Jinhao Mining as at 30 June 2023 were approximately RMB34,395,000.

## LETTER FROM THE BOARD

### FURTHER INFORMATION ON THE PROJECTS

#### 1. OVERVIEW OF THE PROJECTS

Jiuyuan Mining and Jinhao Mining recognized the opportunities of the broad applications of lead, zinc, copper and silver minerals and acquired Project Jiuyuan and Project Jinhao respectively.

##### **Project Jiuyuan**

**Location:** Project Jiuyuan is located in the territory of Xiaojie Village Committee of JiuJia Town, ZhenYuan County, Pu'er City, Yunnan Province, the PRC.

**Products:** Lead and zinc

**Historic production:** Project Jiuyuan began infrastructure back in 2003 and carried out small-scale mining activities till 2013. From 2014 to 2016, due to the shrinkage of international and domestic metal markets, the mine did not carry out normal mining activities. Project Jiuyuan mined 45,330 tons of ores during 2017 to 2021. There was no mining activity during 2022 and 2023 since strict pandemic control started in 2022.

The table below sets forth the production on Project Jiuyuan from 2003 to May 2023:

No.	Year	Production ( <i>'000 tons</i> )	Remarks
1	From 2003 and 2005	33.8	Data provided by the mine owner
2	2006	44.8	
3	2007	41.7	
4	2008	22.4	
5	From 2008 to July 2013	92.6	
6	From 2014 to December 2016	34.8	
7	2017 to May 2021	<u>45.33</u>	
<b>Subtotal</b>		<b><u><u>315.43</u></u></b>	

## LETTER FROM THE BOARD

Mining permit: Project Jiuyuan has a mining license of an area of 0.9844 sq. km, with mineral resources of lead and zinc.

Mineral Resources: The table below sets forth the Mineral Resources of Project Jiuyuan as at 30 June 2023:

Project	Chinese Reserves Category	Quantity (T)	Pb (%)	Zn (%)	Under
					JORC Category
Project Jiuyuan	333	178,000	1.99%	5.60%	Inferred

Ore Reserves: The table below sets forth the Ore Reserves of Project Jiuyuan as of 30 June 2023:

Project	Chinese Reserves Category	Quantity (T)	Pb (%)	Zn (%)	Under
					JORC Category
Project Jiuyuan	122	198,000	1.91%	4.33%	Probable

Mining life: The table below sets forth the mining schedule of Project Jiuyuan:

Project	2024	2025	2026	2027	2028	2029	2030
Project Jiuyuan	30,000	30,000	30,000	30,000	30,000	30,000	18,000



## LETTER FROM THE BOARD

### Project Jinhao

**Location:** Project Jinhao is located in the administrative division of DengGao Village, Zhenyuan County, Yunnan Province, the PRC.

**Product:** Lead, copper and silver

**Historic production:** As at the Latest Practicable Date, there is no mining history but only exploration work has been carried out in Project Jinhao.

**Mining permit:** Project Jinhao has an exploration license of an area of 7.31 sq. km, with mineral resources of lead, copper and silver.

**Mineral Resources:** The table below sets forth the Mineral Resources of Project Jinhao as at 30 June 2023:

Project	Chinese		Pb (%)	Cu (%)	Ag (10 <sup>-6</sup> )	Under JORC Category
	Reserves Category	Quantity (T)				
Project Jinhao	331	191,000	5.42%	0.94%	127.41	Measured
	332	666,000	6.39%	1.12%	146.11	Indicated
	333	360,000	6.01%	1.04%	128.64	Inferred

There had been no material changes to the resource and reserve estimation of Project Jinhao since 30 June 2023 and up to the date of the Competent Person's Report.

**Mining life:** The table below sets forth the mining schedule of Project Jinhao:

Project	2024	2025	2026	2027	2028	2029	2030	2031	2032
Project Jinhao	-	45,000	90,000	90,000	90,000	90,000	90,000	90,000	34,000

**2. REGULATORY AND ENVIRONMENTAL MATTERS**

**Licenses And Approvals**

The Mineral Resources Law (“MRL”) is the national law governing the prospection for and extraction of mines in the PRC and the registration of mining rights. The MRL was promulgated by the Standing Committee of the National People’s Congress on 19 March 1986, and amended in 1996 and 2009, respectively.

The Ministry of Natural Resources (“MNR”) and its local bureaus are the primary governmental bodies administering the mining industry together with other ministries and departments that regulate other aspects of the mining industry. For example, the Ministry of Ecology and Environment (“MEE”) is responsible for environmental protection, and the Ministry of Commerce is responsible for regulating the import and export of mineral products. Other sources of law affecting the mining industry includes rules, regulations and guidelines promulgated:

- (i) the State Council, the Measures for the Administration of Transfer of Mineral Exploration Rights and Mining Rights;
- (ii) the local People’s Congresses and their standing committees at various governmental levels, the Administrative Regulations on Mineral Resources in Beijing; and
- (iii) the central government level ministries, commissions, and agencies under the direct supervision of the State Council, the Administrative Rules on Shanghai Mining Rights Market.

## LETTER FROM THE BOARD

The following tables set out the details of the 2 licenses of the mine that Project Jiuyuan and Project Jinhao has controlled:

*Mining License for Project Jiuyuan:*

Project Name	Project Jiuyuan
Name of Mine	Zhenyuan County Xiaojie lead and zinc mine
Name of Certificate	Mining license
Mining Right Holder	Zhenyuan County Jiuyuan Mining Co., Ltd.
License Number	C5300002008093220000808
Location	Zhenyuan County, Yunnan Province, the PRC
Corporate Entity	Limited Liability Company
License Area	0.9844 sq. km
Validation Period	7 years, from 25 July 2019 to 25 July 2026
Issuing Authority	Land and Resources Bureau in Pu'er City
Issue Date	25 July 2019
Production Scale	30,000 tons/year
Mining Method	Underground Mining
Minerals to be Extracted	Lead ore, Zinc ore
Mining Elevation	1,590m to 1,200m elevation

## LETTER FROM THE BOARD

### *Exploration License of Project Jinhao:*

Project Name	Project Jinhao
Name of Mine	Zhenyuan County Denggao lead and copper mine
Name of Certificate	Exploration license
Mining Right Holder	Zhenyuan County Jinhao Mining Co., Ltd.
License Number	T5308002008013010003569
Location	Zhenyuan County, Yunnan Province, the PRC
Corporate Entity	Limited Liability Company
License Area	7.31 sq. km
Validation Period	5 years, from 25 July 2022 to 25 July 2027
Issuing Authority	Land and Resources Bureau in Pu'er City
Issue Date	25 July 2022

### **Project Safety Assessment and Approvals**

Mine safety management is a critical important task for mining enterprises. Better safety management is directly related to the economic benefits of mines and plays an important role in promoting normal production. To implement the safety production policy and ensure the normal operations, as well as the safety and health of all the employees, the management of the mines must conscientiously implement various laws and regulations related to safety production issued by the State.

For Project Jiuyuan, it currently has an approved production capacity of 30 ktpa as defined in the mining license. However, except for the mining license, there are additional operational licenses required for the mining operations carried out within the mining license areas, such as a Safe Production Certificate, which must be issued by the competent bureau or department of the government.

For Project Jinhao, the application of mining license and work safety permit is under way.

For further details of all additional licenses and approvals required for the operations of Project Jiuyuan and Project Jinhao respectively under the relevant regulations, please refer to pages 53 to 62 of this circular.

## LETTER FROM THE BOARD

### *Safe Production Certificate*

The following table sets out the details of the Safe Production Certificate issued to Project Jiuyuan:

Project	Name of the Certificate	Prepared by	Approved by	Date of Certificate	Reference No.
Project Jiuyuan	Safe Production Certificate	Environmental Science Institute of SiMao City	Emergency Management Bureau of Pu'er City	2 November 2020	FM05308252020-110200000019

### *Blasting Operation Permit*

There has been a Blasting Operation Permit issued to Project Jiuyuan. There are very strict controls in the PRC for using the explosives that company must obtain a blasting operation permit before getting any explosive materials.

### **Environmental matters**

#### *Environmental approvals*

The following table sets out the details of the reports and approvals obtained by Project Jiuyuan:

Project	Name of the Report	Prepared by	Approved by	Date of Approval	Reference No.
Project Jiuyuan	Environmental Impact Assessment Report ("EIA Report")	Environmental Science Institute of SiMao City	Emergency Science Bureau of Pu'er City	20 December 2004	B3425
	Mine Geological Environmental Restoration and Land Rehabilitation Report	DeYang JinYang Geotechnical Engineering Limited	Land and Resource Bureau of Yunnan Province	21 May 2018	201805

## LETTER FROM THE BOARD

The Competent Person confirmed that the EIA reports have been compiled in accordance with relevant PRC laws and regulations. The Competent Person has reviewed these EIA reports and approvals against recognized international industry environmental management standards, guidelines, and practices when carrying out a site visit between May 2023 and June 2023. Project JinHao will submit the EIA report by 1 October 2024 in accordance with same regulations, standards, and practices, and expect to obtain the approval of the report by 31 December 2024 before it can start the operation.

The assessment by the Competent Person of the pollution sources of Project Jiuyuan and Project Jinhao is set out below:

*(a) Air pollution*

During the underground production process of Project Jiuyuan and Project Jinhao, the air pollution sources include the exhaust gas generated during underground drilling, dusts from fixed pollution sources such as temporary ore storage yard, and the dust during loading, unloading and transportation of ores.

Project Jiuyuan and Project JinHao are designed to adopt wet drilling technology. Before drilling and after mining, water and dust suppression measures are applied to the mining area.

Spraying water for all kinds of operation points and materials that are easy to generate dust and reduce dust emissions. A contract worker is required to spray water regularly on the waste rock and ore pills, approximately 3-5 times a day, and 2-3 minutes each time to keep certain moisture on the surface of the yard to control wind erosion and dust flying.

To reduce the dust pollution of vehicles, Project JiuYuan and Project JinHao require that the transportation road should be cleaned and watered regularly. The ore loading should not be higher than the carriage, and the transported ore should be covered to effectively reduce the dust pollution to the surrounding residents.

*(b) Water Pollution and Management*

The main sources of mine wastewater from the existing mining operations (underground) of Project JiuYuan and Project JinHao are the fissure water inflows in underground tunnels and mining blocks, as well as the domestic sewage from the industrial site at the entrance of the tunnel. The underground wastewater flows to water collecting pounds for treatment or reuse after treatment.

## LETTER FROM THE BOARD

During the peak operation season, there will be about 50 and 150 workers working for Project Jiuyuan and Project Jinhao respectively. The domestic water source is from a spring or DingKang river near the project and is distributed to the industrial square of each mining area by water pipeline. Domestic water is mainly used for kitchen, and workers' washing and showering, and the usage is about 50 L/d per person, making the total water usage of around 2500 L/d and 7,500 L/d for Project Jiuyuan and Project Jinhao respectively. As stated in EIA Report of the project, all the domestic water in each industrial site is comprehensively utilized and not discharged. Part of the underground inflow water is used for underground dust suppression, and the surplus water is discharged to the nearby streams. Domestic sewage is strictly prohibited to be discharged into the nearby river. The fecal water from the dry toilet is used to fertilize the surrounding forest.

### *(c) Solid Wastes and Management*

The solid waste generating from the Project Jiuyuan and the Project JinHao are from two sources, one is the waste rocks from underground tunneling and mining operations, and the other is the domestic waste of mining workers.

The Competent Person noted from the EIA report of the Project JiuYuan, the analysis of waste rock leaching experiment results show that the waste rock belongs to "Class I" general industrial solid waste. The waste rock from the underground is transported to waste rock yard, and a slag retaining wall is set at the downstream of the waste rock yard before a rehabilitation and vegetation measures to be taken to restore the piles. Project JinHao will follow the same solid waste management.

### *(d) Hazardous Materials Management*

Hazardous materials have corrosive, reactive, explosive, toxic, flammable, and potentially biologically infectious characteristics, which pose a potential risk to human and/or environmental health. The hazardous materials will be generated mainly by the project's construction, mining, and processing operations and include hydrocarbons (i.e., fuels, waste oils, and lubricants), processing reagents, chemical and oil containers, batteries, medical wastes, and paints. Both JiuYuan Mining and JinHao Mining indicated that the waste oil generated on site was very limited.

## LETTER FROM THE BOARD

*(e) Site Ecological Environmental Assessment*

The total area of Project Jiuyuan and Project JinHao are approximately 0.9844 sq. km and 7.31 sq. km, mainly woodland. The land used by the two projects will change its original status, damage vegetation, cause soil erosion, and further change the local surface ecological landscape and ecological environment. It is required by Jiuyuan Mining and Jinhao Mining to strengthen green concepts and practices in the industrial sites and mining areas, and to spray water on temporary ore piles and waste rocks at the mining site on surface and in underground.

The EIA Report also suggested Jiuyuan Mining to follow the guidelines as stated in the Development and Utilization Plan to operate within the designed mining areas and production schedules. For the undeveloped mining areas, the existing ecological environment should be maintained, the management of waste rock yards in each mining area should be strengthened, the geological disasters should be prevented, and the green practices should be carried out. The Competent Person noted that Jiuyuan Mining has been following the principles of mitigating disturbance and pollution in the mining license and its surrounding areas. Project JinHao will follow the same principle in the mining license and its surrounding areas, and will submit the EIA report by 1 October 2024 and expect to obtain the approval of the report by 31 December 2024 before it can start the operation.

*(f) Noise Emissions and Mitigation Measures*

The main sources of noise emissions from Project Jiuyuan and Project Jinhao are those generated from the mining and processing plant operations, including drilling, blasting, loading, haulage, crushers, ball mills, draught fans, pumps and other processing equipment, and movement of vehicles/mobile equipment.

The EIA Report stated that the high intensity noises (such as drilling, blasting, etc.) are mostly from underground. The drilling underground is intermittent noise, which mainly affects the underground operation environment. Since the noise source is far away from the ground, it has little impact on the surface environment. The blasting noise occurs underground, so it is necessary to implement the regular operation system of prior notification, and to improve the process for reducing the explosive quantity. On surface, high-capacity noises are from air compressors, fans, transport vehicles and pumps, etc., low noise equipment is selected in the design, axial flow fans are selected for ventilation, and turning the air outflow mouth away from the direction of the protection targets, and noise reduction measures such as setting damping foundation and keeping indoor are taken to effectively reduce noise level. These measures can reduce the noise intensity by 20-30 dba. The transportation noise can be reduced by lowering the driving speed, such as 20 km/hour in the field and 40 km/hour outside the field. It is believed the noise emissions from Project Jiuyuan and Project Jinhao are normal and easily managed to meet the industrial standards.



## LETTER FROM THE BOARD

### *(g) Site Closure Planning and Rehabilitation*

The national requirements of the PRC for mine closure are set out in Article 21 of the MRL, the Rules for Implementation of the MRL (2006), the Mine Site Geological Environment Protection Regulations (2015), and the Land Rehabilitation Regulation (2011) issued by the State Council. In summary, these legislative requirements cover the need to conduct land rehabilitation, to prepare a site closure report, and to submit a site closure application for assessment and approval.

The Competent Person sighted the Mine Geological Environmental Restoration and Land Rehabilitation Report prepared by relevant qualified design or engineering and research institutes and believes that Jiuyuan Mining has been taking measures for the rehabilitation of disturbed land within the mining operation areas. The Competent Person also noted that Jiuyuan Mining signed an agreement with the Bureau of Land and Mineral Resources of Zhengyuan County for the rehabilitation duties and made deposits of RMB 3.19 million into the fund account of Project Jiuyuan between April 2018 and April 2027. The receipts of the deposits were sighted by the Competent Person. Project JinHao will take the same measures, and submit the Mine Geological Environmental Restoration and Land Rehabilitation Report by 1 October 2024 and expect to obtain the approval of the report by 31 December 2024 before it can start the operation.

### **Social Aspects**

The land used by the Project Jiuyuan and the Project JinHao are approximately 0.9844 sq. km and 7.31 sq. km in total for temporary use. There is no cultivated land that has been acquired, so that the land acquisition of the project has a slight impact on regional agricultural production pattern.

For the local economy development, more than 50 jobs and 100 jobs are directly created by the Project JiuYuan and the Project JinHao, and Jiuyuan Mining and JinHao Mining promise to give priority to hire local workers relying on the land for living. The average monthly wage of the front-line workers are RMB3,500 and the annual income is approximately RMB42,000, which is far more than that of the average annual net income of a local farmer.

## LETTER FROM THE BOARD

After the implementation of Project Jiuyuan and Project Jinhao, the transportation industry, processing industry, repair industry, raw material trading industry and other enterprises related to the production of the mining area around the mining area have been growing rapidly. At the same time, the business volume of the local industry and commerce, taxation, communication, and administration are increasing too. The operations of Project Jiuyuan have diversified the original unitary economy, the secondary and tertiary industries have developed rapidly, which has effectively promoted the development of the local economy.



### 3. BUSINESS MODEL

#### Milestone of the Development

<b>Project JiuYuan</b>					
<b>Repairing Stage</b>		<b>Mining Stage</b>		<b>Restoration Stage</b>	
<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>
1-Nov-23	31-Dec-23	1-Jan-24	31-Dec-30	1-Jan-31	31-Mar-31

<b>Project JinHao</b>									
<b>Construction Stage</b>				<b>Pilot Production Stage</b>		<b>Mining Stage</b>		<b>Restoration Stage</b>	
<b>Infrastructure &amp; Roads &amp; Factories</b>		<b>Equipment Installation</b>		<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>
<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>
1-Jan-24	31-Dec-24	1-Jan-25	31-Mar-25	1-Apr-25	30-Jun-25	1-Jul-25	30-Jun-32	1-Jul-32	30-Sep-32

# LETTER FROM THE BOARD

Milestone of the Development of Project JiuYuan					
Year	Quarter	Stages			
		Repairing	Mining	Restoration	
2023	1				
	2				
	3				
	4				
2024	1				
	2				
	3				
	4				
2025	1				
	2				
	3				
	4				
2026	1				
	2				
	3				
	4				
2027	1				
	2				
	3				
	4				
2028	1				
	2				
	3				
	4				
2029	1				
	2				
	3				
	4				
2030	1				
	2				
	3				
	4				
2031	1				
	2				
	3				
	4				
<b>Important Dates</b>		 <b>Mine Production</b>	 <b>Mine Closure</b>		
<b>Detail Workings</b>	1. Repairing of roads, rail, air-strips to access the mine plus the utilities services such as water, sewage and power 2. Repairation of mining equipments, processing factories, and environmental protection facilities	1. Executing departmental and operating handbook in daily production under mine planning and instructions of mining manager 2. Maintaining safe operation of drilling, charging, blasting, loading, processing, and selling 3. Monitoring costs and economic payback 4. Timely report mining status and incidents to relevant authorities and government	1. Removal of office buildings, processing facilities, waste and hazardous materials 2. Sealing all mine shafts, adits, and other openings 3. Restoration of native plants 4. Restoration of the land surface and the water quality of the area equipment, utilities, and other surface structures		

# LETTER FROM THE BOARD

Milestone of the Development of Project JinHao						
Year	Quarter	Stages				
		Construction		Pilot Production	Mining	Restoration
		Infrastructure & Roads & Factories	Equipment Installation			
2023	1					
	2					
	3					
	4					
2024	1					
	2					
	3					
	4					
2025	1					
	2					
	3					
	4					
2026	1					
	2					
	3					
	4					
2027	1					
	2					
	3					
	4					
2028	1					
	2					
	3					
	4					
2029	1					
	2					
	3					
	4					
2030	1					
	2					
	3					
	4					
2031	1					
	2					
	3					
	4					
2032	1					
	2					
	3					
	4					
<b>Important Dates</b>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">↑</div> <div style="text-align: center;">↑</div> <div style="text-align: center;">↑</div> </div> <p style="text-align: center;"><b>Production Testing    Mine Production    Mine Closure</b></p>					
<b>Detail Workings</b>	<ol style="list-style-type: none"> <li>1. Recruitment of Mine Manager and mine personnel</li> <li>2. Construction of roads, rail, declines, return airway, and branching lateral access drives to access the mine plus the utilities services such as water, sewage and power</li> <li>3. Construction of workforce accommodation, offices, processing factory, workshops, storage, tailing dam, and environmental protection facilities</li> </ol>	<ol style="list-style-type: none"> <li>1. Installation and Assembly of Mining Equipments and Processing Machines</li> <li>2. Commissioning and ramp up Performance Testings</li> <li>3. Training of Operators and Repairers</li> <li>4. Quality Management and Assurance</li> </ol>	<ol style="list-style-type: none"> <li>1. Final Tuning and running of mining equipments and processing factories</li> <li>2. Developing and organising multi-disciplinary team coordination under standard operating procedures (SOPs)</li> <li>3. Liasing &amp; testing transportation and selling of products</li> </ol>	<ol style="list-style-type: none"> <li>1. Executing departmental and operating handbook in daily production under mine planning and instructions of mining manager</li> <li>2. Maintaining safe operation of drilling, charging, blasting, loading, processing, and selling</li> <li>3. Monitoring costs and economic payback</li> <li>4. Timely report mining status and incidents to relevant authorities and government</li> </ol>	<ol style="list-style-type: none"> <li>1. Removal of office buildings, processing facilities, waste and hazardous materials</li> <li>2. Sealing all mine shafts, adits, and other openings</li> <li>3. Restoration of native plants</li> <li>4. Restoration of the land surface and the water quality of the area equipment, utilities, and other surface structures</li> </ol>	

## LETTER FROM THE BOARD

### **Mining methods**

The mining methods used for the Projects are typical Short-Wall Caving Mining Method for the mining of ores seams as like that used for narrow coal seams' mining in the coal mining industry in the PRC. For the metal mineral deposits at Project Jiuyuan and Project Jinhao, since the veins are mostly narrow-wide and deep-inclined in nature, the suitable mining method for those veins is the Short-Hole Shrinkage method. Project Jiuyuan is expected to commence mining activities in January 2024, while Project Jinhao is expected to commence mining activities in July 2025. The mining recovery rate and dilution rate is 90% and 10% respectively for both Project Jiuyuan and Project Jinhao.

### **Mineral Processing**

Project Jiuyuan adopts the gravity concentration combined with flotation beneficiation process. Firstly, gravity separation is used to select a portion of the lead concentrates, with the intermediate ore undergoing flotation and the tailings being discarded. The flotation process prioritizes the flotation of lead, followed by the flotation of zinc. The tailings are then fed into a shaking table for re-separation of lead, and the intermediate ore is returned to flotation. The tailings are discarded. The recovery rate is 89% for lead, and 81% for zinc.

Project Jinhao adopts the mixed flotation of copper monosulfide lead copper lead separation and re-concentration of lead oxide to carry out flotation conditions, grinding fineness, flow structure and small closed circuit test research, respectively. The recovery rate is 89% for lead, 90% for copper, and 85% for silver.

## LETTER FROM THE BOARD

### **Sales and delivery**

The Directors are currently negotiating with and actively seeking for potential customers in close proximity of the mining projects. The extracted resources will also be aimed to be actively traded on the Chinese commodities market.

### **Business Plan**

Following completion of the acquisition of Project Jiuyuan, the Directors will implement a commercialization plan, including in particular, (i) putting the existing machinery and equipment in Project Jiuyuan into full operation and the implementation of quality control procedures by the fourth quarter of 2023; (ii) the establishment of experienced operational staff team to be involved in the project as soon as possible after Completion; (iii) starting mining and processing the minerals into final products (according to the grade ordered by client) by the first quarter of 2024; and (iv) selling the final products to existing clients directly or through Shanghai Futures Exchange by the first quarter of 2024.

Following completion of the acquisition of Project Jinhao, the Directors will implement a commercialization plan to develop a practicable roadmap, including (i) the upgrading of roads and project facilities neighbouring the mining sites so as to gain access of roads, power supply facilities and other infrastructures by the second quarter of 2025; (ii) the installation of machinery and equipment to conduct further geological exploration of Project Jinhao and upgrading the current potential mineral resources by expanding the exploration area and mining depth by the second quarter of 2025; (iii) the application for its respective mining license in minerals and other relevant licences as soon as possible after Completion; (iv) the establishment of experienced operational staff team to be involved in Project Jinhao as soon as possible after Completion; (v) starting mining and processing the minerals into final products (according to the grade ordered by client) by the third quarter of 2025; and (vi) selling the final products to existing clients directly or through Shanghai Futures Exchange by the third quarter of 2025.

While the Directors are currently in negotiation with and actively seeking for potential customers in close proximity to the Projects, the projected resources would also be aimed to be actively traded on the PRC commodities market as well as sell to the existing clientele network.

In view of the above, the Directors estimate that the commercialization of Project Jiuyuan and Project Jinhao will commence within 4 months and 24 months from the date of Completion respectively.

The permits and licenses required for Project JiuYuan are as follows:

**Permits and Licenses required for Operation**

No.	Permits/Documents/Action requested for operation for Project JiuYuan	Expected Date of Application	Expected Date of Obtaining	Legal Impediment	Requirement/Procedures of Application	Status/ Vendor's
						Expected Date of Obtaining
1	Exploration License	N/A	Obtained	N/A	1. Limited to applications submitted by the holder of the exploration right only.  2. Limited to the change in exploration to mining and in relation to the expansion in mining areas only.	
2	Mining right application registration or application form	N/A	Obtained	N/A	During transfer of mining rights, submit a transfer application and an application for change in registration.	
3	Agreement to transfer application materials	N/A	Obtained	N/A	1. Limited to transfer of mining rights by agreement only.  2. Submit the agreement in relation to the transfer application, and related department documents in relation to such scheme.	
4	Approval certificate for foreign-invested enterprises	N/A	Obtained	N/A	It is limited to applications for non-oil and gas establishment, continuation or change by foreign investors. The transfer and changes are limited to the transferee of mining rights as a foreign business.	

**LETTER FROM THE BOARD**

No.	Permits/Documents/Action requested for operation for Project JiuYuan	Status/ Vendor's		Requirement/Procedures of Application
		Expected Date of Application	Expected Date of Obtaining	
5	Mining right transfer income (price) payment or compensation disposal certification materials	N/A	Obtained	Provide payment notices, instalment payment approvals or confirmation of mining right transaction including the amount payable from the transfer of mining rights (price), payment method, mining right assignment contracts, and payment notes and related certificates for the proceeds (price) of mining right transfer. If there is no corresponding material, the receiving authority shall issue a written opinion explaining the specific circumstances of the payment of the proceeds (price) from the transfer of mining rights, and if it has been approved to convert the proceeds (price) of mining rights into a state fund or state capital, an approval document shall be provided. No longer submitted by the applicant, and is to be verified through government websites by registration management authorities.
6	Copy of the applicant's business license	N/A	Obtained	For new application in relation to change from exploration to mining, submit reviewed and filed resources and reserves review documents.
7	Mineral resources & reserves review filing documents	N/A	Obtained	



**LETTER FROM THE BOARD**

No.	Permits/Documents/Action requested for operation for Project JiuYuan	Expected Date of Application	Vendor's Expected Date of Obtaining	Legal Impediment	Requirement/Procedures of Application
8	Mining area map with geological topographic map as base map	N/A	Obtained	N/A	N/A
9	Triple-lap graph	N/A	Obtained	N/A	Applicable to new establishment and expansion of mining areas. The coordinates of the scope of the applied mining right, the estimated range of resource reserves and the scope of exploration right (or the scope of the delimited mining area if the approval for zoning has been obtained) and the superimposed Triple-lap graph shall be submitted.
10	Approval of demarcation of mining area	N/A	Obtained	N/A	If the reservation period has been extended, the extension approval shall also be submitted.
11	Environmental Impact Assessment Report	N/A	Obtained	N/A	N/A
12	Mineral resources development and utilization plans and expert review opinions	N/A	Obtained	N/A	For those who apply for oil and gas continuation, expansion of mining areas (change in mining depth only), reduction in mining areas, name changes and transfer of mining right holders, they only need to submit a plan regarding the development and utilization of mineral resources.

## LETTER FROM THE BOARD

No.	Permits/Documents/Action requested for operation of Project JiuYuan	Status/ Vendor's		Requirement/Procedures of Application
		Expected Date of Application	Expected Date of Obtaining	
13	Mine Geological Environmental Restoration and Land Rehabilitation Report	N/A	Obtained	Where the application for renewal has not been submitted, it is applicable to situations where the plan has not been submitted or the plan has exceeded the validity period, as well as one of the original mine geological environmental protection and treatment restoration plan and the land reclamation plan has exceeded the validity period.
14	Opinions of provincial natural resources authorities	N/A	Obtained	To be submitted by the provincial-level authorities for natural resources through system.
15	Mining right Certificate	N/A	Obtained	N/A
16	Blasting Permit	N/A	Obtained	<ol style="list-style-type: none"> <li>1. Business license</li> <li>2. Mining permit</li> <li>3. Safety production permit</li> <li>4. Explosives storage</li> <li>5. Blasting operator permit</li> <li>6. List of specialised equipment in relation to blasting operations</li> <li>7. Safety management and post safety responsibility system</li> </ol>

**LETTER FROM THE BOARD**

No.	Permits/Documents/Action requested for operation for Project JiuYuan	Status/ Vendor's		Requirement/Procedures of Application
		Expected Date of Application	Expected Date of Obtaining	
17	Safe Production Certificate	N/A	Obtained	<ol style="list-style-type: none"> <li>1. Business license</li> <li>2. Mining permit</li> <li>3. Safety production regulations and operational procedures</li> <li>4. Safety qualification certificate for person-in-charge and safety production management personnel</li> <li>5. Operation qualification certificate for personnel performing special operations</li> <li>6. Deposits paid in relation to safety production expenses and safety production risks</li> <li>7. Work-related injury insurance premiums payable for employees</li> <li>8. Emergency rescue plan</li> <li>9. Approvals from authority responsible for supervision</li> </ol>

## LETTER FROM THE BOARD

The permits and licenses required for Project JinHao are as follows:

No.	Permits/Documents/Action requested for operation for Project JinHao	Expected Date of Application	Status/ Vendor's Expected Date of Obtaining	Legal Impediment	Requirement/Procedures of Application
1	Exploration License	N/A	Obtained	N/A	<ol style="list-style-type: none"> <li>Limited to applications submitted by the holder of the exploration right only.</li> <li>Limited to the change in exploration to mining and in relation to the expansion in mining areas only.</li> </ol>
2	Mining right application registration or application form	1-Dec-2023	31-Dec-2023	No	During transfer of mining rights, submit a transfer application and an application for change in registration.
3	Agreement to transfer application materials	1-Mar-2024	31-Mar-2024	No	<ol style="list-style-type: none"> <li>Limited to mining rights transfer by agreement only.</li> <li>Submit the agreement in relation to the transfer application, and related department documents in relation to such scheme.</li> </ol>
4	Approval certificate for foreign-invested enterprises	1-Mar-2024	31-Mar-2024	No	It is limited to applications for non-oil and gas establishment, continuation or change by foreign investors. The transfer and changes are limited to the transferee of mining rights as a foreign business.

**LETTER FROM THE BOARD**

No.	Permits/Documents/Action requested for operation for Project JinHao	Status/ Vendor's		Legal Impediment	Requirement/Procedures of Application
		Expected Date of Application	Expected Date of Obtaining		
5	Mining right transfer income (price) payment or compensation disposal certification materials	1-Mar-2024	31-Mar-2024	No	Provide payment notices, instalment payment approvals or confirmation of mining right transaction including the amount payable from the transfer of mining rights (price), payment method, mining right assignment contracts, and payment notes and related certificates for the proceeds (price) of mining right transfer. If there is no corresponding material, the receiving authority shall issue a written opinion explaining the specific circumstances of the payment of the proceeds (price) from the transfer of mining rights, and if it has been approved to convert the proceeds (price) of mining rights into a state fund or state capital, an approval document shall be provided.
6	Copy of the applicant's business license	1-Mar-2024	31-Mar-2024	No	No longer submitted by the applicant, and is to be verified through government websites by registration management authorities.
7	Mineral resources & reserves review filing documents	1-Jun-2024	30-Jun-2024	No	For new application in relation to change from exploration to mining, submit reviewed and filed resources and reserves review documents.
8	Mining area map with geological topographic map as base map	1-Jun-2024	30-Jun-2024	No	N/A

## LETTER FROM THE BOARD

No.	Permits/Documents/Action requested for operation for Project JinHao	Expected Date of Application	Status/ Vendor's		Requirement/Procedures of Application
			Expected Date of Obtaining	Legal Impediment	
9	Triple-lap graph	1-Jun-2024	30-Jun-2024	No	Applicable to new establishment and expansion of mining areas. The coordinates of the scope of the applied mining right, the estimated range of resource reserves and the scope of exploration right (or the scope of the delimited mining area if the approval for zoning has been obtained) and the superimposed Triple-lap graph shall be submitted.
10	Approval of demarcation of mining area	1-Jun-2024	30-Jun-2024	No	If the reservation period has been extended, the extension approval shall also be submitted.
11	Environmental Impact Assessment Report	1-Oct-2024	31-Dec-2024	No	N/A
12	Mineral resources development and utilization plans and expert review opinions	1-Oct-2024	31-Dec-2024	No	For those who apply for oil and gas continuation, expansion of mining areas (change in mining depth only), reduction in mining areas, name changes and transfer of mining right holders, they only need to submit a plan regarding the development and utilization of mineral resources.

**LETTER FROM THE BOARD**

No.	Permits/Documents/Action requested for operation for Project JinHao	Status/ Vendor's		Requirement/Procedures of Application
		Expected Date of Application	Expected Date of Obtaining	
13	Mine Geological Environmental Restoration and Land Rehabilitation Report	1-Oct-2024	31-Dec-2024	No Where the application for renewal has not been submitted, it is applicable to situations where the plan has not been submitted or the plan has exceeded the validity period, as well as one of the original mine geological environmental protection and treatment restoration plan and the land reclamation plan has exceeded the validity period.
14	Opinions of provincial natural resources authorities	1-Nov-2024	31-Dec-2024	No To be submitted by the provincial-level authorities for natural resources through system.
15	Mining right Certificate	1-Jan-2025	30-Apr-2025	No N/A
16	Blasting Permit	1-May-2025	30-Jun-2025	No <ol style="list-style-type: none"> <li>1. Business license</li> <li>2. Mining permit</li> <li>3. Safety production permit</li> <li>4. Explosives storage</li> <li>5. Blasting operator permit</li> <li>6. List of specialised equipment in relation to blasting operations</li> <li>7. Safety management and post safety responsibility system</li> </ol>

**LETTER FROM THE BOARD**

No.	Permits/Documents/Action requested for operation for Project JinHao	Status/ Vendor's		Requirement/Procedures of Application
		Expected Date of Application	Expected Date of Obtaining	
17	Safe Production Certificate	1-May-2025	30-Jun-2025	<p>Legal Impediment: No</p> <ol style="list-style-type: none"> <li>1. Business license</li> <li>2. Mining permit</li> <li>3. Safety production regulations and operational procedures</li> <li>4. Safety qualification certificate for person-in-charge and safety production management personnel</li> <li>5. Operation qualification certificate for personnel performing special operations</li> <li>6. Deposits paid in relation to safety production expenses and safety production risks</li> <li>7. Work-related injury insurance premiums payable for employees</li> <li>8. Emergency rescue plan</li> <li>9. Approvals from authority responsible for supervision</li> </ol>



## LETTER FROM THE BOARD

### 4. RISKS FACTORS

#### Project Risk Assessment regarding the Projects

The following are the potential risks that the Competent Person believes may impact the economic or safety potential for the mining operations of the Projects:

#	Issue	Likelihood	Consequence	Overall
<u>Geology and Resource</u>				
1	Lack of Significant Resources	Unlikely	Minor	Low
2	Lack of Significant Reserves	Unlikely	Minor	Low
3	Significant Unexpected Faulting or Other Structure	Unlikely	Minor	Low
<u>Mining &amp; Mineral Processing</u>				
4	Production Shortfall	Unlikely	Minor	Low
5	Geotechnical or Hydrogeological Issues	Unlikely	Minor	Low
6	Production Pumping System Adequacy	Unlikely	Minor	Low
7	Underground Support and Development	Unlikely	Minor	Low
8	Project Plan Failure	Unlikely	Minor	Low
9	Power Yields	Unlikely	Minor	Low
10	Lower Recovery	Unlikely	Minor	Low
11	Higher Production Cost	Unlikely	Minor	Low
12	Poor Plant Design	Unlikely	Minor	Low
<u>Capital and Operating Costs</u>				
13	Project Timing Delays	Unlikely	Minor	Low
14	Capital Cost Increase	Unlikely	Minor	Low
15	Capital Cost Ongoing	Unlikely	Minor	Low
16	Capital and Operating Costs	Unlikely	Minor	Low
17	Surface Water Management and Discharges (i.e., Stormwater Runoff, Erosion Control Measures)	Unlikely	Minor	Low
18	Groundwater management and discharges (i.e., project dewatering and seepage from the WRD)	Unlikely	Minor	Low
19	Dust generating and gas emissions management and monitoring	Unlikely	Minor	Low

<b>LETTER FROM THE BOARD</b>
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#	Issue	Likelihood	Consequence	Overall
20	Storage and handling of hazardous materials	Unlikely	Minor	Low
21	Waste generation and management (industrial and domestic wastes)	Unlikely	Minor	Low
22	Rehabilitation of waste rock stockpiles and other disturbed areas	Unlikely	Minor	Low
23	Potential and current contaminated sites	Unlikely	Minor	Low
24	Site erosion controls, sediment entrainment and deposition	Unlikely	Minor	Low
25	Lack of geochemical characterization/ARD assessment of waste rock	Unlikely	Minor	Low
26	Impact to ecological system	Unlikely	Minor	Low

Further details of the risk analysis process are set out in the section headed “Risks” in the Competent Person’s Report in Appendix VIII of this circular.

**Risks relating to the operation of the Projects**

The Company also considered that the Projects are subject to the following risks:

*(a) Potential accidents in the mining process*

There is no guarantee against accidents during the mining process of any mining companies, including Jiuyuan Mining and Jinhao Mining. Such accidents can lead to major disruptions to the mineral mining operations, cause financial losses and harm the reputation of the Target Companies, Jiuyuan Mining, Jinhao Mining and their Projects. The occurrence of legal proceedings, compensation claims, imposition of fines and penalties, and mandatory production suspensions is possible. Future liabilities may also arise from accidents, fatalities, or other workforce-related misfortunes, some of which may be beyond the control of the Target Companies, Jiuyuan Mining and Jinhao Mining. These accidents can lead to production delays, increased costs, significant uninsured liabilities, and negative publicity, all of which can adversely impact the reputation, business operations, financial position, and the overall performance of these companies.

## LETTER FROM THE BOARD

*(b) Failure to maintain various permits or licenses or satisfy administrative requirements*

Various permits, licenses and approvals are required for the exploration, extraction and production activities of Jiuyuan Mining and Jinhao Mining and their respective Projects. These permits, licenses and approvals may require periodic renewal, modification and revocation. Failure by Jiuyuan Mining, Jinhao Mining and/or the Projects to obtain or renew these permits, licenses, and approvals in a timely manner could result in fines or the restrictions or prohibition of operations. Such outcomes could have a negative effect on the operational results of the Projects.

*(c) Operational risks, hazards and unexpected disruptions*

The Projects are exposed to various operational risks and hazards that could impact their continuous operations. These risks include unexpected maintenance needs or technical issues, interruptions to productions due to adverse weather conditions, fires, natural disasters, industrial accidents, power or fuel supply disruptions, breakdowns of essential equipment and information management systems, changes in mineralization and geological conditions, loss of well control, and fluctuations in transportation costs. Any of the foregoing can potentially result in personal injuries, environmental damage, harm to business reputation, destruction of properties or production facilities, delays in product delivery, and expose Jiuyuan Mining, Jinhao Mining and their directors to potential legal liabilities. The occurrence of any of these issues could significantly impact the performance and financial condition of the Jiuyuan Mining and Jinhao Mining.

*(d) Uncertainties of reserves estimations and production projections*

The methodology adopted in the Competent Person's Report to estimate ore reserves for the Projects relies on certain assumptions and judgments regarding key factors and variables such as knowledge, experience, and industry practices. Nevertheless, these estimates are subject to potential updates and may diverge from the actual conditions of the Projects. Changes in new information or factors can lead to fluctuations in the estimates of resources and reserves. Consequently, the actual extraction of mineral resources and reserves by Jiuyuan Mining and Jinhao Mining may vary considerably from these estimated amounts and schedule. This discrepancy can have adverse effects on the operational results and financial position of Jiuyuan Mining and Jinhao Mining, which may then differ from the expected outcomes.

## LETTER FROM THE BOARD

*(e) Risks associated to additional capital investment requirement*

Significant and ongoing capital investment is necessary for operations in the mining industry. Natural resources production projects may face challenges such as deviating from expected timeline, exceeding the initial budget, or failing to achieve the intended economic outcome or commercial viability. As a result, additional capital may be required for the continuous development of the Projects. In such cases, the financial position and operational performance of the Projects may be negatively impacted.

*(f) Severe weather conditions and natural disaster*

Severe weather conditions and natural disasters may lead to personnel evacuation, disrupted operations, and damage to mineral properties, transportation routes, and loading facilities. This can lead to temporary suspensions of operations and lower the overall productivity of the Projects. There is no guarantee that such adverse weather conditions and natural disasters will not result in significant losses for the Projects in the future. Any harm to the Projects or prolonged operational delays due to severe weather conditions and/or natural disasters can have a substantial impact on the business and operational outcomes of the Projects.

*(g) Fluctuation in the price of the minerals*

The price of lead, zinc, copper and silver can be affected by a wide range of factors, including but not limited to the mining production around the globe, the demand from industrial and other sectors, stability of inventory level, and the fluctuation of the international and domestic economic situation, which are beyond the Target Companies', Jiuyuan Mining's and Jinhao Mining's control. The development of alternative materials may also impact the demand and pricing of such minerals, for instance the increasing use of lithium-ion batteries in electric vehicles may lead to a decrease in the demand for lead-acid batteries which subsequently negatively influences the price of lead.

It cannot be assured that there will be a growth in demand for lead, zinc, copper and silver, or that there will not be an oversupply of these minerals. Without any mitigating factors, a substantial and prolonged negative shift in market prices or demand for these minerals could have a detrimental effect on the financial performance of Jiuyuan Mining and Jinhao Mining. In extreme cases, the cost of extracting these minerals may surpass their price, rendering the operations of the Projects unprofitable.

## LETTER FROM THE BOARD

*(h) Risks associated with litigation*

Similar to other companies, the Target Companies, Jiuyuan Mining and Jinhao Mining are susceptible to the risks associated with litigation, including potential legal claims or disputes. The extent of the impact from such litigation is uncertain and may or may not be significant. The potential litigation may adversely affect the operational performance, financial position, and future prospects of the Target Companies, Jiuyuan Mining and Jinhao Mining.

*(i) Adequacy of insurance coverage*

While the Target Companies, Jiuyuan Mining and Jinhao Mining may have insurance coverage from time to time, there is no assurance that such coverage will consistently be available at reasonable premiums, and in the event of a claim, the coverage amount of the insurance may not be sufficient to fully address the claim or liability. Any liabilities that arise without insurance coverage or where the insurance coverage is inadequate can have a significant negative impact on the actual and potential profitability, business operations, and financial results of the Target Companies, Jiuyuan Mining and Jinhao Mining. Furthermore, claims for which these companies are not adequately insured can also have a substantial and detrimental effect on their businesses.

*(j) Environmental risks and issues arising from compliance with environmental regulations and permitting requirements*

The operations of the Projects are exposed to a range of environmental risks inherent in the mining industry, including the potential for leaks, groundwater contamination, exposure to chemical substances, excessive air pollutant emissions, and other unpredictable events. These risks could result in substantial liabilities for Jiuyuan Mining and Jinhao Mining. Any non-compliance with health, safety, and environmental regulations, or failure to comply with directives from the relevant authorities, can lead to consequences such as temporary shutdowns, costly compliance measures and fines, requirements to remediate pollution at high costs, or severe damage to the reputation of the Target Companies, Jiuyuan Mining and Jinhao Mining. Any of these events can have adverse effects on the business operations, financial position, and overall performance of the Target Companies.

## LETTER FROM THE BOARD

*(k) Foreign currency exchange rate fluctuations*

Each of the Target Companies, Jiuyuan Mining and Jinhao Mining will recognize most of its revenue from sales of lead, zinc, copper and silver from the mines which is determined with reference to the international lead, zinc, copper and silver prices quoted in US dollar and operating costs in Renminbi. Hence, its cost competitiveness, profitability and financial position is affected by the exchange rate between Renminbi and US dollar. It is difficult to accurately predict the impact of currency exchange rate fluctuations, and any appreciation of the Renminbi against the US dollar could have a significant and negative effect on the operations and financial performance of the Target Companies, Jiuyuan Mining and Jinhao Mining.

*(l) Reliance on the Target Companies', Jiuyuan Mining's and Jinhao Mining's ability to attract, retain and train senior management or key technical staff*

The future performance of the Target Companies, Jiuyuan Mining and Jinhao Mining depends on, inter alia, their capacity to attract and retain skilled personnel, including key qualified individuals and senior management, who possess adequate and necessary expertise in mineral project development and operation. However, there is no assurance that these key personnel will remain with the Target Companies, Jiuyuan Mining or Jinhao Mining or adhere to the terms of their employment or service agreements. The loss of these key personnel or failure in recruiting and retaining talent could have a substantial detrimental effect on the business and operations of these companies, thereby impacting their operational results.

*(m) Risks relating to mining contractors*

The Target Companies, Jiuyuan Mining and Jinhao Mining may engage third-party contractors to provide specific services for the operation of the Projects. However, these contractors may encounter difficulties in fulfilling their obligations due to various reasons such as financial difficulties, contractual disputes, or occurrence of natural disasters. There is no assurance that the these companies will be able to promptly find an alternative service provider. In such circumstances, the operation of these companies may be adversely affected, thereby impacting their financial performance.

## LETTER FROM THE BOARD

- (n) *Developing laws and regulations of the PRC, changes of which could require the Target Companies, Jiuyuan Mining and Jinhao Mining to incur substantial expenditures or subject these companies to material liabilities or other sanctions*

The laws and regulations of the PRC are continuously evolving. Any change in the laws of the PRC could result in increased compliance costs. Moreover, many such laws provide regulators and officials with substantial discretion in their application, interpretation and enforcement of the laws.

For example, PRC authority approved a new law in August 2019 that will give local governments authority to tax as many as 164 different resources, including fossil fuels, minerals and water. The Standing Committee of the National People's Congress approved the new resource tax law in August 2019 and it went into effect in September 2020. Major resources such as crude oil or rare earths are still subject to a fixed tax rate set by the central government, but local authorities are able to adjust the rates levied on other products, according to the taxation department of the Ministry of Finance.

The relevant legislation and regulatory authorities may impose more onerous requirements and obligations to the Target Companies, Jiuyuan Mining and Jinhao Mining in the future than those currently in effect. The Target Companies, Jiuyuan Mining and Jinhao Mining are unable to predict the costs of compliance with such potential request or instruction and the costs could be substantial and could materially and adversely affect their businesses, financial conditions, results of operations and prospects.

## LETTER FROM THE BOARD

- (o) *The taxation system in the PRC and the interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to the Target Companies', Jiuyuan Mining's and Jinhao Mining's operations and investment in the PRC*

The tax laws in the PRC continue to evolve. Such evolution leads to the risk of additional and substantial tax payments by the Target Companies, Jiuyuan Mining and Jinhao Mining, which could have a material adverse effect on the business, financial condition, results of operations and prospects of these companies.

Tax regulation and compliance are also subject to review and investigation by authorities who may impose severe fines, penalties and interest charges. The tax authorities have a right to impose additional tax assessments.

### **5. NO MATERIAL ADVERSE CHANGE**

No material adverse change has occurred to the Target Companies, Jiuyuan Mining and Jinhao Mining from the effective date of the Competent Person's Report up to the Latest Practicable Date.

### **6. LEGAL CLAIMS AND PROCEEDINGS**

After making reasonable enquiries, as at the Latest Practicable Date, no legal claims or proceedings that may have an material influence on the Jiuyuan Mining and Jinhao Mining or the mining and exploration rights of the Projects are known to the Directors to be present, on-going, pending or threatened by any third party against the Target Companies, Jiuyuan Mining and Jinhao Mining.

In addition, as at the Latest Practicable Date, there are no land claims of material importance known to the Directors that may exist over the land on which the Projects are located.

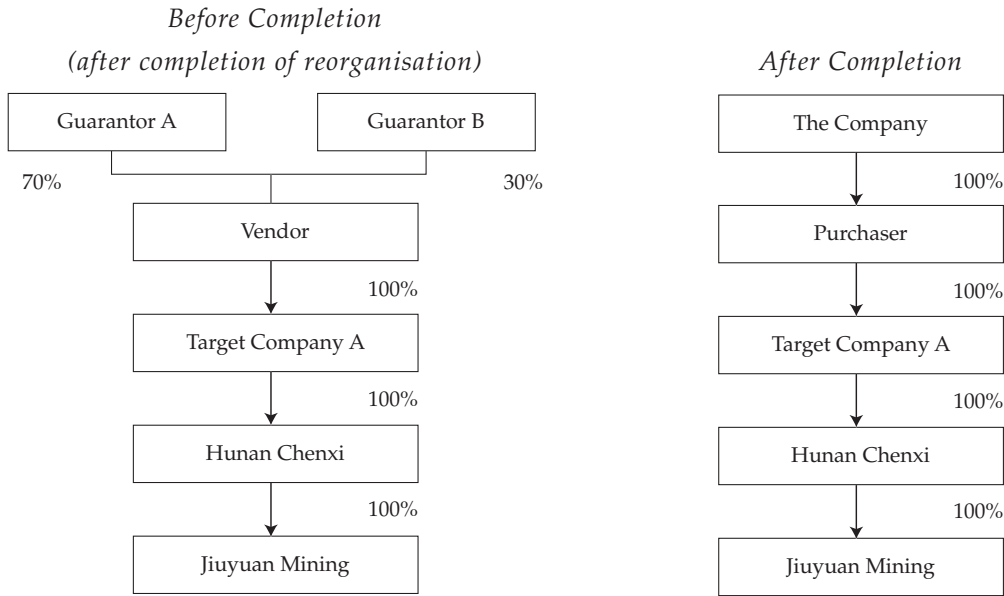


# LETTER FROM THE BOARD

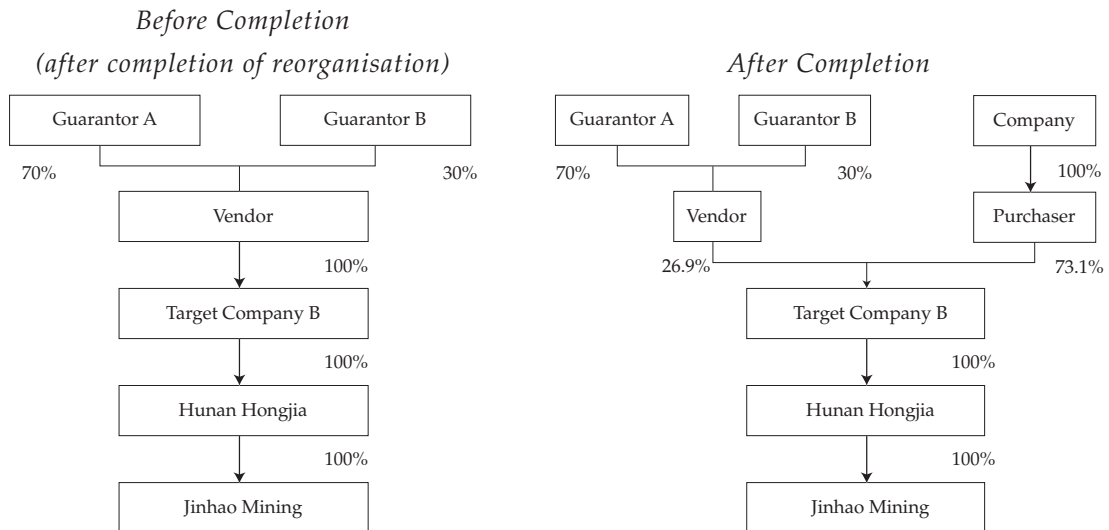
## CORPORATE STRUCTURES BEFORE AND AFTER COMPLETION

The corporate structures of the Target Companies before and after Completion are as follows:

### Target Company A



### Target Company B



## LETTER FROM THE BOARD

### EFFECT OF THE ACQUISITIONS ON THE EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY

Upon Completion, the Target Companies will become indirect subsidiaries of the Company and the financial results, assets and liabilities of the Target Companies will be consolidated in the books and accounts of the Group. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix VII to this circular has been prepared to illustrate the financial effect of the Acquisitions.

#### **Effect on assets and liabilities**

Based on the unaudited pro forma statement of financial position of the Enlarged Group as set out in Appendix VII to this circular, which is prepared as if the Acquisitions had completed on 31 March 2023 to illustrate the effect of the Acquisitions, it is expected that the total assets of the Group would increase from approximately HK\$1,743 million to approximately HK\$2,168 million and the total liabilities of the Group would increase from approximately HK\$290 million to approximately HK\$600 million. As the expected increase in total assets is higher than the expected increase in total liabilities, the net assets of the Group would increase from approximately HK\$1,453 million to approximately HK\$1,568 million.

#### **Effect on earnings**

The Acquisitions enable the Group to generate cashflow from the mining business. It is expected that after the Acquisitions, Project Jiuyuan would be able to generate revenue of approximately RMB25.0 million by the end of 2024, and Project Jinhao would be able to generate revenue of approximately RMB79.3 million by the end of 2025. As the Project Jinhao will start operation from 1 July 2025 onwards and the estimated revenue from 1 July 2025 to 30 June 2026 is RMB158.6 million, it is expected that Project Jinhao would be able to generate revenue of approximately RMB79.3 million by the end of 2025.

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

## LETTER FROM THE BOARD

### Key Parameters for the Estimated Revenue of Project JiuYuan

The key parameters and assumptions for the Evaluation of the Project Jiuyuan is displayed in section 7.15.2.7 of the Competent Person's Report and is shown per table below:

	<b>Parameter</b>	<b>Value</b>	<b>Source</b>
(a)	Annual Production Volume	30,000 T/Year	Per p.127 of the CPR
(b)	Annual Growth Rate	2.50%	10 year average of World GDP growth (World Bank), 10 year average of World CPI growth rate (IMF)
(c)	Ore Grade of Lead	1.91%	p.11 of Mineral resources reserves review record certificate, review opinions
(d)	Head Grade of Lead	1.72%	Equivalent to ore grade x (1-Dilution rate)
(e)	Ore Grade of Zinc	4.33%	p.11 of Mineral resources reserves review record certificate, review opinions
(f)	Head Grade of Zinc	3.90%	Equivalent to ore grade x (1-Dilution rate)
(g)	Mining Recovery Rate of Lead and Zinc	90%	p.133 of the Exploration report of Denggao lead-copper deposit
(h)	Mining Dilution Rate of Lead and Zinc	10%	p.133 of the Exploration report of Denggao lead-copper deposit
(i)	Processing Recovery Rate of Lead	89%	p.6 of Mineral resources reserves review record certificate, review opinions
(j)	Processing Recovery Rate of Zinc	81%	p.6 of Mineral resources reserves review record certificate, review opinions
(k)	Unit Price of Lead (Grade:99.99%)	15,100 RMB/T*	Kitco Metals Inc.
(l)	Unit Price of Zinc (Grade:99.99%)	21,300 RMB/T*	Kitco Metals Inc.

\* For the Unit Price of Lead, and Zinc minerals located in the Project Jiuyuan, we have adopted the unweighted arithmetic average of the closing price of the commodity on the first day of each month within the 12 months before the end of the reporting period.

## LETTER FROM THE BOARD

### Derivation of the Estimated Revenue of Project JiuYuan

The estimated revenue of the Project JiuYuan is based on the calculation of the following formula:

$$\begin{aligned}
 \text{Revenue of the first year of mining} &= \text{Revenue from Lead mining} + \text{Revenue from Zinc mining} \\
 &= (a) \times (k) \times (1+b) \times (d) \times (g) \times (i) + (a) \times (l) \times (1+b) \times (f) \times (g) \times (j) \\
 &= 30,000 \text{ T/Year} \times 15,100 \text{ RMB/T} \times (1+2.50\%) \times 1.72\% \times 90\% \times 89\% + 30,000 \text{ T/Year} \times 21,300 \text{ RMB/T} \times (1+2.50\%) \times 3.90\% \times 90\% \times 81\% \\
 &= \text{RMB6,390,000 (rounded)} + \text{RMB18,600,000 (rounded)} \\
 &= \text{RMB25 million (rounded)}
 \end{aligned}$$

At the end of 2024, the estimated revenue for the Project JiuYuan is approximately RMB25 million.

### Key Parameters for the Estimated Revenue of Project JinHao

The key parameters and assumptions for the Evaluation of the Project Jinhao is displayed in section 7.15.2.7 of the Competent Person's Report and is shown per table below:

	<b>Parameter</b>	<b>Value</b>	<b>Source</b>
(a)	Annual Production Volume	90,000 T/Year	Per p.134 of the CPR
(b)	Annual Growth Rate	2.50%	10 year average of World GDP growth (World Bank), 10 year average of World CPI growth rate (IMF)

<b>LETTER FROM THE BOARD</b>
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	<b>Parameter</b>	<b>Value</b>	<b>Source</b>
(c)	Ore Grade of Lead	6.17%	p.11 of Mineral resources reserves review record certificate, review opinions
(d)	Head Grade of Lead	5.54%	Equivalent to ore grade x (1-Dilution rate)
(e)	Ore Grade of Copper	1.08%	p.11 of Mineral resources reserves review record certificate, review opinions
(f)	Head Grade of Copper	0.97%	Equivalent to ore grade x (1-Dilution rate)
(g)	Ore Grade of Silver	141.94 (10 <sup>-6</sup> )	p.11 of Mineral resources reserves review record certificate, review opinions
(h)	Head Grade of Silver	127.34 (10 <sup>-6</sup> )	Equivalent to ore grade x (1-Dilution rate)
(i)	Mining Recovery Rate of Lead, Copper, and Silver	90%	p.133 of the Exploration report of Denggao lead-copper deposit
(j)	Mining Dilution Rate of Lead, Copper, and Silver	10%	p.133 of the Exploration report of Denggao lead-copper deposit
(k)	Processing Recovery Rate of Lead	89%	p.6 of Mineral resources reserves review record certificate, review opinions
(l)	Processing Recovery Rate of Copper	90%	p.6 of Mineral resources reserves review record certificate, review opinions
(m)	Processing Recovery Rate of Silver	85%	p.6 of Mineral resources reserves review record certificate, review opinions

<b>LETTER FROM THE BOARD</b>
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Parameter	Value	Source
(n) Unit Price of Lead (Grade:99.99%)	15,100 RMB/T*	Kitco Metals Inc.
(o) Unit Price of Copper (Grade:99.99%)	60,200 RMB/T*	Kitco Metals Inc.
(p) Unit Price of Silver (Grade:99.99%)	5,500 RMB/kg*	Kitco Metals Inc.

\* For the Unit Price of Lead, Copper and Silver minerals located in the Project Jinhao, we have adopted the unweighted arithmetic average of the closing price of the commodity on the first day of each month within the 12 months before the end of the reporting period.

### Derivation of the estimated revenue of Project JinHao

The estimated revenue of the Project Jinhao is based on the calculation of the following formula:

$$\begin{aligned}
 \text{Revenue of the first year} &= \text{Revenue from Lead mining} + \text{Revenue} \\
 \text{of mining} & \quad \quad \quad \text{from Copper mining} + \text{Revenue from} \\
 & \quad \quad \quad \text{Silver Mining} \\
 &= (a) \times (n) \times (1+b)^2 \times (d) \times (i) \times (k) + (a) \times \\
 & \quad (o) \times (1+b)^2 \times (f) \times (i) \times (l) + (a) \times (p) \\
 & \quad \times 1000 \times (1+b)^2 \times (h) \times (i) \times (m) \\
 &= 90,000 \text{ T/Year} \times 15,100 \text{ RMB/T} \times \\
 & \quad (1+2.50\%)^2 \times 5.54\% \times 90\% \times 89\% + \\
 & \quad 90,000 \text{ T/Year} \times 60,200 \text{ RMB/T} \times \\
 & \quad (1+2.50\%)^2 \times 0.97\% \times 90\% \times 90\% + \\
 & \quad 90,000 \text{ T/Year} \times 5,500 \text{ RMB/kg} \times 1000 \times \\
 & \quad (1+2.50\%)^2 \times 127.34 (10^{-6}) \times 90\% \times 85\% \\
 &= \text{RMB}63,300,000 \text{ (rounded)} + \\
 & \quad \text{RMB}44,700,000 \text{ (rounded)} + \\
 & \quad \text{RMB}50,600,000 \text{ (rounded)} \\
 &= \text{RMB}158.6 \text{ million (rounded)}
 \end{aligned}$$

As the Project JinHao will start operation from 1 July 2025 onwards and the estimated revenue from 1 July 2025 to 30 June 2026 is RMB158.6 million, it is expected that Project JinHao would be able to generate revenue of approximately RMB79.3 million by the end of 2025.

## LETTER FROM THE BOARD

### EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 938,402,800 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the date of this circular; and (ii) immediately upon the allotment and issue of the Consideration Shares (assuming there is no other change to the share capital and in the shareholding structure of the Company between the date of this circular and Completion):

Shareholders	As at the Latest Practicable Date		Immediately upon the allotment and issue of Consideration Shares	
	<i>Number of shares</i>	<i>%</i>	<i>Number of shares</i>	<i>%</i>
Mr. Li Yuguo	226,800,000	24.17	226,800,000	20.14
Vendor	–	–	187,680,000	16.67
	226,800,000	24.17	414,480,000	36.81
Other public shareholders	711,602,800	75.83	711,602,800	63.19
Total issued shares	<u>938,402,800</u>	<u>100.00</u>	<u>1,126,082,800</u>	<u>100.00</u>

Upon Completion, the Vendor will become a substantial shareholder of the Company, holding approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the Completion).

The issuance of the Consideration Shares will not result in a change of the largest shareholder of the Company or the control of the Company.

In assessing the potential dilution impact as a result of the issue of the Consideration Shares, the Board took into account that the dilution effect the existing Shareholders will be subject to immediately after Completion. Although the shareholding interest of existing Shareholders will be diluted, having considered (i) the Acquisitions will allow a diverse income stream attributable to the Group and potentially turn around from the loss-making position of the Group; (ii) the issue of Consideration Shares will act as an incentive for the Vendor to take an active role in assisting to commence mining operations in the Projects and the continuous growth of the Group; (iii) the issue of Consideration Shares will allow maintenance of a level of cash reserved for general

## LETTER FROM THE BOARD

working capital; and (iv) other methods in financing the Acquisitions such as external loan financing will incur finance cost and will lower the future profitability of the Group, the Board considers that the dilution impact as a result of the issue of the Consideration Shares to be acceptable and in the interest of the Company and its shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions calculated on an aggregate basis is more than 25% but is less than 100%, the Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

A notice of an SGM to be held at Units 1302-03, 13/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong at 11:00 a.m. on Tuesday, 28 November 2023 is set out on pages SGM-1 to SGM-4 of this circular, for the purpose of considering and, if thought fit, passing the resolutions in respect of the Agreements and the transactions contemplated thereunder.

To the best knowledge, information and belief of the Board, as at the Latest Practicable Date, no Shareholder has a material interest in the Agreements and is required to abstain from voting at the SGM.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolution at the SGM will be voted on by way of poll and the Company will announce the results of the poll in the manner prescribed under Rules 13.39(5) and (5A) of the Listing Rules.

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 24 November 2023 to Tuesday, 28 November 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the SGM (or at any adjournment thereof), all transfers of Shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. (Hong Kong Time) on Thursday, 23 November 2023.



## LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.asiaresources899.com.hk>). Whether or not you propose to attend the SGM, you are requested to complete the accompanying form of proxy for use at the SGM in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so desire and, in such event, the form of proxy shall be deemed to be revoked.

### RECOMMENDATION

Having considered the aforesaid circumstances and benefits of the Acquisitions, the Directors are of the view that the Agreements and the Acquisitions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Agreements and the transactions contemplated thereunder.

### FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board  
**Asia Resources Holdings Limited**  
**Li Yuguo**  
*Chairman*

Below is a comparison of the profit and losses and financial position of the Group during the past three financial years:

	For the year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Profit/(Loss) for the year	90,694	(376,132)	(266,058)
Total assets	2,275,578	1,911,672	1,742,847
Total liabilities	(198,934)	(178,499)	(290,192)

The published audited financial statements of the Group for each of the three years ended 31 March 2021, 2022 and 2023 were set out in the Company's annual reports for each of the three years ended 31 March 2021, 2022 and 2023, which can be accessed on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), and the website of the Company (<http://www.asiaresources899.com.hk>). Quick links to the annual reports of the Company are set out below:

Annual report of the Company for the year ended 31 March 2021:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0630/2021063002991.pdf>

Annual report of the Company for the year ended 31 March 2022:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0728/2022072800001.pdf>

Annual report of the Company for the year ended 31 March 2023:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0721/2023072100315.pdf>

## 1. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 15 September 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, there were unaudited outstanding lease liabilities of approximately HK\$4.57 million and outstanding advance from third party of RMB5.05 million (equivalent to approximately HK\$5.50 million).

	As at 15 September 2023 HK\$'000
The Enlarged Group	
Unsecured lease liabilities <sup>(1)</sup>	4,568
Unsecured advance <sup>(2)</sup>	5,502
	<hr/>
Total	10,070
	<hr/> <hr/>

*Notes:*

- Such balances were not covered by any guarantees as at 15 September 2023.
- Part of the advances, amounting RMB4.60 million (equivalent to approximately HK\$5.02 million), was interest bearing at 10% per annum and the remaining advances, amounting RMB0.45 million (equivalent to approximately HK\$0.48 million) was interest-free. Both advances were unsecured, without guarantee and repayable on 19 June 2024.

Save as disclosed above, the Enlarged Group, apart from intra-group liabilities, did not have any loan capital issued and outstanding or agreed to be issued, debt securities, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills), or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at 15 September 2023.

## 2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## 3. WORKING CAPITAL SUFFICIENCY TO THE ENLARGED GROUP

The Directors, after due and careful enquiry and taking into consideration the internal financial resources available to the Group and the effect of the Acquisitions, are of the opinion that, after entering into the Agreements, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of publication of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

#### 4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

##### Revenue

For the year ended 31 March 2023, the revenue of the Group was approximately HK\$22,220,000 (2022: HK\$21,200,000). In response to the serious COVID-19 pandemic in the PRC in the fourth quarter of 2022 and early 2023, the Group offered certain rental concession to the tenants. As a result, the rental income in the second half of the year ended 31 March 2023 was affected. The increase in revenue for the year ended 31 March 2023 was mainly due to increase in rental and management fee income after the acquisition of a company which holds certain investment properties in Suzhou, the PRC.

##### Cost of Sales

For the year ended 31 March 2023, cost of sales of the Group was approximately HK\$3,499,000 (2022: HK\$4,136,000). The cost of sales for the year ended 31 March 2023 represented the cost of properties sold and its decrease was in line with the decrease in revenue from sales of properties.

##### Gross Profit

For the year ended 31 March 2023, the Group recorded a gross profit of approximately HK\$18,721,000 (2022: HK\$17,064,000). The gross profit was mainly attributable to the rental income generated from the investment properties in Suzhou and Zhejiang.

##### Business Review

The Group continuously focuses on its core businesses including water business, property development and property investment business. Since early 2020, in response to the COVID-19 pandemic, the PRC government authorities imposed travel restrictions for a long period of time and implemented varying degrees of movement controls in certain regions, depending on the number of infected cases. These precautionary measures adversely affected our core businesses and caused unforeseen delays in our investment and development. The Company is proactively taking actions to mitigate the adverse impacts of the COVID-19 pandemic on the Group. Besides, the debt crisis of some of the property developers in the PRC has negative impact on the property market, which in turn adversely affected the development progress and valuation of our property projects.

**Water Business***Water Production and Sales*

The Group holds 20% equity interests in Hong Kong Spring Water Ding Dong Group Company Limited which has a wholly-owned subsidiary in Guangxi, Guangxi Spring Water Ding Dong Beverages Company Limited\* (“**Guangxi Spring Water Ding Dong**”). Guangxi Spring Water Ding Dong possesses a water procurement permit for production and sales of bottled water and is currently in operation in Guangxi.

*Water Mining*

The Group holds 67% equity interests in Good Union (China) Limited, which has a wholly-owned subsidiary in Hunan. It possesses a water mining licence for exploitation of mineral water in Hunan. Due to the serious outbreak of COVID-19 in the fourth quarter of 2022, the construction was delayed at that time and most of the workers were dismissed. Before the construction works could be resumed in around February 2023, the Group also needed some time to recruit sufficient workers to resume the construction work. The construction of the factory buildings has already been completed in the first half of 2023. The installation of machinery and equipment has been completed. Trial run is to be performed shortly and the application of the production permit is to be made after the satisfaction of the trial run. Commercial production is expected to be commenced in early 2024.

**Property Development Business***Dalian Properties*

For the property development business in Dalian, construction of Phase I has been completed and as at 31 March 2023, an aggregate of approximately 80% of the total saleable area of Phase I have been handed over to the buyers.

The actual sales of Dalian Properties during the year ended 31 March 2023 was approximately HK\$4.0 million.

Phase II is recognised as the properties under development of the Group. The Group planned to develop 34 buildings with aggregate saleable area of approximately 69,000 square metres. The development of Phase II is in preliminary stage. Due to (i) the outbreak of the COVID-19 pandemic since the beginning of 2020; (ii) the slowdown of economic growth in the PRC; and (iii) the debt crisis of some of the property developers in the PRC since mid-2021, the development of Phase II has been delayed and rescheduled.

On 27 January 2022, Dalian Chuanghe received an idle land decision from Dalian Municipal Bureau of Natural Resources\* (大連市自然資源局), pursuant to which the land of Phase II was determined to be in idle condition. Therefore, there is a risk that the land of Phase II being repossessed by the PRC government authorities without compensation. The management of Dalian Chuanghe is actively negotiating and communicating with the PRC government authorities to lift the decision of idle status and to avoid land repossession by the PRC government authorities without compensation.

As at the Latest Practicable Date, the legal title of the land of Phase II still remained under the control of the Company despite the idle land decision. No further action was taken by the PRC government authorities and the Company was not aware of any exact timeline of the repossession.

The Board has reviewed and reconsidered the development plan of Phase II. The construction material costs has continuously increased in recent years, which led to the increase in the development costs. However, the selling price of the properties in Dalian has dropped due to the debt crisis of some of the property developers in the PRC since mid-2021 and the outbreak of the COVID-19 pandemic. As a result, the projected profit margin of developing Phase II has dropped significantly. Nevertheless, the management are still using its best endeavors to avoid land repossession by the PRC government authorities without compensation.

\* For identification purpose only

The Group expected that the sales of properties in phase 1 of the Dalian Properties were only temporarily affected by the COVID-19 pandemic and the sales of unsold units could resume as soon as the COVID-19 outbreak was approaching the end and the national border started to re-open. However, despite the end of the COVID-19 pandemic and the re-opening of the national border, during the first half of 2023, the overall economy in the PRC remained stagnant and was unlikely to recover rapidly in the near future. For the property market, the property market conditions became even worse during the past few months. According to the relevant data published by the National Bureau of Statistics of China and other online resources, (i) there was a downward trend in the national real estate development and corporate business units investment since the beginning of 2022 to April 2023; (ii) the number of land transactions during the first quarter of 2023 has reached its lowest since 2010; (iii) the sales of new residential properties and second-hand residential properties were still significantly lower as compared with the levels during the pre-COVID-19 period; (iv) the price of residential properties, in particular second-hand residential properties, in more than 75% of the major cities in the PRC have dropped; (v) the inventory level of real properties has significantly increased by more than 40% as compared with the level as at November 2021; and (vi) the growth in property loans during the first quarter of 2023 has reached its historical low, which indicates an unwillingness of the families to increase their debts for the time being.

Due to the unfavourable property market sentiment, the Group was not able to sell all its remaining unsold units in phase 1 of the Dalian Properties. For phase II, due to the same reason, the Group has to delay and reschedule the development of the land of Phase II. The Group is also using its best endeavour to find a buyer to sell the land of Phase II, but the Group was still not able to identify and secure a buyer.

The Company is closely monitoring the property market conditions and will proceed to carry out active marketing and sales activities for both unsold units in phase 1.

For phase II, the Group will continue to look for buyer for the entire land.

Given that property development is a highly profitable business, the Company never intends to cease such business. Rather, the Company has always been prepared to continue its property development business whenever market opportunities arise. Given the recent market conditions of the property market in the PRC, the economic uncertainties and the increasing costs of construction resulting from the global inflation, the Company has adopted a conservative approach on its property development business for the time being.

**Property Investment Business***Beijing Properties*

The Group entered into an acquisition agreement on 28 February 2017 to purchase (a) office premises with a gross floor area of 8,335 square metres and (b) underground car park with a gross floor area of 3,100 square metres located in Phase III of Beijing Convention and Exhibition International Port (Exhibition Centre Ancillary Facilities) Project\* (北京會展國際港展館配套設施項目第三期) for a consideration of approximately RMB220,000,000 (subject to adjustment).

As at 31 March 2023, the Group has paid the consideration of RMB200,000,000 in accordance with the payment terms stated in the sale and purchase agreement. The remaining balance of the consideration of approximately RMB20,000,000 shall be paid upon the execution of the pre-sale agreement between the vendor and the purchaser, an indirect wholly-owned subsidiary of the Company and the building ownership certificate having been obtained by the purchaser. Due to the outbreak of the COVID-19 pandemic, the construction works were temporarily suspended for several times and the progress was significantly affected and delayed. In the second quarter of 2022, there was an outbreak of the COVID-19 pandemic in Beijing again, which further affected the construction progress. In June 2022, the Company received a letter from the vendor explaining the reasons of delay in construction works and requesting for a further extension of handover of the properties. In May 2023, the Company received another letter from the vendor requesting a further extension of handover of the properties.

The Beijing Properties is now under construction. Due to the prolonged COVID-19 pandemic, the construction progress has been delayed.

The construction was also required to be temporarily suspended whenever there are national-level events held in Beijing. Nevertheless, it must be stressed that the construction works are currently in progress.

\* For identification purpose only



The Group is closely monitoring the construction progress. It is expected that the construction of the Beijing Properties could be completed in December 2023 and the handover of the same is expected to take place in June 2024. The Company is also doing certain preparation works for leasing the Beijing Properties to tenants once the same is handed over to the Group, including (i) conducting extensive market research on the rental levels of nearby properties, (ii) formulating the marketing strategies at target tenants and (iii) compiling budget and financial projection of the leasing business in respect of the Beijing Properties. Given that the Beijing Properties is situated at the Beijing Convention and Exhibition International Port, the Company is confident that the Beijing Properties will boost the property investment business of the Company. The Company intends to adopt a progressive approach in securing new tenants, including but not limited to (i) carry out more active marketing of the properties available for lease; (ii) offer more competitive rental packages for potential tenants; and (iii) engage more real estate agents to secure potential tenants.

#### *Zhejiang Properties*

The Group holds the land use rights in respect of an industrial land parcel with site area of approximately 31,950 square metres and a two-storey industrial building with a total gross floor area of approximately 45,330 square metres together with another land parcel with a total site area of approximately 74,960 square metres located in Zhejiang.

The Zhejiang Properties is a two-storey industrial building and was being leased out for rental income.

The actual rental income generated from the leasing of the Zhejiang Properties for the year ended 31 March 2023 was approximately HK\$8.8 million.

Due to the prolonged COVID-19 pandemic, the business of some of the tenants of the Zhejiang Properties could not sustain and had to terminate the lease agreement in the Zhejiang Properties with the Group or reduce the size of gross floor area to be leased in the Zhejiang Properties. Given the aforesaid, the overall occupancy rate of the Zhejiang Properties and the rental income received by the Group have dropped during the year ended 31 March 2023.

The Group is now using its best endeavour to identify and solicit new tenants for the vacant units in the Zhejiang Properties. The Company is confident that, once the market conditions improve, the demand for industrial properties will increase and the occupancy rate of the Zhejiang Properties will improve accordingly. The Company intends to adopt a more progressive approach in securing new tenants, including but not limited to (i) carry out more active marketing of the properties available for lease; (ii) offer more competitive rental packages for potential tenants; and (iii) engage more real estate agents to secure potential tenants.

#### *Suzhou Properties*

The Group holds the land use rights in respect of several buildings with total construction area of approximately 14,798 square metres together with the land parcel with a total site area of approximately 20,841 square metres located in Suzhou.

The Suzhou Properties comprises a garden-style hotel in Suzhou for travelling, vacation and meeting. It was being leased out by the Group for rental income and the tenants operated the same as, inter alia, business clubs, featured business boutique hotels, restaurants, shops, offices, etc.

The actual rental income generated from the leasing of the Suzhou Properties for the year ended 31 March 2023 was approximately HK\$9.4 million.

The prolonged COVID-19 pandemic has seriously affected tourism and business meetings, which in turn adversely affected the business of the tenants of the Suzhou Properties. The business of some of the tenants could not sustain and had to terminate the lease agreement in the Suzhou Properties with the Group. The Group has also granted rental concession for up to four months during the year ended 31 March 2023 for some of the tenants. Given the aforesaid, the overall occupancy rate of the Suzhou Properties and the effective rental income received by the Group (taking into account, inter alia, any rent-free period, rental concession period and early termination) have dropped significantly during the year ended 31 March 2023.

The Group is now using its best endeavour to identify and solicit new tenants for the vacant units in the Suzhou Properties. The Company is confident that, once the market conditions improve, the demand for tourism properties will increase and the occupancy rate of the Suzhou Properties will improve accordingly. The Company intends to adopt a more progressive approach in securing new tenants, including but not limited to (i) carry out more active marketing of the properties available for lease; (ii) offer more competitive rental packages for potential tenants; and (iii) engage more real estate agents to secure potential tenants.

*Yantian Properties (Discontinued operations)*

During the years 2014 and 2015, the Group entered into three acquisition agreements in aggregate to purchase a single-storey building located at Block 2 (with a total gross floor area of approximately 4,957 square metres) and 76 units located at Block 1 (with a total gross floor area of approximately 14,099 square metres) of Jinma Creative Industry Park, which is situated at Depot No. 2, 3rd Road and Shenyang Road Interact, Inner Logistic Park, Yantian Bonded Area, Yantian District, Shenzhen City, the PRC, with naming rights of the names of the properties owned by it and advertising rights in relation to the advertising boards affixed on the same properties. As at the Latest Practicable Date, the relevant title registrations and title certificates of the properties are still pending approval by the PRC government authorities.

Given the title defects in the Yantian Properties, such properties do not generate any revenue nor profit for the Group while the Group has to expend certain costs in continuing to hold and maintain the same.

On 27 April 2023, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of the wholly-owned subsidiary which its subsidiaries hold the abovementioned properties, naming right and advertising right of Jinma Creative Industry Park. The disposal constituted a very substantial disposal of the Company and was approved by the Shareholders at the special general meeting of the Company held on 12 July 2023. The disposal is expected to be completed by early 2025. Details of the disposal are set out in the announcement of the Company dated 2 May 2023 and the circular of the Company dated 23 June 2023.

**Furniture Trading Business**

In December 2022, the Group has entered into a joint venture agreement with an independent third party to establish a joint venture company to engage in furniture distribution business. The joint venture company has been incorporated in January 2023.

The Group is still liaising with the joint venture partner on the commencement of the furniture trading business.

**Liquidity and Financial Resources**

During the year ended 31 March 2023, the Group's liquidity funds were primarily used to invest in the development of our property business and water business and for their operations and such funds were funded by a combination of capital contribution by shareholders, short-term borrowing from an independent third party as well as cash generated from operation.

As at 31 March 2023, the borrowing of the Group comprised the loan from a third party of approximately HK\$5,255,000, which bears interest at 10% per annum, repayable on demand and denominated in RMB.

As at 31 March 2023, the Group had total assets of approximately HK\$1,742,847,000 (2022: HK\$1,911,672,000) which was financed by current liabilities of approximately HK\$146,955,000 (2022: HK\$163,001,000), non-controlling interests of approximately HK\$67,429,000 (2022: HK\$87,810,000) and shareholders' equity of approximately HK\$1,385,226,000 (2022: HK\$1,645,363,000).

As at 31 March 2023, the current ratio of the Group was approximately 3.07 (2022: 5.63). Current ratio is calculated based on current assets divided by current liabilities.

As at 31 March 2023, the gearing ratio of the Group was approximately 0.004 (2022: 0.006). Gearing ratio is calculated based on total borrowings divided by total equity.

### Capital Structure

On 29 July 2022, a total of 1,000,000,000 new shares of the Company had been successfully placed by the placing agent to not less than six placees at the placing price of HK\$0.03 per placing share under the general mandate granted to the Directors by ordinary resolution passed at the annual general meeting of the Company held on 17 August 2021. Upon the completion of the aforesaid placing of new shares, the total number of issued shares of the Company increased from 7,611,690,000 shares to 8,611,690,000 shares. Details of the placing of shares were set out in the announcements of the Company dated 5 July 2022 and 29 July 2022.

On 12 October 2022, the Company held a special general meeting and an ordinary resolution was passed to approve the consolidation of every ten issued and unissued ordinary shares of par value of HK\$0.01 each in the share capital of the Company into one consolidated share of par value of HK\$0.10 each in the share capital of the Company. The share consolidation became effective on 14 October 2022 and the total number of issued shares of the Company became 861,169,000 shares. For details of the share consolidation, please refer to the announcements of the Company dated 1 September 2022 and 13 October 2022 and the circular of the Company dated 19 September 2022.

On 31 March 2023, a total of 77,233,800 new shares of the Company had been successfully placed by the placing agent to not less than six places at the placing price of HK\$0.146 per placing share under the general mandate granted to the Directors by ordinary resolution passed at the annual general meeting of the Company held on 28 September 2022. Upon the completion of the aforesaid placing of new shares, the total number of issued shares of the Company increased from 861,169,000 shares to 938,402,800 shares. Details of the placing of shares were set out in the announcements of the Company dated 16 March 2023 and 31 March 2023.

As at 31 March 2023, total equity attributable to owners of the Company was approximately HK\$1,385,226,000 (2022: HK\$1,645,363,000). The decrease arose from the loss attributable to owners of the Company.

There were no other material change in the capital structure of the Group during the year ended 31 March 2023.

### Material Acquisition or Disposal

On 31 January 2022, the Group entered into a sale and purchase agreement to acquire 100% of the issued share capital of, and the shareholder's loan advanced to, Shun Jie International Holdings Company Limited at a consideration of RMB376,000,000. Its indirect wholly-owned subsidiary, Suzhou Menglian Nanting Cultural Development Company Limited\* (蘇州蒙戀南庭文化發展有限公司) holds, inter alia, several buildings located at 6 Waiwujingnong, Suzhou, Jiangsu, the PRC\* (中國江蘇省蘇州市外五涇弄6號), which are currently leased to tenants for rental income. The acquisition was completed on 27 May 2022. The acquisition constituted a major transaction under the Listing Rules. Details of the acquisition are set out in the announcements of the Company dated 31 January 2022 and 27 May 2022, and the circular of the Company dated 28 March 2022.

### Exposure to fluctuation in Exchange Rates

The Group is mainly exposed to fluctuation in the exchange rate of RMB, arising from relevant group entities' monetary assets and liabilities denominated in foreign currency for the Group's operating activities.

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. Nevertheless, the management closely monitors the relevant foreign currency exposure from time to time and will consider hedging significant foreign currency exposures should the need arise.

### Employee and Remuneration Policy

The Group had a total of 47 (2022: 37) employees in Hong Kong and the PRC as at 31 March 2023. The total staff cost (staff salaries, directors' emoluments and other staff costs) for the year ended 31 March 2023 amounted to approximately HK\$10,901,000 (2022: HK\$7,666,000). Remuneration packages are generally structured with reference to the market conditions and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provides medical benefits and subsidies employees in various trainings and continuous education programs.

\* For identification purpose only

**Charges on Group's Assets**

The Group did not create any charges over its assets as at 31 March 2023.

**Contingent Liabilities**

The Group did not have any contingent liabilities as at 31 March 2023.

**Future development plan**

The Group always endeavours to diversify its business and asset portfolio in order to diversify the risks from its existing businesses. Apart from its existing core business, the Group is actively studying the feasibilities of expansion into energy-related and natural resources business. The management also remains open for other business opportunities whenever the same arise.

The Acquisitions represent an excellent opportunity for the Group to invest in the natural resources industry in the PRC and are in line with the development objective of the Group of becoming a market player in the natural resources industry. In view of the future prospects and profitability of the Project Jiuyuan and Project Jinhao, the Group expects that the Projects will bring continuous cash flow to the Group with respect to its investments and other operations shortly after the Acquisitions.

**5. FUND RAISING ACTIVITIES OF THE GROUP****Placing of Shares on 3 August 2018**

The net proceeds (net of all relevant costs and expenses) from placing of shares under specific mandate on 3 August 2018 were approximately HK\$316,500,000. Details of the placing of shares were set out in the announcements of the Company dated 17 April 2018 and 3 August 2018 respectively and the circular of the Company dated 5 June 2018.

Up to 31 March 2023, the Group had utilised the net proceeds as follows:

Intended use of net proceeds	Original allocation of net proceeds		Actual use of net proceeds	Actual allocation of net proceeds		Utilisation up to	Remaining balance of net proceeds as at
	HK\$'million	% of net proceeds		HK\$'million	% of net proceeds	31 March 2023	31 March 2023
Capital expenditure on the production facilities of Hunan Xintian	56.0	17.7%	Capital expenditure on the production facilities of Hunan Xintian	56.0	17.7%	18.2	37.8 (Note)
Potential acquisition of business or companies	213.0	67.3%	Acquisition of Shenyang Properties	213.0	67.3%	213.0	-
Working capital of the Group	47.5	15.0%	Working capital of the Group	47.5	15.0%	47.5	-
	<u>316.5</u>	<u>100.0%</u>		<u>316.5</u>	<u>100.0%</u>	<u>278.7</u>	<u>37.8</u>

*Note:* The remaining balance of net proceeds as at 31 March 2022 was HK\$48.3 million and approximately HK\$10.5 million has been utilised during the Year.

With a view to putting the Company's resources to a better use, the Board had therefore temporarily re-allocated the aforesaid unutilised net proceeds for the use of acquisition of Shenyang Properties in previous years. As disclosed in the announcements dated 24 April 2019, 1 November 2019, 7 July 2020, 1 September 2021 and 19 August 2022 respectively and the circulars dated 6 February 2020, 24 August 2020, 1 November 2021 and 30 September 2022 respectively, the acquisition of the Shenyang Property had been terminated and the Group entered into supplemental agreements with Mr. Li Yuguo, a substantial shareholder, the chairman and an executive Director of the Company to recover the outstanding sum in relation to the termination of the acquisition of the Shenyang Property on or before 2 July 2023.



The unutilised net proceeds for the use of the capital expenditure on the production facilities of Hunan Xintian is expected to be utilised between April 2023 to late 2023. The Board will deploy the unutilised net proceeds of approximately HK\$37.8 million back to the capital expenditure on production facilities of Hunan Xintian.

#### Placing of Shares on 29 July 2022

The net proceeds (net of all relevant costs and expenses) from placing of shares under general mandate on 29 July 2022 at the placing price of HK\$0.03 per share were approximately HK\$29.51 million. The net placing price was approximately HK\$0.0295 per share. Details of the placing of shares were set out in the announcements of the Company dated 5 July 2022 and 29 July 2022 respectively. The closing price of the shares on the date of placing agreement was HK\$0.03.

Up to 31 March 2023, the Group had utilised the net proceeds as follows:

Intended use of net proceeds	Allocation of net proceeds		Utilisation up to 31 March 2023	Remaining balance of net proceeds as at 31 March 2023
	HK\$ million	% of net proceeds	HK\$ million	HK\$ million
Working capital of the Group	19.51	66.1%	19.51	–
Potential investment	10.00	33.9%	0.04	9.96
	<u>29.51</u>	<u>100.0%</u>	<u>19.55</u>	<u>9.96</u>

The remaining balance of net proceeds for the use of potential investment is expected to be utilised by December 2023.

**Placing of Shares on 31 March 2023**

The net proceeds (net of all relevant costs and expenses) from placing of shares under general mandate on 31 March 2023 at the placing price of HK\$0.146 per share were approximately HK\$11 million. The net placing price was approximately HK\$0.142 per share. Details of the placing of shares were set out in the announcements of the Company dated 16 March 2023 and 31 March 2023 respectively. The closing price of the shares on the date of placing agreement was HK\$0.177.

Up to 31 March 2023, the Group had utilised the net proceeds as follows:

Intended use of net proceeds	Allocation of net proceeds		Utilisation up to 31 March 2023	Remaining balance of net proceeds as at 31 March 2023
	HK\$ million	% of net proceeds	HK\$ million	HK\$ million
Working capital of the Group	11.0	100%	–	11.0

The Group intends to utilise the remaining proceeds of approximately HK\$11 million by 31 March 2024.

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF YONYIN INVESTMENT HOLDINGS LIMITED TO THE DIRECTORS OF ASIA RESOURCES HOLDINGS LIMITED**

**Introduction**

We report on the historical financial information of Yonyin Investment Holdings Limited (“**Yonyin**”) set out on pages II-4 to II-17, which comprises the statements of financial position of Yonyin as at 30 June 2023 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 8 June 2023 (date of incorporation) to 30 June 2023 (the “**Relevant Period**”) and a summary of significant accounting policies and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-4 to II-17 forms an integral part of this report, which has been prepared for inclusion in the circular of Asia Resources Holdings Limited (“**Asia Resources**”) dated 9 November 2023 (the “**Circular**”) in connection with the acquisition by Asia Resources of 100% equity interest in Yonyin (the “**Acquisition**”).

**Directors' responsibility for the Historical Financial Information**

The directors of Asia Resources are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

The Underlying Financial Statements of Yonyin as defined on pages II-4 to II-7, on which the Historical Financial Information is based, were prepared by the directors of Yonyin. The directors of Yonyin are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and for such internal control as the directors of Yonyin determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the 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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation 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 directors of Yonyin, 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 of Yonyin gives, for the purposes of the accountants' report, a true and fair view of the financial position of Yonyin as at 30 June 2023 and of the financial performance and cash flows of Yonyin for the Relevant Period 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 pages II-4 to II-7 have been made.

**Dividends**

We refer to Note 8 to the Historical Financial Information which states that no dividends have been paid by Yonyin in respect of the Relevant Period.

**Lau & Au Yeung C.P.A. Limited**

*Certified Public Accountants*

Hong Kong, 9 November 2023

**Au Yeung Tin Wah**

Practising Certificate Number P02343

## HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

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

The financial statements of Yonyin for the Relevant Period (the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, were audited by Lau & Au Yeung C.P.A. Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

### STATEMENT OF COMPREHENSIVE INCOME

*FOR THE PERIOD FROM 8 JUNE 2023*

*(DATE OF INCORPORATION) TO 30 JUNE 2023*

	<b>From</b> <b>8 June 2023 to</b> <b>30 June 2023</b> <i>US\$'000</i>
Profit for the period	–
Other comprehensive income	–
	<hr style="width: 100%; border: 0.5px solid black;"/>
Total comprehensive income for the period	–
	<hr style="width: 100%; border: 1.5px solid black;"/>

**STATEMENT OF FINANCIAL POSITION**

*AS AT 30 JUNE 2023*

	<i>Notes</i>	<i>US\$'000</i>
<b>ASSETS</b>		
<b>Current assets</b>		
Amounts due from a shareholder	10	50
<b>Net assets</b>		50
 <b>EQUITY</b>		
<b>Equity attributable to the owners of the company</b>		
Share capital	11	50
Reserves		–
<b>Total equity</b>		50

**STATEMENT OF CHANGES IN EQUITY**

FOR THE PERIOD FROM 8 JUNE 2023

(DATE OF INCORPORATION) TO 30 JUNE 2023

	<i>Note</i>	<b>Share capital</b> <i>US\$'000</i>	<b>Retained earnings</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
<b>Comprehensive income</b>				
Profit for the period		–	–	–
<b>Transactions with owners in their capacity as owners</b>				
Allotment of ordinary shares	11	50	–	50
		50	–	50



**STATEMENT OF CASH FLOWS***FOR THE PERIOD FROM 8 JUNE 2023**(DATE OF INCORPORATION) TO 30 JUNE 2023*

	<b>From 8 June 2023 to 30 June 2023 <i>US\$'000</i></b>
<b>Cash flows from operating activities</b>	
Net cash generated from operating activities	— -----
<b>Net increase in cash and cash equivalents</b>	— _____
<b>Cash and cash equivalents at the end of the period</b>	— =====

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL

Yonyin Investment Holdings Limited (“Yonyin”) is a company incorporated in the British Virgin Islands (“BVI”) with limited liability.

The address of its registered office is Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands. Yonyin has not carried on any business since the date of its incorporation.

The Historical Financial Information is presented in US dollars (“US\$”), which is the same as the functional currency of Yonyin. All values are rounded to the nearest thousand (“US\$’000”) except when otherwise indicated.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Historical Financial Information have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given exchange for assets.

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, Yonyin 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 these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**New and amended Hong Kong Financial Reporting Standards (“HKFRSs”) adopted by Yonyin**

The following new and amended standards that may be relevant to the Yonyin’s operations have been adopted by the Yonyin for the first time for the financial period beginning on 1 January 2023.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance contracts
HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

The application of the above amended standards which are effective for the financial period beginning on 1 January 2023 did not have material financial effect to Yonyin for the current period.

**Issued but not yet effective HKFRSs**

Yonyin has not early adopted the following new HKFRSs that have been issued but are not yet effective for the financial period ended 30 June 2023:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
HKAS 1 (Amendments)	Non-current Liabilities with Covenants (amendments) <sup>1</sup>
HKFRS 16	Lease Liability in a Sale and Leaseback (amendments) <sup>1</sup>
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause <sup>3</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments) <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Amendments to HKFRS 10 and HKAS 28 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Applied when an entity applies “Classification of Liabilities as Current or Non-Current – Amendments to HKAS 1”

The directors do not anticipate that the application of the new and revised HKFRSs will have a material effect on the amounts recognised in Yonyin’s financial statements.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Yonyin's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

***Deferred tax***

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

**Provision**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

**Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when Yonyin becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

***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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset Yonyin may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that Yonyin manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, Yonyin may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) *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, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

*Impairment of financial assets*

Yonyin recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. 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, 12-month ECL ("**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 Yonyin'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.

For all other instruments, Yonyin measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Yonyin 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.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, Yonyin compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Yonyin considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Yonyin presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Yonyin has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, Yonyin assumes that the credit risk on Yonyin's financial assets has not increased significantly since initial recognition if the financial assets are determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. Yonyin considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

Yonyin regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

For internal credit risk management, Yonyin considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Yonyin, in full (without taking into account any collaterals held by Yonyin).

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default 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 following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) 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;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

Yonyin writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Yonyin's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

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 adjusted by 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.

Generally, the ECL is the difference between all contractual cash flows that are due to Yonyin in accordance with the contract and the cash flows that Yonyin expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

***Financial liabilities and equity instruments***

*Classification as debt or equity*

Financial liabilities and equity instruments issued by Yonyin are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*Equity instruments*

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

*Other financial liabilities*

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.



*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a short period to the net carrying amount on initial recognition.

*Derecognition*

Yonyin 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. If Yonyin neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Yonyin continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

If Yonyin retains substantially all the risks and rewards of ownership of a transferred financial asset, Yonyin continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, Yonyin allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Yonyin derecognises financial liabilities when, and only when, Yonyin's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**3. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES**

In the application of Yonyin's accounting policies, which are described in Note 2, the directors of Yonyin are 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.

**Key sources of estimation uncertainty**

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

**Income tax**

Yonyin is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Yonyin recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**4. FINANCIAL RISK MANAGEMENT**

Yonyin was incorporated on 8 June 2023 and has not yet commenced any business since the date of incorporation. The financial risks faced by Yonyin are considered to be minimal. Also, Yonyin does not use derivative financial instruments to hedge certain risk exposures.

**5. CAPITAL RISK MANAGEMENT**

Yonyin's objectives are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Yonyin may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Yonyin manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analysis.

Yonyin is not subject to either internally or externally imposed capital requirements.

**6. DIRECTORS' EMOLUMENTS**

The following disclosures are presented pursuant to section 383 of the Hong Kong Companies Ordinance.

**(a) Directors' remunerations**

There were no directors' remunerations for the period from 8 June 2023 (date of incorporation) to 30 June 2023.

**(b) Loans, quasi-loans and other dealings in favour of directors**

There are no loans, quasi-loans or other dealings in favour of the directors of Yonyin that were entered into or subsisted during the period from 8 June 2023 (date of incorporation) to 30 June 2023.

**(c) Directors' material interests in transactions, arrangements or contracts**

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to Yonyin's business to which Yonyin was a party and in which any of the directors of Yonyin had a material interest, whether directly or indirectly, subsisted during the period from 8 June 2023 (date of incorporation) to 30 June 2023.

**7. INCOME TAX**

No income tax is provided as Yonyin has not yet carried on any business since the date of incorporation.

No provision for deferred taxation has been made as there is no significant timing difference in tax provision or tax loss which is expected to be crystallised in the foreseeable future.

**8. DIVIDENDS**

Yonyin has not declared or paid any dividends during the period from 8 June 2023 (date of incorporation) to 30 June 2023.

**9. EARNINGS/LOSS PER SHARE**

No earnings/loss per share information is presented as its inclusion, for the purpose of Historical Financial Information, is not considered meaningful.

**10. AMOUNTS DUE FROM THE IMMEDIATE HOLDING COMPANY**

The advances to the immediate holding company is unsecured, interest-free, repayable on demand and denominated in US\$.

**11. CAPITAL**

	<b>Number of ordinary shares</b>	<i>US\$'000</i>
<b>Issued and fully paid</b>		
As at 30 June 2023	50,000	50
	<u>                    </u>	<u>                    </u>

50,000 ordinary shares of US\$1 each were issued on incorporation.

**12. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Yonyin has been prepared in respect of any period subsequent to 30 June 2023.

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF YONGMING INVESTMENT HOLDINGS LIMITED TO THE DIRECTORS OF ASIA RESOURCES HOLDINGS LIMITED****Introduction**

We report on the historical financial information of Yongming Investment Holdings Limited ("**Yongming**") set out on pages III-4 to III-19, which comprises the statements of financial position of Yongming as at 30 June 2023 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 15 June 2023 (date of incorporation) to 30 June 2023 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages III-4 to III-19 forms an integral part of this report, which has been prepared for inclusion in the circular of Asia Resources Holdings Limited ("**Asia Resources**") dated 9 November 2023 (the "**Circular**") in connection with the acquisition by Asia Resources of 73.1% equity interest in Yongming (the "**Acquisition**").

**Directors' responsibility for the Historical Financial Information**

The directors of Asia Resources are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

The Underlying Financial Statements of Yongming as defined on pages III-4 to III-7, on which the Historical Financial Information is based, were prepared by the directors of Yongming. The directors of Yongming are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the directors of Yongming determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the 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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation 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 directors of Yongming, 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 of Yongming gives, for the purposes of the accountants' report, a true and fair view of the financial position of Yongming as at 30 June 2023 and of the financial performance and cash flows of Yongming for the Relevant Period 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 pages III-4 to III-7 have been made.

**Dividends**

We refer to Note 8 to the Historical Financial Information which states that no dividends have been paid by Yongming in respect of the Relevant Period.

**Lau & Au Yeung C.P.A. Limited**

*Certified Public Accountants*

Hong Kong, 9 November 2023

**Au Yeung Tin Wah**

Practising Certificate Number P02343

## HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

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

The financial statements of Yongming for the Relevant Period (the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, were audited by Lau & Au Yeung C.P.A. Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

### STATEMENT OF COMPREHENSIVE INCOME

*FOR THE PERIOD FROM 15 JUNE 2023*

*(DATE OF INCORPORATION) TO 30 JUNE 2023*

	<b>From</b> <b>15 June 2023</b> <b>to 30 June</b> <b>2023</b> <i>US\$'000</i>
Profit for the period	–
Other comprehensive income	–
	–
Total comprehensive income for the period	–
	–

**STATEMENT OF FINANCIAL POSITION**

*AS AT 30 JUNE 2023*

	<i>Notes</i>	<i>US\$'000</i>
<b>ASSETS</b>		
<b>Current assets</b>		
Amounts due from a shareholder	10	50
<b>Net assets</b>		50
 <b>EQUITY</b>		
<b>Equity attributable to the owners of the company</b>		
Share capital	11	50
Reserves		–
<b>Total equity</b>		50



**STATEMENT OF CHANGES IN EQUITY**

FOR THE PERIOD FROM 15 JUNE 2023

(DATE OF INCORPORATION) TO 30 JUNE 2023

	<i>Note</i>	<b>Share capital</b> <i>US\$'000</i>	<b>Retained earnings</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
<b>Comprehensive income</b>				
Profit for the period		–	–	–
<b>Transactions with owners in their capacity as owners</b>				
Allotment of ordinary shares	11	50	–	50
		50	–	50

**STATEMENT OF CASH FLOWS**

*FOR THE PERIOD FROM 15 JUNE 2023*

*(DATE OF INCORPORATION) TO 30 JUNE 2023*

	<b>From</b> <b>15 June 2023</b> <b>to 30 June</b> <b>2023</b> <i>US\$'000</i>
<b>Cash flows from operating activities</b>	
Net cash generated from operating activities	-
	-----
<b>Net increase in cash and cash equivalents</b>	-
	-----
<b>Cash and cash equivalents at the end of the period</b>	-
	=====

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

Yongming Investment Holdings Limited (“**Yongming**”) is a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability.

The address of its registered office is Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands. Yongming has not carried on any business since the date of its incorporation.

The Historical Financial Information is presented in US dollars (“**US\$**”), which is the same as the functional currency of Yongming. All values are rounded to the nearest thousand (“**US\$’000**”) except when otherwise indicated.

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of preparation**

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Historical Financial Information have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given exchange for assets.

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, Yongming 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 these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**New and amended Hong Kong Financial Reporting Standards (“HKFRSs”) adopted by Yongming**

The following new and amended standards that may be relevant to the Yongming’s operations have been adopted by the Yongming for the first time for the financial period beginning on 1 January 2023.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance contracts
HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

The application of the above amended standards which are effective for the financial period beginning on 1 January 2023 did not have material financial effect to Yongming for the current period.

**Issued but not yet effective HKFRSs**

Yongming has not early adopted the following new HKFRSs that have been issued but are not yet effective for the financial period ended 30 June 2023:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
HKAS 1 (Amendments)	Non-current Liabilities with Covenants (amendments) <sup>1</sup>
HKFRS 16	Lease Liability in a Sale and Leaseback (amendments) <sup>1</sup>
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause <sup>3</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments) <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Amendments to HKFRS 10 and HKAS 28 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Applied when an entity applies “Classification of Liabilities as Current or Non-Current – Amendments to HKAS 1”

The directors do not anticipate that the application of the new and revised HKFRSs will have a material effect on the amounts recognised in Yongming's financial statements.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Yongming's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

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

**Provision**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

**Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when Yongming becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset Yongming may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that Yongming manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, Yongming may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) *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, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

*Impairment of financial assets*

Yongming recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. 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, 12-month ECL ("**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 Yongming'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.

For all other instruments, Yongming measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Yongming 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.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, Yongming compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Yongming considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Yongming presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Yongming has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, Yongming assumes that the credit risk on Yongming's financial assets has not increased significantly since initial recognition if the financial assets are determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. Yongming considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.



Yongming regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

For internal credit risk management, Yongming considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Yongming, in full (without taking into account any collaterals held by Yongming).

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default 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 following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) 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;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

Yongming writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Yongming's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

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 adjusted by 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.

Generally, the ECL is the difference between all contractual cash flows that are due to Yongming in accordance with the contract and the cash flows that Yongming expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

***Financial liabilities and equity instruments***

*Classification as debt or equity*

Financial liabilities and equity instruments issued by Yongming are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*Equity instruments*

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

*Other financial liabilities*

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a short period to the net carrying amount on initial recognition.

*Derecognition*

Yongming 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. If Yongming neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Yongming continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

If Yongming retains substantially all the risks and rewards of ownership of a transferred financial asset, Yongming continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, Yongming allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Yongming derecognises financial liabilities when, and only when, Yongming's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 3. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

In the application of Yongming's accounting policies, which are described in Note 2, the directors of Yongming are 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.

#### **Key sources of estimation uncertainty**

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

#### **Income tax**

Yongming is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Yongming recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### 4. FINANCIAL RISK MANAGEMENT

Yongming was incorporated on 15 June 2023 and has not yet commenced any business since the date of incorporation. The financial risks faced by Yongming are considered to be minimal. Also, Yongming does not use derivative financial instruments to hedge certain risk exposures.

**5. CAPITAL RISK MANAGEMENT**

Yongming's objectives are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Yongming may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Yongming manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analysis.

Yongming is not subject to either internally or externally imposed capital requirements.

**6. DIRECTORS' EMOLUMENTS**

The following disclosures are presented pursuant to section 383 of the Hong Kong Companies Ordinance.

**(a) Directors' remunerations**

There were no directors' remunerations for the period from 15 June 2023 (date of incorporation) to 30 June 2023.

**(b) Loans, quasi-loans and other dealings in favour of directors**

There are no loans, quasi-loans or other dealings in favour of the directors of Yongming that were entered into or subsisted during the period from 15 June 2023 (date of incorporation) to 30 June 2023.

**(c) Directors' material interests in transactions, arrangements or contracts**

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to Yongming's business to which Yongming was a party and in which any of the directors of Yongming had a material interest, whether directly or indirectly, subsisted during the period from 15 June 2023 (date of incorporation) to 30 June 2023.

**7. INCOME TAX**

No income tax is provided as Yongming has not yet carried on any business since the date of incorporation.

No provision for deferred taxation has been made as there is no significant timing difference in tax provision or tax loss which is expected to be crystallised in the foreseeable future.

**8. DIVIDENDS**

Yongming has not declared or paid any dividends during the period from 15 June 2023 (date of incorporation) to 30 June 2023.

**9. EARNINGS/LOSS PER SHARE**

No earnings/loss per share information is presented as its inclusion, for the purpose of Historical Financial Information, is not considered meaningful.

**10. AMOUNTS DUE FROM THE IMMEDIATE HOLDING COMPANY**

The advances to the immediate holding company is unsecured, interest-free, repayable on demand and denominated in US\$.

**11. CAPITAL**

	<b>Number of ordinary shares</b>	<i>US\$'000</i>
<b>Issued and fully paid</b>		
As at 30 June 2023	50,000	50

50,000 ordinary shares of US\$1 each were issued on incorporation.

**12. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Yongming has been prepared in respect of any period subsequent to 30 June 2023.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ZHEN YUAN COUNTY JIUYUAN MINING CO., LTD TO THE DIRECTORS OF ASIA RESOURCES HOLDINGS LIMITED

**Introduction**

We report on the historical financial information of ZhenYuan County JiuYuan Mining Co., Ltd ("**JiuYuan**") set out on pages IV-4 to IV-28, which comprises the statements of financial position of JiuYuan as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year ended 31 December 2020, 31 December 2021, 31 December 2022 and the six months ended 30 June 2023 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages IV-4 to IV-28 forms an integral part of this report, which has been prepared for inclusion in the circular of Asia Resources Holdings Limited ("**Asia Resources**") dated 9 November 2023 (the "**Circular**") in connection with the acquisition by Asia Resources of 100% equity interest in JiuYuan (the "**Acquisition**").

**Directors' responsibility for the Historical Financial Information**

The directors of Asia Resources are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

The Underlying Financial Statements of JiuYuan as defined on pages IV-4 to IV-7, on which the Historical Financial Information is based, were prepared by the directors of JiuYuan. The directors of JiuYuan are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the directors of JiuYuan determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the 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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation 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 directors of JiuYuan, 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 of JiuYuan gives, for the purposes of the accountants' report, a true and fair view of the financial position of JiuYuan as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 and of the financial performance and cash flows of JiuYuan 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 pages IV-4 to IV-7 have been made.

**Dividends**

We refer to Note 9 to the Historical Financial Information which states that no dividends have been paid by JiuYuan in respect of the Relevant Periods.

**Lau & Au Yeung C.P.A. Limited**

*Certified Public Accountants*

Hong Kong, 9 November 2023

**Au Yeung Tin Wah**

Practising Certificate Number P02343

**HISTORICAL FINANCIAL INFORMATION OF JIUYUAN**

**Preparation of Historical Financial Information**

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

The financial statements of JiuYuan for the Relevant Periods (the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, were audited by Lau & Au Yeung C.P.A. Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	For the six months ended 30 June 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	2,862	3,598	-	-
Cost of sales		<u>(3,324)</u>	<u>(3,339)</u>	<u>-</u>	<u>-</u>
Gross (loss)/profit		(462)	259	-	-
Other income		1	1	1	1
Administrative expenses		(3,315)	(2,003)	(792)	(222)
Other operating (expenses)/income		<u>(12)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Loss before income tax	7	(3,788)	(1,744)	(791)	(221)
Income tax expense		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the year/period		(3,788)	(1,744)	(791)	(221)
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year/period		<u><u>(3,788)</u></u>	<u><u>(1,744)</u></u>	<u><u>(791)</u></u>	<u><u>(221)</u></u>

**APPENDIX IV ACCOUNTANTS' REPORT OF JIUYUAN MINING**

**STATEMENT OF FINANCIAL POSITION**

		As at 31 December 2020 RMB'000	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 30 June 2023 RMB'000
	<i>Notes</i>				
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	38,699	38,905	39,167	39,143
Intangible assets	13	4,170	4,020	4,020	4,020
		42,869	42,925	43,187	43,163
<b>Current assets</b>					
Inventories	15	873	68	91	91
Prepayments		2,487	2,182	1,947	1,726
Other receivables		185	125	24	25
Cash and cash equivalents	16	359	468	375	366
		3,904	2,843	2,437	2,208
<b>Current liabilities</b>					
Trade payables	18	492	417	481	–
Other payables	19	16,431	17,245	17,828	18,277
		16,923	17,662	18,309	18,277
<b>Net assets</b>		<b>29,850</b>	<b>28,106</b>	<b>27,315</b>	<b>27,094</b>
<b>EQUITY</b>					
<b>Equity attributable to the owners of the company</b>					
Share capital	17	16,600	16,600	16,600	16,600
Additional paid in capital		20,164	20,164	20,164	20,164
Capital reserve		50	50	50	50
Accumulated losses		(6,964)	(8,708)	(9,499)	(9,720)
<b>Total equity</b>		<b>29,850</b>	<b>28,106</b>	<b>27,315</b>	<b>27,094</b>

**APPENDIX IV ACCOUNTANTS' REPORT OF JIUYUAN MINING**

**STATEMENTS OF CHANGE IN EQUITY**

	Share capital <i>RMB'000</i>	Additional paid in capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	16,600	20,164	50	(3,176)	33,638
Loss for the year	—	—	—	(3,788)	(3,788)
At 31 December 2020	<u>16,600</u>	<u>20,164</u>	<u>50</u>	<u>(6,964)</u>	<u>29,850</u>
At 1 January 2021	16,600	20,164	50	(6,964)	29,850
Loss for the year	—	—	—	(1,744)	(1,744)
At 31 December 2021	<u>16,600</u>	<u>20,164</u>	<u>50</u>	<u>(8,708)</u>	<u>28,106</u>
At 1 January 2022	16,600	20,164	50	(8,708)	28,106
Loss for the year	—	—	—	(791)	(791)
At 31 December 2022	<u>16,600</u>	<u>20,164</u>	<u>50</u>	<u>(9,499)</u>	<u>27,315</u>
At 1 January 2023	16,600	20,164	50	(9,499)	27,315
Loss for the period	—	—	—	(221)	(221)
At 30 June 2023	<u>16,600</u>	<u>20,164</u>	<u>50</u>	<u>(9,720)</u>	<u>27,094</u>

**APPENDIX IV ACCOUNTANTS' REPORT OF JIUYUAN MINING**

**STATEMENTS OF CASH FLOWS**

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the six months ended 30 June 2023 RMB'000
Loss before income tax	(3,788)	(1,744)	(791)	(221)
Adjustments for:				
– Depreciation	249	665	57	24
– Amortisation	353	150	–	–
– Interest income	(1)	(1)	(1)	(1)
Change in working capital:				
– Other receivables	189	60	101	(1)
– Prepayments	38	305	235	221
– Inventories	1,718	805	(23)	–
– Trade payables	(921)	(75)	64	(481)
– Receipt in advances	(400)	–	–	–
– Accrued expenses	(64)	(159)	(80)	33
– Amount due to a director	3,497	973	663	416
Net cash generated from/(used in) operating activities	870	979	225	(10)
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(870)	(871)	(319)	–
Interest received	1	1	1	1
Net cash (used in)/generated from investing activities	(869)	(870)	(318)	1
<b>Net increase/(decrease) in cash and cash equivalents</b>	1	109	(93)	(9)
Cash and cash equivalents at the beginning of the year/period	358	359	468	375
<b>Cash and cash equivalents at the end of the year/period</b>	359	468	375	366

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION**

**1. GENERAL INFORMATION**

ZhenYuan County JiuYuan Mining Co., Ltd (“**JiuYuan**”) is a company incorporated under the laws of the People’s Republic of China (“**PRC**”) with limited liability and a wholly-owned subsidiary of Hunan Chenxi Holdings Co., Ltd (“**Hunan Chenxi**”), a wholly foreign-owned enterprise established in the PRC, upon completion of the reorganization.

The address of the registered office and principal place of business of JiuYuan is 中國雲南省普洱市鎮沅彝族哈尼族拉祜族自治縣恩水路(民江集貿市場段)(Enshui Road (Minjiang Market Section), Zhenyuan Yi Hani Lahu Autonomous County, Pu’er City, Yunnan Province, the PRC\*).

JiuYuan is principally engaged in mineral exploration and mining activities in the PRC.

The Historical Financial Information is presented in Renminbi (“**RMB**”), which is the same as the functional currency of JiuYuan. All values are rounded to the nearest thousand (“**RMB’000**”) except when otherwise indicated.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Historical Financial Information have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given exchange for assets.

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, JiuYuan 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 these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

\* For identification purpose only

## APPENDIX IV ACCOUNTANTS' REPORT OF JIUYUAN MINING

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### **New and amended Hong Kong Financial Reporting Standards (“HKFRSs”) adopted by JiuYuan**

The following new and amended standards that may be relevant to the JiuYuan’s operations have been adopted by the JiuYuan for the first time for the financial period beginning on 1 January 2023.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance contracts
HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

The application of the above amended standards which are effective for the financial period beginning on 1 January 2023 did not have material financial effect to JiuYuan for the current and prior periods.

### **Issued but not yet effective HKFRSs**

JiuYuan has not early adopted the following new HKFRSs that have been issued but are not yet effective for the financial period ended 30 June 2023:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
HKAS 1 (Amendments)	Non-current Liabilities with Covenants (amendments) <sup>1</sup>
HKFRS 16	Lease Liability in a Sale and Leaseback (amendments) <sup>1</sup>
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause <sup>3</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments) <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Amendments to HKFRS 10 and HKAS 28 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Applied when an entity applies “Classification of Liabilities as Current or Non-Current – Amendments to HKAS 1”

The directors do not anticipate that the application of the new and revised HKFRSs will have a material effect on the amounts recognised in JiuYuan’s financial statements.

**Property, plant and equipment**

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent depreciation and any identified impairment loss at the end of the reporting period.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	12 to 15 years
Office furniture and fixture	3 to 15 years

Depreciation of buildings, machinery and mining infrastructure is calculated using the Units of Production (“UOP”) method to write off the cost of the assets proportionate to the extraction of the proved and probable mineral reserves.

Where parts of an item of property, plant and equipment have different useful life, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful life and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful life of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite life are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful life are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.



*Mining right*

Mining right is stated at cost less accumulated amortisation and any impairment losses. Mining right includes the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining right is amortised over the estimated useful life of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. The mining right is written off to profit or loss if the mining property is abandoned.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. JiuYuan's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

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

**Impairment of tangible and intangible assets**

At the end of each reporting period, JiuYuan reviews the carrying amounts of its tangible and intangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, JiuYuan estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

**Provision**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

**Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when JiuYuan becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset JiuYuan may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that JiuYuan manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, JiuYuan may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

*(i) 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, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

*(ii) Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

***Impairment of financial assets***

JiuYuan recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. 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, 12-month ECL ("**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 JiuYuan'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.

For all other instruments, JiuYuan measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, JiuYuan 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.

*(i) Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, JiuYuan compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, JiuYuan considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, JiuYuan presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless JiuYuan has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, JiuYuan assumes that the credit risk on JiuYuan's financial assets has not increased significantly since initial recognition if the financial assets are determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. JiuYuan considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

JiuYuan regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii) Definition of default*

For internal credit risk management, JiuYuan considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including JiuYuan, in full (without taking into account any collaterals held by JiuYuan).

*(iii) Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default 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 following events:

- a) significant financial difficulty of the issuer or the borrower;

- b) a breach of contract, such as a default or past due event;
- c) 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;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

*(iv) Write-off policy*

JiuYuan writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under JiuYuan's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

*(v) Measurement and recognition of ECL*

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 adjusted by 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.

Generally, the ECL is the difference between all contractual cash flows that are due to JiuYuan in accordance with the contract and the cash flows that JiuYuan expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

#### *Financial liabilities and equity instruments*

##### *Classification as debt or equity*

Financial liabilities and equity instruments issued by JiuYuan are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

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

##### *Other financial liabilities*

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a short period to the net carrying amount on initial recognition.

##### *Derecognition*

JiuYuan 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. If JiuYuan neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, JiuYuan continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

If JiuYuan retains substantially all the risks and rewards of ownership of a transferred financial asset, JiuYuan continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, JiuYuan allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

JiuYuan derecognises financial liabilities when, and only when, JiuYuan's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial positions.

**Revenue recognition**

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which JiuYuan expects to be entitled in exchange for those goods or services.

Revenue from sale of goods is recognised at the point in time when control of the products is transferred to the customer, generally on delivery of goods.

**Retirement benefits costs**

Retirement benefits scheme payments to defined contribution retirement benefit plans (state managed retirement benefits schemes) are charged as an expense when employees have rendered service entitling them to the contributions.

Pursuant to the regulations of the relevant authorities in the PRC, JiuYuan participates in the relevant social retirement benefit schemes (the "PRC Schemes") whereby JiuYuan is required to contribute to the PRC Schemes to fund the retirement benefits of the eligible employees. Contributions made to the PRC Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of JiuYuan with respect to the PRC Schemes is to pay the ongoing required contributions under the PRC Schemes.

The retirement benefit schemes contribution represents gross contributions by JiuYuan to the PRC Schemes operated by the relevant authorities of the PRC.

**3. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES**

In the application of JiuYuan's accounting policies, which are described in Note 2, the directors of JiuYuan are 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.

**Key sources of estimation uncertainty**

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

*Mine reserves*

Engineering estimates of JiuYuan's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered as a change in estimate for accounting purposes and is reflected on a prospective basis in the amortisation rate calculated on the UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

*Useful life of property, plant and equipment*

Note 2 describes that depreciation is provided to write off the cost of property, plant and equipment over their estimated useful life, using straight-line method. The estimation of useful life of the depreciable assets is based on the experience of JiuYuan, and useful life is reviewed at each end of the reporting period based on changes in circumstances.

*Impairment of property, plant and equipment*

In accordance with HKAS 16, JiuYuan estimates the useful life of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful life is estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. JiuYuan also performs annual reviews on whether the assumptions made on useful life continued to be valid. JiuYuan tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value in use of the assets which require the use of assumptions and estimates.



*Income tax*

JiuYuan is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. JiuYuan recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

*Impairment of non-financial assets*

JiuYuan assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, the management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

*Impairment of other receivables*

JiuYuan makes allowances on items subjects to ECL based on assumptions about risk of default and expected loss rates. JiuYuan uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on JiuYuan's credit loss experience, ageing of overdue receivables, customers' repayment history and market conditions as well as forward looking estimates at the end of each reporting period as set out in Note 2 – Financial Instruments.

**4. FINANCIAL RISK MANAGEMENT**

JiuYuan's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. JiuYuan's overall risk management programme focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on JiuYuan's financial performance. JiuYuan does not use derivative financial instruments to hedge certain risk exposures.

a) **Financial risk factor**

*Interest rate risk*

JiuYuan's exposure to change in interest rates is mainly attributable to its bank balances. As the cash deposited in bank is simply to generate the interest income and used for daily operations, the impact from the changes in interest rate is considered to be minimum.

*Credit risk*

Credit risk arises from cash and cash equivalents.

*Risk management*

JiuYuan is exposed to credit risk in relation to its bank balances and other receivables. JiuYuan's maximum exposure to credit risk is the carrying amounts of the bank balances. However, the credit risk on deposits with bank is limited because deposits are in banks with sound credit ratings.

For other receivables, the management makes periodic collective assessments as well as individual assessment on its recoverability based on historical settlement records and past experience.

*Impairment of financial assets*

Cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

*Liquidity risk*

JiuYuan monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance JiuYuan's operations and to mitigate the effects of fluctuations in cash flows.

**APPENDIX IV ACCOUNTANTS' REPORT OF JIUYUAN MINING**

The table below analyses JiuYuan's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Within 1 year or on demand RMB'000</b>	<b>Total contractual undiscounted cash flows RMB'000</b>	<b>Carrying amount RMB'000</b>
<b>As at 30 June 2023</b>			
Trade payables	–	–	–
Other payables	18,277	18,277	18,277
	<u>18,277</u>	<u>18,277</u>	<u>18,277</u>
<b>As at 31 December 2022</b>			
Trade payables	481	481	481
Other payables	17,828	17,828	17,828
	<u>18,309</u>	<u>18,309</u>	<u>18,309</u>
<b>As at 31 December 2021</b>			
Trade payables	417	417	417
Other payables	17,245	17,245	17,245
	<u>17,662</u>	<u>17,662</u>	<u>17,662</u>
<b>As at 31 December 2020</b>			
Trade payables	492	492	492
Other payables	16,431	16,431	16,431
	<u>16,923</u>	<u>16,923</u>	<u>16,923</u>

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**b) Capital risk management**

JiuYuan's objectives are to safeguard JiuYuan's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, JiuYuan may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

JiuYuan manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analysis.

JiuYuan is not subject to either internally or externally imposed capital requirements.

**5. REVENUE FROM CONTRACTS WITH CUSTOMERS**

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the six months ended 30 June 2023 <i>RMB'000</i>
Sales of goods	2,862	3,598	–	–

**6. OTHER INCOME**

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the six months ended 30 June 2023 <i>RMB'000</i>
Bank interest income	1	1	1	1

**7. LOSS BEFORE INCOME TAX**

Loss before income tax is arrived at:

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the six months ended 30 June 2023 <i>RMB'000</i>
<b>After charging the following items:</b>				
Depreciation	249	665	57	24
Amortisation	353	150	–	–

**8.      DIRECTORS' EMOLUMENTS**

The following disclosures are presented pursuant to section 383 of the Hong Kong Companies Ordinance.

**(a)      Directors' remunerations**

There were no directors' remunerations for the Relevant Period.

**(b)      Loans, quasi-loans and other dealings in favour of directors**

There are no loans, quasi-loans or other dealings in favour of the directors of JiuYuan that were entered into or subsisted during the Relevant Periods.

**(c)      Directors' material interests in transactions, arrangements or contracts**

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to JiuYuan's business to which JiuYuan was a party and in which any of the directors of JiuYuan had a material interest, whether directly or indirectly, subsisted during the Relevant Periods.

**9.      DIVIDEND**

JiuYuan has not declared or paid any dividends in respect of the year ended 31 December 2020, 31 December 2021, 31 December 2022 and the six months ended 30 June 2023.

**10.     EARNING PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

**11.     INCOME TAX**

JiuYuan is subject to PRC corporate income tax.

PRC corporate income tax is calculated at the tax rate of 25% on the taxable profits for each of the reporting period. No provision for PRC corporate income tax have been made in the Historical Financial Information as JiuYuan has no taxable profit for the Relevant Periods.

No provision for deferred tax assets was recognised in respect of the unused tax losses due to the unpredictability of future profit stream.

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**12. PROPERTY, PLANT AND EQUIPMENT**

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office furniture and fixtures RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>							
As at 1 January 2020	2,447	6,386	404	740	40,260	3,966	54,203
Additions	-	98	-	5	-	767	870
As at 31 December 2020	2,447	6,484	404	745	40,260	4,733	55,073
As at 1 January 2021	2,447	6,484	404	745	40,260	4,733	55,073
Additions	-	45	-	-	-	826	871
As at 31 December 2021	2,447	6,529	404	745	40,260	5,559	55,944
As at 1 January 2022	2,447	6,529	404	745	40,260	5,559	55,944
Additions	-	109	-	-	-	210	319
As at 31 December 2022	2,447	6,638	404	745	40,260	5,769	56,263
As at 1 January 2023 and 30 June 2023	2,447	6,638	404	745	40,260	5,769	56,263
<b>Accumulated depreciation and impairment losses</b>							
As at 1 January 2020	1,086	2,329	54	371	12,285	-	16,125
Depreciation for the year	13	46	31	45	114	-	249
As at 31 December 2020	1,099	2,375	85	416	12,399	-	16,374
As at 1 January 2021	1,099	2,375	85	416	12,399	-	16,374
Depreciation for the year	52	133	26	2	452	-	665
As at 31 December 2021	1,151	2,508	111	418	12,851	-	17,039
As at 1 January 2022	1,151	2,508	111	418	12,851	-	17,039
Depreciation for the year	-	2	28	27	-	-	57
As at 31 December 2022	1,151	2,510	139	445	12,851	-	17,096
As at 1 January 2023	1,151	2,510	139	445	12,851	-	17,096
Depreciation for the period	-	-	11	13	-	-	24
As at 30 June 2023	1,151	2,510	150	458	12,851	-	17,120
<b>Net carrying amount</b>							
As at 30 June 2023	1,296	4,128	254	287	27,409	5,769	39,143
As at 31 December 2022	1,296	4,128	265	300	27,409	5,769	39,167
As at 31 December 2021	1,296	4,021	293	327	27,409	5,559	38,905
As at 31 December 2020	1,348	4,109	319	329	27,861	4,733	38,699

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13. INTANGIBLE ASSETS

	Mining Licence RMB'000
<b>Cost</b>	
As at 1 January 2020, 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023	4,789 -----
<b>Accumulated amortisation and impairment losses</b>	
As at 1 January 2020	266
Amortisation for the year	353 -----
As at 31 December 2020	619 -----
As at 1 January 2021	619
Amortisation for the year	150 -----
As at 31 December 2021	769 -----
As at 1 January 2022, 31 December 2022 and 30 June 2023	769 -----
<b>Net carrying amount</b>	
As at 30 June 2023	4,020 =====
As at 31 December 2022	4,020 =====
As at 31 December 2021	4,020 =====
As at 31 December 2020	4,170 =====

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**14. FINANCIAL INSTRUMENTS BY CATEGORY**

JiuYuan holds the following financial instruments:

	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2023 <i>RMB'000</i>
<b>Financial assets</b>				
Financial assets at amortised cost				
Other receivables	185	125	24	25
Cash and cash equivalents	359	468	375	366
	<u>544</u>	<u>593</u>	<u>399</u>	<u>391</u>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost				
Trade payables	492	417	481	–
Other payables	16,431	17,245	17,828	18,277
	<u>16,923</u>	<u>17,662</u>	<u>18,309</u>	<u>18,277</u>

JiuYuan's exposure to various risks associated with the financial instruments is discussed in Note 4. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

**15. INVENTORIES**

	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2023 <i>RMB'000</i>
Raw materials	538	68	91	91
Work in progress	335	–	–	–
	<u>873</u>	<u>68</u>	<u>91</u>	<u>91</u>

For the six months ended 30 June 2023, the cost of inventories recognised as expenses and included in "cost of sales" amounted to nil (for the year ended 31 December 2022: RMB nil, for the year ended 31 December 2021: approximately RMB3,151,000 and for the year ended 31 December 2020: approximately RMB3,179,000).



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**16. CASH AND CASH EQUIVALENTS**

	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2023 <i>RMB'000</i>
Cash in hand	1	113	12	12
Cash at banks	358	355	363	354
	<u>359</u>	<u>468</u>	<u>375</u>	<u>366</u>

The carrying amount of cash and cash equivalents are denominated in RMB.

**17. PAID UP CAPITAL AND RESERVES**

**(a) Movement of equity**

The reconciliation between the opening and closing balances of JiuYuan's equity is set out in the statement of changes in equity.

**(b) Paid up capital**

	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2023 <i>RMB'000</i>
Paid-up capital	16,600	16,600	16,600	16,600
	<u>16,600</u>	<u>16,600</u>	<u>16,600</u>	<u>16,600</u>

**18. TRADE PAYABLES**

The carrying amounts of trade payables are considered to be the same as their fair values, due to their short term nature.

The carrying amounts of trade payables are not interest-bearing and denominated RMB.

<b>APPENDIX IV</b>	<b>ACCOUNTANTS' REPORT OF JIUYUAN MINING</b>
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**19. OTHER PAYABLES**

	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2023 <i>RMB'000</i>
Accrued expenses	252	93	13	46
Amount due to a director <i>(Remark (a))</i>	16,179	17,152	17,815	18,231
	16,431	17,245	17,828	18,277

*Remark:*

- (a) The advances from a director are unsecured, interest-free, repayable on demand and denominated in RMB.

The carrying amounts of other payables are considered to be the same as their fair values, due to their short term nature.

The carrying amounts of other payables are not interest-bearing and denominated RMB.

**20. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the JiuYuan has been prepared in respect of any period subsequent to 30 June 2023.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ZHEN YUAN COUNTY JINHAO MINING CO., LTD TO THE DIRECTORS OF ASIA RESOURCES HOLDINGS LIMITED

**Introduction**

We report on the historical financial information of ZhenYuan County JinHao Mining Co., Ltd ("**JinHao**") set out on pages V-4 to V-23, which comprises the statements of financial position of JinHao as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year ended 31 December 2020, 31 December 2021, 31 December 2022 and the six months ended 30 June 2023 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages V-4 to V-23 forms an integral part of this report, which has been prepared for inclusion in the circular of Asia Resources Holdings Limited ("**Asia Resources**") dated 9 November 2023 (the "**Circular**") in connection with the acquisition by Asia Resources of 73.1% equity interest in Yongming Investment Holdings Limited (the "**Acquisition**").

**Directors' responsibility for the Historical Financial Information**

The directors of Asia Resources are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

The Underlying Financial Statements of JinHao as defined on pages V-4 to V-7, on which the Historical Financial Information is based, were prepared by the directors of JinHao. The directors of JinHao are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the directors of JinHao determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the 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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation 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 directors of JinHao, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that, except for matter described in the Basis for Qualified Opinion, the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Basis for Qualified Opinion**

JinHao is unable to locate the supporting documents for the capital expenditures of approximately RMB68,123,000 on the construction of mining infrastructure which were incurred over 15 years ago. As such, we were not provided with sufficient appropriate audit evidence to verify the cost of the mining infrastructure accumulated up to 1 January 2020.

**Qualified Opinion**

In our opinion, except for the matter described in the Basis for Qualified Opinion section of our report, the Historical Financial Information of JinHao gives, for the purposes of the accountants' report, a true and fair view of the financial position of JinHao as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 and of the financial performance and cash flows of JinHao 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 pages V-4 to V-7 have been made.

**Dividends**

We refer to Note 7 to the Historical Financial Information which states that no dividends have been paid by JinHao in respect of the Relevant Periods.

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**Lau & Au Yeung C.P.A. Limited**

*Certified Public Accountants*

Hong Kong, 9 November 2023

**Au Yeung Tin Wah**

Practising Certificate Number P02343

**HISTORICAL FINANCIAL INFORMATION OF JINHAO**

**Preparation of Historical Financial Information**

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

The financial statements of JinHao for the Relevant Periods (the “**Underlying Financial Statements**”), on which the Historical Financial Information is based, were audited by Lau & Au Yeung C.P.A. Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	For the six months ended 30 June 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		-	-	-	-
Administrative expenses		(123)	(133)	(40)	(1)
Other operating expenses		(897)	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Loss before income tax	6	(1,020)	(133)	(40)	(1)
Income tax expense		-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Loss for the year/period		(1,020)	(133)	(40)	(1)
Other comprehensive income		-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year/period		<hr/> <hr/> <b>(1,020)</b>	<hr/> <hr/> <b>(133)</b>	<hr/> <hr/> <b>(40)</b>	<hr/> <hr/> <b>(1)</b>

## STATEMENT OF FINANCIAL POSITION

		As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2023 <i>RMB'000</i>
	<i>Notes</i>				
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	—	—	—	—
		—	—	—	—
<b>Current assets</b>					
Cash and cash equivalents	12	11	3	5	4
		11	3	5	4
<b>Current liabilities</b>					
Amount due to a shareholder	14	35,083	35,208	—	—
Other payable	15	—	—	35,250	35,250
		35,083	35,208	35,250	35,250
<b>Net assets</b>		<b>(35,072)</b>	<b>(35,205)</b>	<b>(35,245)</b>	<b>(35,246)</b>
<b>EQUITY</b>					
<b>Equity attributable to the owners of the company</b>					
Share capital	13	5,000	5,000	5,000	5,000
Additional paid in capital		30,000	30,000	30,000	30,000
Accumulated losses		(70,072)	(70,205)	(70,245)	(70,246)
<b>Total equity</b>		<b>(35,072)</b>	<b>(35,205)</b>	<b>(35,245)</b>	<b>(35,246)</b>

## STATEMENTS OF CHANGE IN EQUITY

	<b>Share capital</b> <i>RMB'000</i>	<b>Additional paid in capital</b> <i>RMB'000</i>	<b>Accumulated losses</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2020	5,000	30,000	(69,052)	(34,052)
Loss for the year	—	—	(1,020)	(1,020)
At 31 December 2020	<u>5,000</u>	<u>30,000</u>	<u>(70,072)</u>	<u>(35,072)</u>
At 1 January 2021	5,000	30,000	(70,072)	(35,072)
Loss for the year	—	—	(133)	(133)
At 31 December 2021	<u>5,000</u>	<u>30,000</u>	<u>(70,205)</u>	<u>(35,205)</u>
At 1 January 2022	5,000	30,000	(70,205)	(35,205)
Loss for the year	—	—	(40)	(40)
At 31 December 2022	<u>5,000</u>	<u>30,000</u>	<u>(70,245)</u>	<u>(35,245)</u>
At 1 January 2023	5,000	30,000	(70,245)	(35,245)
Loss for the period	—	—	(1)	(1)
At 30 June 2023	<u>5,000</u>	<u>30,000</u>	<u>(70,246)</u>	<u>(35,246)</u>



## STATEMENTS OF CASH FLOWS

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the six months ended 30 June 2023 RMB'000
Loss before income tax	(1,020)	(133)	(40)	(1)
Impairment loss on property, plant and equipment	897	-	-	-
Changes in working capital:				
– Amount due to a shareholder	1,027	125	(35,208)	-
– Other payable	-	-	35,250	-
Net cash generated from/(used in) operating activities	904	(8)	2	(1)
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(897)	-	-	-
Net cash used in investing activities	(897)	-	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	7	(8)	2	(1)
Cash and cash equivalents at the beginning of the year/period	4	11	3	5
<b>Cash and cash equivalents at the end of the year/period</b>	<b>11</b>	<b>3</b>	<b>5</b>	<b>4</b>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

ZhenYuan County JinHao Mining Co., Ltd. (“**JinHao**”) is a company incorporated under the laws of the People’s Republic of China (“**PRC**”) with limited liability and a wholly-owned subsidiary of Hunan Hongjia Holdings Co., Ltd. (“**Hunan Hongjia**”), a wholly foreign-owned enterprise established in the PRC, upon completion of the reorganization.

The address of the registered office and principal place of business of JinHao is 中國雲南省普洱市鎮沅彝族哈尼族拉祜族自治縣恩水路(民江集貿市場段) (Enshui Road (Minjiang Market Section), Zhenyuan Yi Hani Lahu Autonomous County, Pu’er City, Yunnan Province, the PRC\*)

JinHao is principally engaged in mineral exploration and mining activities in the PRC.

The Historical Financial Information is presented in Renminbi (“**RMB**”), which is the same as the functional currency of JinHao. All values are rounded to the nearest thousand (“**RMB’000**”) except when otherwise indicated.

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of preparation**

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Historical Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given exchange for assets.

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, JinHao 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 these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

\* For identification purpose only

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **New and amended Hong Kong Financial Reporting Standards (“HKFRSs”) adopted by JinHao**

The following new and amended standards that may be relevant to the JinHao’s operations have been adopted by the JinHao for the first time for the financial period beginning on 1 January 2023.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance contracts
HKFRS 17 (Amendments)	Insurance Contracts
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

The application of the above amended standards which are effective for the financial period beginning on 1 January 2023 did not have material financial effect to JinHao for the current and prior periods.

**Issued but not yet effective HKFRSs**

JinHao has not early adopted the following new HKFRSs that have been issued but are not yet effective for the financial period ended 30 June 2023:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
HKAS 1 (Amendments)	Non-current Liabilities with Covenants (amendments) <sup>1</sup>
HKFRS 16	Lease Liability in a Sale and Leaseback (amendments) <sup>1</sup>
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause <sup>3</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments) <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Amendments to HKFRS 10 and HKAS 28 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Applied when an entity applies “Classification of Liabilities as Current or Non-Current – Amendments to HKAS 1”

The directors do not anticipate that the application of the new and revised HKFRSs will have a material effect on the amounts recognised in JinHao’s financial statements.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less subsequent depreciation and any identified impairment loss at the end of the reporting period.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, JinHao recognises such parts as individual assets with specific useful life and depreciates them accordingly.

Depreciation of mining infrastructure is calculated using the Units of Production (“UOP”) method to write off the cost of the assets proportionate to the extraction of the proved and probable mineral reserves.

Where parts of an item of property, plant and equipment have different useful life, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful life and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. JinHao's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

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

**Impairment of tangible assets**

At the end of each reporting period, JinHao reviews the carrying amounts of its tangible assets with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, JinHao estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

**Provision**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

**Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when JinHao becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset JinHao may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that JinHao manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, JinHao may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) *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, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

*Impairment of financial assets*

JinHao recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. 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, 12-month ECL ("**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 JinHao'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.

For all other instruments, JinHao measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, JinHao 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.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, JinHao compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, JinHao considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, JinHao presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless JinHao has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, JinHao assumes that the credit risk on JinHao's financial assets has not increased significantly since initial recognition if the financial assets are determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. JinHao considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

JinHao regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

For internal credit risk management, JinHao considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including JinHao, in full (without taking into account any collaterals held by JinHao).

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default 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 following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) 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;



- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

JinHao writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under JinHao's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

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 adjusted by 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.

Generally, the ECL is the difference between all contractual cash flows that are due to JinHao in accordance with the contract and the cash flows that JinHao expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

*Financial liabilities and equity instruments**Classification as debt or equity*

Financial liabilities and equity instruments issued by JinHao are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*Equity instruments*

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

*Other financial liabilities*

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a short period to the net carrying amount on initial recognition.

*Derecognition*

JinHao 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. If JinHao neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, JinHao continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

If JinHao retains substantially all the risks and rewards of ownership of a transferred financial asset, JinHao continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, JinHao allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

JinHao derecognises financial liabilities when, and only when, JinHao's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial positions.

### **3. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES**

In the application of JinHao's accounting policies, which are described in Note 2, the directors of JinHao are 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.

#### **Key sources of estimation uncertainty**

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

#### ***Useful life of property, plant and equipment***

Note 2 describes that depreciation is provided to write off the cost of property, plant and equipment over their estimated useful life, using straight-line method. The estimation of useful life of the depreciable assets is based on the experience of JinHao, and useful life are reviewed at each end of the reporting period based on changes in circumstances.

*Impairment of property, plant and equipment*

In accordance with HKAS 16, JinHao estimates the useful life of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful life are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. JinHao also performs annual reviews on whether the assumptions made on useful life continued to be valid. JinHao tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value in use of the assets which require the use of assumptions and estimates.

*Income tax*

JinHao is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. JinHao recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

*Impairment of non-financial assets*

JinHao assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, the management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**4. FINANCIAL RISK MANAGEMENT**

JinHao's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. JinHao's overall risk management programme focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on JinHao's financial performance. JinHao does not use derivative financial instruments to hedge certain risk exposures.

## a) Financial risk factor

*Interest rate risk*

JinHao's exposure to change in interest rates is mainly attributable to its bank balances. As the cash deposited in bank is simply to generate the interest income and used for daily operations, the impact from the changes in interest rate is considered to be minimum.

*Credit risk*

JinHao is exposed to credit risk in relation to its bank balances. JinHao's maximum exposure to credit risk is the carrying amounts of the bank balances. However, the credit risk on deposits with banks is limited because deposits are in banks with sound credit ratings.

*Impairment of financial assets*

Cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

*Liquidity risk*

JinHao monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance JinHao's operations and to mitigate the effects of fluctuations in cash flows.

The table below analyses JinHao's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Within 1 year or on demand RMB'000</b>	<b>Total contractual undiscounted cash flows RMB'000</b>	<b>Carrying amount RMB'000</b>
<b>As at 30 June 2023</b>			
Other payable	35,250	35,250	35,250
<b>As at 31 December 2022</b>			
Other payable	35,250	35,250	35,250
<b>As at 31 December 2021</b>			
Amount due to a shareholder	35,208	35,208	35,208
<b>As at 31 December 2020</b>			
Amount due to a shareholder	35,083	35,083	35,083

**b) Capital risk management**

JinHao's objectives are to safeguard JinHao's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, JinHao may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

JinHao manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analysis.

JinHao is not subject to either internally or externally imposed capital requirements.

**5. DIRECTORS' EMOLUMENTS**

The following disclosures are presented pursuant to section 383 of the Hong Kong Companies Ordinance.

**(a) Directors' remunerations**

There were no directors' remunerations for the Relevant Period.

**(b) Loans, quasi-loans and other dealings in favour of directors**

There are no loans, quasi-loans or other dealings in favour of the directors of JinHao that were entered into or subsisted during the Relevant Periods.

**(c) Directors' material interests in transactions, arrangements or contracts**

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to JinHao's business to which JinHao was a party and in which any of the directors of JinHao had a material interest, whether directly or indirectly, subsisted during the Relevant Periods.

**6. LOSS BEFORE INCOME TAX**

Loss before income tax is arrived at:

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the six months ended 30 June 2023 <i>RMB'000</i>
After charging the following item:				
Impairment loss on property, plant and equipment	897	-	-	-
	<u>897</u>	<u>-</u>	<u>-</u>	<u>-</u>

**7. DIVIDEND**

JinHao has not declared or paid any dividends in respect of the year ended 31 December 2020, 31 December 2021, 31 December 2022 and the six months ended 30 June 2023.

**8. EARNING PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

**9. INCOME TAX**

JinHao is subject to PRC corporate income tax.

PRC corporate income tax is calculated at the tax rate of 25% on the taxable profits for each of the reporting period. No provision for PRC corporate income tax have been made in the Historical Financial Information as JinHao has no taxable profit for the Relevant Periods.

No provision for deferred tax assets was recognised in respect of the unused tax losses due to the unpredictability of future profit stream.

**10. PROPERTY, PLANT AND EQUIPMENT**

	<b>Mine infrastructure RMB'000</b>
<b><u>Cost</u></b>	
As at 1 January 2020	68,123
Additions	897
As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023	69,020
<b><u>Accumulated depreciation and impairment losses</u></b>	
As at 1 January 2020	68,123
Impairment loss	897
As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023	69,020
<b><u>Net carrying amount</u></b>	
As at 30 June 2023	-
As at 31 December 2022	-
As at 31 December 2021	-
As at 31 December 2020	-

## 11. FINANCIAL INSTRUMENTS BY CATEGORY

JinHao holds the following financial instruments:

	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2023 <i>RMB'000</i>
<b>Financial assets</b>				
Financial assets at amortised cost				
Cash and cash equivalents	11	3	5	4
<b>Financial liabilities</b>				
Financial liabilities at amortised cost				
Amount due to a shareholder	35,083	35,208	–	–
Other payable	–	–	35,250	35,250
	<u>35,083</u>	<u>35,208</u>	<u>35,250</u>	<u>35,250</u>

JinHao's exposure to various risks associated with the financial instruments is discussed in Note 4. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

## 12. CASH AND CASH EQUIVALENTS

	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2023 <i>RMB'000</i>
Cash in hand	11	3	3	3
Cash at banks	–	–	2	1
	<u>11</u>	<u>3</u>	<u>5</u>	<u>4</u>

The carrying amount of cash and cash equivalents are denominated in RMB.



**13. PAID UP CAPITAL AND RESERVES****(a) Movement of equity**

The reconciliation between the opening and closing balances of JinHao's equity is set out in the statement of changes in equity.

**(b) Paid up capital**

	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>	As at 30 June 2023 <i>RMB'000</i>
Paid-up capital	5,000	5,000	5,000	5,000

**14. AMOUNT DUE TO A SHAREHOLDER**

The advances from a shareholder are unsecured, interest-free, repayable on demand and denominated in RMB.

**15. OTHER PAYABLE**

The carrying amount of other payable is considered to be the same as its fair value, due to its short term nature.

The carrying amount of other payable are not interest-bearing and denominated in RMB.

**16. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the JinHao has been prepared in respect of any period subsequent to 30 June 2023.

**BUSINESS OVERVIEW****Target Company A**

Target Company A is an investment holding company incorporated in the British Virgin Islands with limited liabilities, whose main asset is the entire equity interest of Hunan Chenxi, which will hold the entire equity interest in Jiuyuan Mining upon completion of the reorganization. Jiuyuan Mining holds the Project Jiuyuan.

Project Jiuyuan, owned by Jiuyuan Mining, is located in ZhenYuan County, Pu'er City, Yunnan Province, the PRC. Project Jiuyuan has a mining license across an area of 0.9844 sq. km, with mineral resources of lead and zinc.

Project Jiuyuan began infrastructure construction in 2003 and carried out small-scale mining activities until 2013. From 2014 to 2016, due to the shrinkage of international and domestic metal markets, the mine did not carry out normal mining activities. Project Jiuyuan mined 45,330 tons of ores during 2017-2021. There was no mining activity during 2022 and 2023 since strict pandemic control measures in the PRC in 2022.

Immediately prior to the Completion, the Target Company A was held as to 100% by the Vendor. After Completion, the Company shall be interested in the entire issued share capital of the Target Company A.

**Target Company B**

Target Company B is an investment holding company incorporated in the British Virgin Islands with limited liabilities, whose main asset is the entire equity interest of Hunan Hongjia, which will hold the entire equity interest in Jinhao Mining upon completion of the reorganization. Jinhao Mining holds the Project Jinhao.

Project Jinhao, owned by Jinhao Mining, is located at ZhenYuan County, Pu'er City, Yunnan Province, the PRC. Project Jinhao is a mineral resources project with an exploration license across an area of 7.31 sq. km, with mineral resources of lead, copper, and silver.

There was an exploration history but no mining history in the Project Jinhao. Both Project Jiuyuan and Project Jinhao are all located within the rich mineralization zone of Pu'er City, which have opportunities to expand exploration and mining boundaries and increase greatly in resources and reserves of various minerals and deposits including lead, zinc, copper and silver.

<b>APPENDIX VI</b>	<b>MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANIES</b>
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Immediately prior to the Completion, the Target Company B was held as to 100% by the Vendor. After Completion, the Company shall be interested in the 73.1% of the issued share capital of the Target Company B and the Vendor shall be interested in the 26.9% of the issued share capital of Target Company B.

## **FINANCIAL REVIEW**

The Target Company A was incorporated on 8 June 2023. Refer to the accountants' report of the Target Company A as set out in the Appendix II of this circular, the Target Company A did not record any revenue, expenses or profit for the period from the date of incorporation to 30 June 2023. The carrying amount of net assets of Target Company A as at 30 June 2023 was approximately US\$50,000.

The Target Company B was incorporated on 15 June 2023. Refer to the accountants' report of the Target Company B as set out in the Appendix III of this circular, the Target Company B did not record any revenue, expenses or profit for the period from the date of incorporation to 30 June 2023. The carrying amount of net assets of Target Company B as at 30 June 2023 was approximately US\$50,000.

Hunan Chenxi and Hunan Hongjia were both incorporated on 4 August 2023 and they had no financial information as at 30 June 2023.

Set out below are the financial information of Jiuyuan Mining and Jinhao Mining extracted from the accountants' reports of Jiuyuan Mining and Jinhao Mining as set out in Appendix IV and V of this circular respectively.

### **Financial Summary**

#### *Jiuyuan Mining*

	Year ended 31 December 2020 <i>RMB'000</i>	Year ended 31 December 2021 <i>RMB'000</i>	Year ended 31 December 2022 <i>RMB'000</i>	Six months ended 30 June 2023 <i>RMB'000</i>
Revenue	2,862	3,598	–	–
Loss before and after tax	(3,788)	(1,744)	(791)	(221)

<b>APPENDIX VI</b>	<b>MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANIES</b>
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*Jinhao Mining*

	Year ended 31 December 2020 <i>RMB'000</i>	Year ended 31 December 2021 <i>RMB'000</i>	Year ended 31 December 2022 <i>RMB'000</i>	Six months ended 30 June 2023 <i>RMB'000</i>
Revenue	-	-	-	-
Loss before and after tax	(1,020)	(133)	(40)	(1)

**Revenue**

Jiuyuan Mining recorded revenue of approximately RMB2,862,000 and RMB3,598,000 for the years ended 31 December 2020 and 2021 respectively. The revenue represented sales of mineral. Since strict pandemic control measures in the PRC in 2022, there was no mining activity during 2022 and 2023 and no revenue was recorded for the year ended 31 December 2022 and for the six months ended 30 June 2023.

Jinhao Mining has not yet commenced production. Jinhao Mining did not have any revenue for each of the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023.

**Cost of sales**

Jiuyuan Mining recorded cost of sales of approximately RMB3,324,000 and RMB3,339,000 for the years ended 31 December 2020 and 2021 respectively. The cost of sales mainly comprised of labour costs, material costs, depreciation of production equipment and amortization of mining right. Since strict pandemic control measures in the PRC in 2022, there was no mining activity during 2022 and 2023 and no cost of sales was recorded for the year ended 31 December 2022 and for the six months ended 30 June 2023.

Jinhao Mining has not yet commenced production. Jinhao Mining did not have any cost of sales for each of the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023.

**Gross profit**

Jiuyuan Mining recorded a gross loss of approximately RMB462,000 for the year ended 31 December 2020 but a gross profit of approximately RMB259,000 for the year ended 31 December 2021. The change from gross loss to gross profit was mainly due to the dilution effect of the fixed costs such as depreciation and amortization by the increase in sales and production capacity. Since strict pandemic control measures in the PRC in 2022, there was no mining activity during 2022 and 2023 and no gross profit was recorded for the year ended 31 December 2022 and for the six months ended 30 June 2023.

Jinhao Mining has not yet commenced production. Jinhao Mining did not have any gross profit for each of the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023.

**Administrative expenses**

Jiuyuan Mining recorded administrative expenses of approximately RMB3,315,000, RMB2,003,000 and RMB792,000 for the years ended 31 December 2020, 2021 and 2022 respectively and approximately RMB222,000 for the six months ended 30 June 2023. The administrative expenses mainly comprised of staff costs, amortization, technical service fee and utility expenses. The decrease in administrative expenses was mainly due to decrease in staff costs since the operation was temporarily suspended under the implementation of strict pandemic control measures in the PRC.

Jinhao Mining recorded administrative expenses of approximately RMB123,000, RMB133,000 and RMB40,000 for the years ended 31 December 2020, 2021 and 2022 respectively and approximately RMB1,000 for the six months ended 30 June 2023. The administrative expenses mainly comprised of staff costs and utility expenses.

**Loss for the year/period**

Jiuyuan Mining recorded losses of approximately RMB3,788,000, RMB1,744,000 and RMB791,000 for the years ended 31 December 2020, 2021 and 2022 respectively and approximately RMB221,000 for the six months ended 30 June 2023. The losses were in general equal to the administrative expenses of Jiuyuan Mining for the year/period.

Jinhao Mining recorded losses of approximately RMB1,020,000, RMB133,000 and RMB40,000 for the years ended 31 December 2020, 2021 and 2022 respectively and approximately RMB1,000 for the six months ended 30 June 2023. For the year ended 31 December 2020, the loss was mainly attributable for impairment loss on mine infrastructure and administrative expenses. For the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023, the losses were in general equal to the administrative expenses of Jinhua Mining.

### **Capital structure, liquidity and financial resources**

Jiuyuan Mining mainly financed its operation by cash flow from operation and advances from a director. Jiuyuan Mining had bank balance and cash of approximately RMB359,000, RMB468,000, RMB375,000 and RMB366,000 as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 respectively. The director's advances to Jiuyuan Mining was approximately RMB16,179,000, RMB17,152,000, RMB17,815,000 and RMB18,231,000 as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 respectively.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, Jiuyuan Mining recorded net assets of approximately RMB29,850,000, RMB28,106,000, RMB27,315,000 and RMB27,094,000 respectively.

As at 31 December 2020 and 31 December 2021, Jinhao Mining mainly financed its operation by advances from the shareholder. The shareholder's advances to Jinhao Mining was approximately RMB35,083,000 and RMB35,208,000 respectively. As at 31 December 2022 and 30 June 2023, Jinhao Mining mainly financed its operation by advances from a third party. The advances to Jinhao Mining was approximately RMB35,250,000 and RMB35,250,000 respectively.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, Jinhao Mining recorded net liabilities of approximately RMB35,072,000, RMB35,205,000, RMB35,245,000 and RMB35,246,000 respectively.

For further financial information of the Target Companies, Jiuyuan Mining and Jinhao Mining, please refer to the respective accountants' reports as set out in Appendix II, III, IV and V of this circular.

### **FOREIGN CURRENCY MANAGEMENT**

Upon completion of reorganization, the Target Company A and Target Company B indirectly hold the entire equity interest in Jiuyuan Mining and the entire equity interest in Jinhao Mining respectively. Jiuyuan Mining and Jinhao Mining principally conduct business operation in the PRC which exposes to foreign exchange risk, primarily with respect to RMB and US Dollar denominated transactions.

The Target Company A and Target Company B currently do not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Target Company A and Target Company B will monitor their foreign currency exposure closely and will consider hedging foreign currency exposure of necessary.

#### **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2023, each of the Target Company A and Target Company B had 1 employee.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, Jiuyuan Mining had 43, 43, 10 and 10 employees respectively in the PRC.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, Jinhao Mining had 10, 10, 6 and 6 employees respectively in the PRC.

The Target Company A, Target Company B, Jiuyuan Mining and Jinhao Mining 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.

#### **SIGNIFICANT INVESTMENTS HELDS**

The Target Company A holds the entire equity interest in Hunan Chenxi, which in turn holds the entire equity interest in Jiuyuan Mining upon the completion of the reorganization. Jiuyuan Mining holds the Project Jiuyuan.

The Target Company B holds the entire equity interest in Hunan Hongjia, which in turn holds the entire equity interest in Jinhao Mining upon the completion of the reorganization. Jinhao Mining holds the Project Jinhao.

Save for the above, each of the Target Company A and Target Company B does not have other significant investments nor any material acquisitions or disposal of subsidiaries and affiliated companies during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

**CHARGES ON ASSETS**

As at 30 June 2023, there was no charge over any assets of the Target Company A and Target Company B.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, there was no charge over any assets of Jiuyuan Mining and Jinhao Mining.

**GEARING RATIO**

Since the Target Company A and Target Company B did not have any interest-bearing borrowings as at 30 June 2023, the gearing ratio (total interest-bearing borrowings as a percentage of total equity) was not applicable.

Since Jiuyuan Mining and Jinhao Mining did not have any interest-bearing borrowings as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the gearing ratio (total interest-bearing borrowings as a percentage of total equity) was not applicable.

**CONTINGENT LIABILITIES**

As at 30 June 2023, the Target Company A and Target Company B did not have any contingent liabilities.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, Jiuyuan Mining and Jinhao Mining did not have any contingent liabilities.

**FUTURE PLANS AND PROSPECTS**

Project Jiuyuan has a mining license across an area of 0.9844 sq. km, with mineral resources of lead and zinc. The mining activities of the Project Jiuyuan was temporarily suspended due to strict pandemic control measures in the PRC in 2022. When the existing machinery and equipment are put into full operation and operational staff team are established, it is expected that the commercialization of the Project Jiuyuan will resume within 4 months.

Project Jinhao is a mineral resources project with an exploration license across an area of 7.31 sq. km, with mineral resources of lead, copper, and silver. There was an exploration history but no mining history in the Project Jinhao. When infrastructure construction are completed, mining machinery and equipment are installed, mining license and other relevant license are obtained, and operational staff team are established, it is expected that the commercialization of Project Jinhao will commence within 24 months.

The Project Jiuyuan and Project Jinhao are all located within the rich mineralization zone of Pu'er City, which have opportunities to expand exploration and mining boundaries and increase greatly in resources and reserves of various minerals and deposits including lead, zinc, copper and silver.



<b>APPENDIX VII                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP</b>
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*The following is the text of a report prepared for the sole purpose of inclusion of this circular, received from the reporting accountants, Lau & Au Yeung C.P.A. Limited, Certified Public Accountants.*

#### **UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”) set out below has been prepared by the Directors in accordance with rule 4.29 of the Listing Rules and is solely for the purpose to illustrate the effect of the acquisition of 100% equity interest in Yonyin Investment Holdings Limited (the “**Target Company A**”) and its subsidiaries (collectively refer as the “**Target Group A**”) and 73.1% equity interest in Yongming Investment Holdings Limited (the “**Target Company B**”) and its subsidiaries (collectively refer as the “**Target Group B**”) (the “**Acquisitions**”) on the Group’s assets and liabilities as at 31 March 2023 as if the Acquisitions had been completed on 31 March 2023.

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 March 2023 which has been extracted from the published annual report of the Company for the year ended 31 March 2023; (ii) the audited statement of financial position of the Target Company A as at 30 June 2023, (iii) the audited statement of financial position of the Target Company B as at 30 June 2023, (iv) the audited statement of financial position of the Jiuyuan Mining as at 30 June 2023 and the audited statement of financial position of the Jinhao Mining as at 30 June 2023 which have been extracted from the accountants’ reports thereon set out in Appendix II to Appendix V to this circular, after making pro forma adjustments relating to the Acquisitions that are (i) directly attributable to the Acquisitions; and (ii) factually supportable as if the Acquisitions had been completed as at 31 March 2023.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisitions been completed as at 31 March 2023.

Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group’s future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this circular, and that of the Target Group A and Target Group B, as set out in Appendix II to Appendix V to this circular, and other financial information included elsewhere in this circular.

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 31 March 2023	The Target Company A as at 30 June 2023	The Target Company B as at 30 June 2023	Hunan Chenxi as at 30 June 2023	Hunan Hongjia as at 30 June 2023	Jiuyuan Mining as at 30 June 2023	Jinhao Mining as at 30 June 2023	Pro forma adjustments	The Enlarged Group			
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000 (Note 7)	HK\$'000 (Note 10)	HK\$'000 (Note 11)	HK\$'000 (Note 12)	HK\$'000 (Note 13)	HK\$'000
<b>Non-current assets</b>												
Investment properties	775,065	-	-	-	-	-	-	-	-	-	-	775,065
Property, plant and equipment	46,645	-	-	-	-	42,212	-	(5,331)	38,531	-	-	122,057
Right-of-use assets	3,512	-	-	-	-	-	-	-	-	-	-	3,512
Intangible assets	238,193	-	-	-	-	4,335	-	37,291	310,579	-	-	590,398
Interests in associates	102,000	-	-	-	-	-	-	-	-	-	-	102,000
Deposits paid	126,798	-	-	-	-	-	-	-	-	-	-	126,798
	1,292,213	-	-	-	-	46,547	-	31,960	349,110	-	-	1,719,830

## APPENDIX VII

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP

	The Group as at 31 March 2023	The Target Company A as at 30 June 2023	The Target Company B as at 30 June 2023	Hunan Chenxi as at 30 June 2023	Hunan Hongjia as at 30 June 2023	Jiuyuan Mining as at 30 June 2023	Jinhao Mining as at 30 June 2023	Pro forma adjustments	Enlarged Group		
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000 (Note 7)	HK\$'000 (Note 10)	HK\$'000 (Note 11)	HK\$'000 (Note 12)	HK\$'000 (Note 13)
<b>Current assets</b>											
Inventories	-	-	-	-	-	98	-	-	-	-	98
Properties under development	-	-	-	-	-	-	-	-	-	-	-
Completed properties held for sale	67,100	-	-	-	-	-	-	-	-	-	67,100
Trade receivables	17,463	-	-	-	-	-	-	-	-	-	17,463
Prepayments, deposits and other receivables	147,796	390	390	-	-	1,888	-	(673)	(390)	-	149,401
Amount due from an associate	765	-	-	-	-	-	-	-	-	-	765
Amount due from non-controlling interests	11,983	-	-	-	-	-	-	-	-	-	11,983
Financial assets at fair value through profit or loss	1,840	-	-	-	-	-	-	-	-	-	1,840
Restricted bank deposits	783	-	-	-	-	-	-	-	-	-	783
Bank balances and cash	31,556	-	-	-	-	395	4	-	-	(5,000)	198,303
	279,286	390	390	-	-	2,381	4	(673)	(390)	(5,000)	47,736
<b>Assets classified as held for sale</b>	171,348	-	-	-	-	-	-	-	-	-	(171,348)
	450,634	390	390	-	-	2,381	4	(673)	(390)	(5,000)	447,736

	The Group as at 31 March 2023	The Target Company A 30 June 2023	The Target Company B 30 June 2023	Hunan Chenxi as at 30 June 2023	Hunan Hongjia as at 30 June 2023	Jiuyuan Mining as at 30 June 2023	Jinhao Mining as at 30 June 2023	Pro forma adjustments	The Enlarged Group					
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000 (Note 7)	HK\$'000 (Note 8)	HK\$'000 (Note 9)	HK\$'000 (Note 10)	HK\$'000 (Note 11)	HK\$'000 (Note 12)	HK\$'000 (Note 13)	HK\$'000
<b>Current liabilities</b>														
Trade payables	56,044	-	-	-	-	-	-	-	-	-	-	-	-	56,044
Other payables and accruals	49,829	-	-	-	-	19,710	38,014	-	-	-	-	-	-	107,553
Contract liabilities	37,693	-	-	-	-	-	-	-	-	-	-	-	-	37,693
Lease liabilities	2,270	-	-	-	-	-	-	-	-	-	-	-	-	2,270
Tax payables	1,119	-	-	-	-	-	-	-	-	-	-	-	-	1,119
Promissory note	-	-	-	-	-	-	-	29,640	127,194	-	-	-	-	156,834
	146,955	-	-	-	-	19,710	38,014	29,640	127,194	-	-	-	-	361,513
<b>Liabilities directly associated with assets classified as held for sale</b>	-*	-	-	-	-	-	-	-	-	-	-	-	-	-*
	146,955	-	-	-	-	19,710	38,014	29,640	127,194	-	-	-	-	361,513

\* less than one thousand Hong Kong dollars

	The Group as at 31 March 2023	The Target Company A 30 June 2023	The Target Company B 30 June 2023	Hunan Chenxi as at 30 June 2023	Hunan Hongjia as at 30 June 2023	Jiuyuan Mining as at 30 June 2023	Jinhao Mining as at 30 June 2023	Pro forma adjustments	The Enlarged Group					
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)	HK\$'000 (Note 5)	HK\$'000 (Note 6)	HK\$'000 (Note 7)	HK\$'000 (Note 8)	HK\$'000 (Note 9)	HK\$'000 (Note 10)	HK\$'000 (Note 11)	HK\$'000 (Note 12)	HK\$'000 (Note 13)	HK\$'000
Net current assets	303,679	390	390	-	-	(17,329)	(38,010)	(29,640)	(127,194)	(673)	(390)	(5,000)	-	86,223
Total assets less current liabilities	1,595,892	390	390	-	-	29,218	(38,010)	(29,640)	(127,194)	31,287	348,720	(5,000)	-	1,806,053
Non-current liabilities														
Deferred tax liabilities	142,066	-	-	-	-	-	-	-	-	7,919	87,278	-	-	237,263
Lease liabilities	1,171	-	-	-	-	-	-	-	-	-	-	-	-	1,171
	143,237	-	-	-	-	-	-	-	-	7,919	87,278	-	-	238,434
	1,452,655	390	390	-	-	29,218	(38,010)	(29,640)	(127,194)	23,368	261,442	(5,000)	-	1,567,619

<b>APPENDIX VII                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP</b>
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*Notes:*

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2023 as set out in the published annual report of the Group for the year ended 31 March 2023.
2. The amounts are extracted from the audited statement of financial position of the Target Company A as at 30 June 2023 as set out in Appendix II to this circular. Conversion of US\$ into HK\$ is made at the exchange rate as at 30 June 2023: US\$1 = HK\$7.80.
3. The amounts are extracted from the audited statement of financial position of the Target Company B as at 30 June 2023 as set out in Appendix III to this circular. Conversion of US\$ into HK\$ is made at the exchange rate as at 30 June 2023: US\$1 = HK\$7.80.
4. Hunan Chenxi was incorporated on 4 August 2023 and it had no financial information as at 30 June 2023.
5. Hunan Hongjia was incorporated on 4 August 2023 and it had no financial information as at 30 June 2023.
6. The amounts are extracted from the audited statement of financial position of Jiuyuan Mining (as defined in the circular) as at 30 June 2023 as set out in Appendix IV to this circular. Conversion of RMB into HK\$ is made at the exchange rate as at 30 June 2023: RMB1 = HK\$1.0784.
7. The amounts are extracted from the audited statement of financial position of Jinhao Mining (as defined in the circular) as at 30 June 2023 as set out in Appendix V to this circular. Conversion of RMB into HK\$ is made at the exchange rate as at 30 June 2023: RMB1 = HK\$1.0784.
8. Pursuant to the sales and purchases agreement dated 23 August 2023, the Group has conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share A and the entire shareholder's loan advanced to the Target Company A in accordance with the terms and conditions of the Agreement A at the total consideration of HK\$37,000,000.

The total consideration of HK\$37,000,000 will be settled by the way of issue of promissory note in the principal amount of HK\$29,640,000 to the Vendor upon Completion and by the allotment and issue of 32,000,000 Consideration Shares at the Issue Price of HK\$0.23 per Consideration Share by the Company to the Vendor (equivalent to the amount of HK\$7,360,000) within 6 months after Completion.

The adjustment represents the issue of the promissory note in the principal amount of H\$29,640,000 assuming the acquisition of the Target Group A had been completed on 31 March 2023.

9. Pursuant to the sales and purchases agreement dated 23 August 2023, the Group has conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share B and the 73.1% of the shareholder's loan advanced to the Target Company B in accordance with the terms and conditions of the Agreement B at the total consideration of HK\$163,000,000.

The total consideration of HK\$163,000,000 will be settled by the way of issue of promissory note in the principal amount of HK\$127,193,600 to the Vendor upon Completion and by the allotment and issue of 155,680,000 Consideration Shares at the Issue Price of HK\$0.23 per Consideration Share by the Company to the Vendor (equivalent to the amount of HK\$35,806,400) within 6 months after Completion.

The adjustment represents the issue of the promissory note in the principal amount of HK\$127,193,600 assuming the acquisition of the Target Group B had been completed on 31 March 2023.

<b>APPENDIX VII</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP</b>
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10. Upon the Completion, the Target Company A will become an indirect wholly-owned subsidiary of the Company. In considering the principal activities of the Target Group A, the identifiable assets and liabilities of the Target Group A will be accounted for at their fair values using the acquisition accounting method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations”.

The adjustment represents the fair value adjustments on the identifiable assets and liabilities of Target Group A and the recognition of bargain purchase gain on acquisition of the Target Group A if it had been completed as at 31 March 2023 is as follows:

	<i>HK\$'000</i>
Total consideration for the acquisition of the Target Group A	<u>37,000</u>
Less: Fair value of identifiable net assets acquired	
Carrying amount of identifiable net assets acquired	29,608
Fair value adjustment on identifiable net assets acquired (i)	<u>23,368</u>
	<u>52,976</u>
Bargain purchase gain arising from the acquisition of the Target Group A	<u><u>(15,976)</u></u>

- (i) The fair value adjustment is calculated as follows:

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Fair value adjustment</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	42,212	36,881	(5,331)
Intangible assets	4,335	41,626	37,291
Inventories	98	98	–
Prepayments, deposits and other receivables	2,278	1,605	(673)
Bank balances and cash	<u>395</u>	<u>395</u>	<u>–</u>
<b>Total assets</b>	<u>49,318</u>	<u>80,605</u>	<u>31,287</u>
Other payables and accruals	19,710	19,710	–
Deferred tax liabilities	<u>–</u>	<u>7,919</u>	<u>7,919</u>
<b>Total liabilities</b>	<u>19,710</u>	<u>27,629</u>	<u>7,919</u>
Identifiable net assets of the Target Group A	<u><u>29,608</u></u>	<u><u>52,976</u></u>	<u><u>23,368</u></u>

The fair values of the identifiable assets and liabilities of the Target Group A as at 30 June 2023 are based on a valuation report issued by an independent valuer, AP Appraisal Limited.

The carrying amount of identifiable net assets of the Target Group A acquired is subject to change upon the completion of the acquisition. Consequently, the resultant fair value adjustment on identifiable net assets acquired will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

<b>APPENDIX VII</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP</b>
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11. Upon the Completion, the Target Company B will become an indirect non-wholly owned subsidiary of the Company. In considering the principal activities of the Target Group B, the identifiable assets and liabilities of the Target Group B will be accounted for at their fair values using the acquisition accounting method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations”.

The adjustment represents the fair value adjustments on the identifiable assets and liabilities of Target Group B and the recognition of bargain purchase gain on acquisition of the Target Group B if it had been completed as at 31 March 2023 is as follows:

	<i>HK\$'000</i>
Total consideration for the acquisition of the Target Group B	163,000
Non-controlling interest	60,208
	223,208
Less: Fair value of identifiable net assets acquired	
Carrying amount of identifiable net assets acquired	(37,620)
Fair value adjustment on identifiable net assets acquired (i)	261,442
	223,822
Bargain purchase gain arising from the acquisition of the Target Group B	(614)

- (i) The fair value adjustment is calculated as follows:

	Carrying amount <i>HK\$'000</i>	Fair value <i>HK\$'000</i>	Fair value adjustment <i>HK\$'000</i>
Property, plant and equipment	–	38,531	38,531
Intangible assets	–	310,579	310,579
Prepayments, deposits and other receivables	390	–	(390)
Bank balances and cash	4	4	–
<b>Total assets</b>	394	349,114	348,720
Other payables and accruals	38,014	38,014	–
Deferred tax liabilities	–	87,278	87,278
<b>Total liabilities</b>	38,014	125,292	87,278
Identifiable net assets/(liabilities) of the Target Group B	(37,620)	223,822	261,442



APPENDIX VII	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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Non-controlling interest represents 26.9% of the fair value of identifiable net assets acquired.

The fair values of the identifiable assets and liabilities of the Target Group B as at 30 June 2023 are based on a valuation report issued by an independent valuer, AP Appraisal Limited.

The carrying amount of identifiable net assets of the Target Group B acquired is subject to change upon the completion of the Acquisition. Consequently, the resultant fair value adjustment on identifiable net assets acquired will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

12. The adjustment represents the estimated transaction costs of approximately HK\$5,000,000, including the accountancy, legal, valuation and other professional services related to the Acquisitions. The expenses are charged to profit or loss directly.
  
13. The Company entered into an agreement to dispose of Century Strong Limited on 24 April 2023 which constitute a very substantial disposal to the Company. Details of the disposal are set out in the announcements of the Company dated 2 May 2023 and the circular of the Company dated 23 June 2023. The assets and liabilities of the Century Strong Limited and its subsidiaries (collectively the “Disposal Group”) are classified as held for sale as at 31 March 2023.

The adjustment represents the financial impacts of the disposal assuming it was completed on 31 March 2023 and is calculated as follows:

	<i>HK\$'000</i>
Consideration (RMB150,000,000)	171,348
Less: Net assets of the Disposal Group	<div style="border-top: 1px solid black; border-bottom: 1px solid black;">171,348</div>
Estimated gain on disposal	<div style="border-top: 3px double black; border-bottom: 3px double black;">-</div>

Net assets of the Disposal Group as at 31 March 2023 represented the assets and liabilities classified as held for sale of the Group as disclosed in the published annual report of the Group for the year ended 31 March 2023.

Conversion of RMB into HK\$ is made at the exchange rate as at 31 March 2023: RMB1 = HK\$1.1423.

14. No adjustments have been made to adjust any trading results or other transactions of the Group or the Target Group entered into subsequent to 31 March 2023 and 30 June 2023.

APPENDIX VII	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF ASIA RESOURCES HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Asia Resources Holdings Limited (the "**Company**") and its subsidiaries, (collectively referred to as the "**Group**") including Yonyin Investment Holdings Limited (the "**Target Company A**") and its subsidiaries (collectively refer as the "**Target Group A**") and Yongming Investment Holdings Limited (the "**Target Company B**") and its subsidiaries (collectively refer as the "**Target Group B**") (together with the Target Groups hereinafter referred to as the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only.

The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 March 2023 and related notes as set out on pages VII-2 to VII-9, of Appendix VII of which has been prepared for inclusion in the circular issued by the Company dated 9 November 2023 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages VII-1 to VII-9 of Appendix VII of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of acquisition of 100% equity interest in the Target Company A and 73.1% equity interest in the Target Company B (the "**Acquisition**") on the Group's consolidated assets and liabilities as at 31 March 2023 as if the Acquisition had taken place at 31 March 2023. As part of this process, information about the Group's consolidated assets and liabilities has been extracted by the Directors from the Group's audited condensed consolidated financial statements as included in the Group's published annual report for the year ended 31 March 2023.

**Directors' Responsibilities 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 Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph rule 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 pro forma financial information.

The purpose of unaudited pro forma financial information included in circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 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 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' judgment, 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 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 rule 4.29(1) of the Listing Rules.

Lau & Au Yeung C.P.A. Limited  
*Certified Public Accountants*  
Au Yeung Tin Wah  
Practising Certificate Number: P02343

9 November 2023

**Asia Resources Holdings Limited**

Mineral Assets controlled by Asia Resources Holdings Limited in the People's Republic of China

Competent Person's Report

AP Appraisal Limited

22/F, West Exchange Tower, 322 Des Voeux Road Central, Sheung Wan, Hong Kong

Contact: [info@apa.com.hk](mailto:info@apa.com.hk)

Tel: (852) 2218 5180

Website: [www.apa.com.hk](http://www.apa.com.hk)

9 November 2023

Competent Person's Report of

Mineral Assets controlled by Asia Resources Holdings Limited in the People's Republic of China

Report Prepared for

Asia Resources Holdings Limited

Compiled by

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Mark Osterberg  
AP Appraisal Limited

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Baolong Zhao  
AP Appraisal Limited

Reviewed by

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Paul Hung  
AP Appraisal Limited

To: Board of Directors

**ASIA RESOURCES HOLDINGS LIMITED**

Room 2601, 26/F

West Tower, Shun Tak Center

168-200 Connaught Road Central

Sheung Wan, Hong Kong

Re: Competent Person's Report

Dear Sirs,

Asia Resources Holdings Limited (the "**ARH**", the "**Client**", or the "**Company ARH**") commissioned AP Appraisal Limited ("**APA**" or the "**Competent Persons**") to prepare a Competent Person's Report (the "**Competent Person's Report**", the "**CPR**", or the "**Report**") for Two Mineral Resources Projects (the "**Projects**", the "**Two Projects**", or the "**Two Mineral Resources Projects**"), separately controlled by ZhenYuan County JiuYuan Mining Co., Ltd (the "**Company JiuYuan**") and ZhenYuan County JinHao Mining Co., Ltd (the "**Company JinHao**"), which are both located at ZhenYuan County, Pu'er City, Yunnan Province, the People's Republic of China (the "**PRC**" or the "**China**").

The Competent Persons prepared the Report in accordance with the Australasian Code for Reporting of Exploration Results, Mineral resources and Ore Reserves (the JORC Code, 2012 Edition) which is the code adopted by the Australasian Institute of Mining and Metallurgy (the "**AusIMM**") and is binding upon all the members of the Society for Mining, Metallurgy & Exploration (the "**SME**") and AusIMM, and the Listing Rules, namely Chapter 18 and the relevant guidance letters published by the Hong Kong Stock Exchange (the "**HKEx**") requiring Mineral resources and Ore Reserves estimates to be submitted under the JORC Code or similar guidelines.

*Report Date: 9 November 2023*

*Effective Date: 30 June 2023*



**EXECUTIVE SUMMARY**

Asia Resources Holdings Limited (the “ARH”, the “Client”, or the “Company ARH”) commissioned AP Appraisal Limited (“APA” or the “Competent Persons”) to prepare a Competent Person’s Report (the “Competent Person’s Report”, the “CPR”, or the “Report”) for Two Mineral Resources Projects (the “Projects”, the “Two Projects”, or the “Two Mineral Resources Projects”), separately controlled by ZhenYuan County JiuYuan Mining Co., Ltd. (the “Company JiuYuan”) and ZhenYuan County JinHao Mining Co., Ltd. (the “Company JinHao”), which are both located at ZhenYuan County, Pu’er City, Yunnan Province, the People’s Republic of China (the “PRC” or the “China”).

The Competent Persons prepared the Report in accordance with the Australasian Code for Reporting of Exploration Results, Mineral resources and Ore Reserves (the JORC Code, 2012 Edition) which is the code adopted by the Australasian Institute of Mining and Metallurgy AusIMM and is binding upon all the members of the SME and AusIMM, and the Listing Rules, namely Chapter 18 and the relevant guidance letters published by the Hong Kong Stock Exchange (the “HKEx”) requiring Mineral resources and Ore Reserves estimates to be submitted under the JORC Code or similar guidelines. The scope of work includes the assessments of following aspects:

- Review operating licenses, permits and other relevant requirements for the operation of the Projects;
- Review the geology and exploration works carried out in the Projects;
- Review and estimate the Mineral Resources and Ore Reserves of the Projects;
- Review the historic operations carried out in the Projects;
- Review the environmental and operational safety, health requirements and performance of the Projects;
- Forecast the operating costs, capital requirements, and economic analysis of the Projects; and
- Make comments and recommendations for the project development.

The work first started in May 2023 in the case of APA after signing services contracts with the Company ARH. The Competent Persons have been collecting data and information materials relevant to the Projects, including digital and/or hard copies of the previous and current geological, technical, and operational Reports. The Competent Persons also obtained and reviewed information of the relevant approvals and permits for the exploration and mining operations of the Two Projects, information regarding to management, environmental protection, and health and safety management of the Projects issued or approved by the bureaus and government departments, as well as the management guidelines made for the mining companies for the aspects mentioned above. The Competent Persons conducted site visits in May 2023 and June 2023 to review and investigate the site condition of the Projects.

#### **Aspiration of Company JiuYuan and Company JinHao**

ZhenYuan County JiuYuan Mining Co., Ltd. (the “**Company JiuYuan**”) and ZhenYuan County JinHao Mining Co., Ltd. (the “**Company JinHao**”) are the ultimate holding company owning the 100% shareholding of the Two Projects. Company JiuYuan is a mineral exploration company and Company JinHao is a mineral mining company in the PRC. Company JiuYuan and Company JinHao recognized the opportunities of the broad applications of lead, zinc, copper and silver minerals and acquired the Projects in ZhenYuan County of Pu'er City in Yunnan Province.

The Competent Persons understand the above synopsis of logic, and the fact that Company JiuYuan and Company JinHao has obtained a controlling interest in two mineral resources companies owning the Two Projects, which are:

- **ZhenYuan County JiuYuan Mining Co., Ltd.**  
*(The Project owned by ZhenYuan County JiuYuan Mining Co., Ltd. is known as the “Project JiuYuan”);*
- **ZhenYuan County JinHao Mining Co., Ltd.**  
*(The Project owned by ZhenYuan County JinHao Mining Co., Ltd. is known as the “Project JinHao”).*

#### **Brief Summary of Project JiuYuan and Project JinHao**

Project JiuYuan, owned by Company JiuYuan, is located at 38° direction in ZhenYuan County, Pu'er City, Yunnan Province, the PRC with a straight-line distance of 22 km. The administrative division belongs to XiaoJie Village, ZhenYuan County, Yunnan Province, the PRC. Project JiuYuan has a mining license of an area of 0.9844 sq. km, with mineral resources of lead and zinc.

Project JinHao, owned by Company JinHao, is located at 35° direction in ZhenYuan County, Pu'er City, Yunnan Province, the PRC with a straight-line distance of about 22km. The administrative division belongs to DengGao Village, ZhenYuan County, Yunnan Province, the PRC. Project JinHao has an exploration license of an area of 7.31 sq. km, with mineral resources of lead, copper, and silver.

#### Exploration History of Project JiuYuan

- i. From 1966 to 1968, the Geological Survey (Second Region) Bureau of Yunnan Province carried out 1:200,000 regional geological survey in the area and submitted the "1:200,000 Regional Geological Survey Report" in 1976.
- ii. In October 2001, the Mineral resources Management Committee in SiMao City approved the "YunSi Reserve Verification (2001) No. 22", which verified 2,000 tons of class 333 Lead and Zinc Metal.
- iii. In 2005, the Land and Resources Bureau of SiMao City approved the "Verification Report on XiaoJie Lead and Zinc Mineral resources and Reserves in ZhenYuan Hani Autonomous County in Yunnan Province", which verified 142,739 tons of class 332 mineral resources, with 3,252 tons of Lead metal and 2,169 tons of Zinc metal, and with grades of 2.28 % and 1.52% for Pb and Zn.
- iv. In June 2008, the Geology and Mineral resources Exploration and Development Bureau of Yunnan Province approved the "Verification Report on XiaoJie Lead and Zinc Mineral resources and Reserves in ZhenYuan County in Yunnan Province", which verified 214,100 tons of indicated and inferred ore resources, with 9,926 tons of Lead and Zinc metal, and with grades of 1.47% and 3.2% for Pb and Zn. There were 87,000 tons of class 332 mineral resources, with 4,016 tons of Lead and Zinc metal, and with grades of 1.61% and 3.01% for Pb and Zn. There were 127,100 tons of class 333 mineral resources, with 5,910 tons of Lead and Zinc metal, and with grades of 1.37% and 3.23% for Pb and Zn.
- v. On May 12, 2013, Kunming LongYuDa Mineral resources Co., Ltd. submitted the "Verification Report on XiaoJie Lead and Zinc Mineral resources and Reserves in ZhenYuan County in Yunnan Province", which was approved by Land and Resources Bureau in Pu'er City in 2008.

- vi. In 2017, the Land and Resources Bureau of Pu'er City approved "Verification Report on XiaoJie Lead and Zinc Mineral resources and Reserves in ZhenYuan County in Yunnan Province", which verified 198,500 tons of class 122b ore reserve, with 3,799 tons of Lead and 8,592 tons of Zinc metal, and with grades of 1.91% and 4.33% for Pb and Zn. It also verified 178,000 tons of class 333 mineral resources, with 3,539 tons of Lead and 9,973 tons of Zinc metal, and with grades of 1.99% and 5.6% for Pb and Zn.

#### **Exploration History of Project JinHao**

- i. The Geological Survey (Second Region) Bureau of Yunnan Province completed the 1:20,000 regional geological and mineral survey at the area around Project JinHao in 1970, The Geophysical Exploration Team of Yunnan Province completed the 1:20,000 geochemical survey of sediments and water system in 1990. The Geological Bureau of JiangXi Province completed the 1:10,000 geochemical survey of Soil in 2008. The Geological Engineering Survey Corporation of Yunnan Province completed the "Exploration Report of DengGao Lead and Copper Mineral resources and Reserves in ZhenYuan County in Yunnan Province" in 2012. The Land and Resources Bureau of Yunnan Province approved the " Verification Report of DengGao Lead and Copper Mineral resources and Reserves in ZhenYuan County in Yunnan Province" in 2012.
- ii. According to the "Exploration Report of Ascend Lead and Copper Ore in Zhenshen County, Yunnan Province" submitted by Yunnan Geological Engineering Exploration Corporation in May 2012, the V1 ore body was carried out, from October 2015 to December 2018.

#### **Mining History of Project JiuYuan**

The Project JiuYuan began infrastructure construction back in 2003 and carried out small-scale mining activities till 2013. From 2014 to 2016, due to the shrinkage of international and domestic metal markets, the mine did not carry out normal mining activities. Project JiuYuan mined 45,330 tons of ores during 2017 -2021. There was no mining activity during 2022 and 2023 since strict pandemic control started in China in 2022.

#### **Mining History of Project JinHao**

As of the Report Date, there is no mining history but only exploration work has been carried out in Project JinHao.

## Geology and Mineralization

### *Project JiuYuan*

The mining area is located at the northern section of the Tanggula-Changdu-Lanping-Simao fold system, the Mojiang-Green Spring Fold Belt, the AiLao Mountain fault and the Amero River fault. The overall appearance of the mining area is a monoclinic structure with northwest and southeast trend, northeast inclined, and an inclination angle of 50 to 65°. The outcropping strata in the mine area mainly include: Silurian (S) thousand rocks, slates, schists; Permian (P?) Slate, melilite, metamorphic siltstone, sandstone, schist, chiliform schist, carbonate rock, sandwiched with multi-layer metamorphic mafic volcanic rock; The lower section of the Triassic Upper Unified Bowl Formation (T3ya) is light gray-purple-gray fine conglomerate, conglomerate-bearing coarse sandstone and mudstone, silty mudstone, siltstone interbedded, interbedded with purple-red sandstone, upper section (T3yb) gray-white-gray-black medium-thick layer massive microcrystalline limestone, dolomitic limestone, argillaceous limestone, ash-gray-green medium-fine-grained quartz sandstone, feldspar quartz sandstone, siltstone, mudstone; The third series of Middle and New (NL) gray-gray-yellow sandstone, conglomerate, siltstone, fine sandstone, mudstone and coal line, coal seam. In the low-lying terrain, there are several meters thick layers of residual slope gravel and clay.

The natural ore types are relatively simple. Lead and zinc ore is mainly galena, sphalerite sulfide ore, and so on. The main minerals are sphalerite, galena, and pyrite. Main types of gangue minerals are quartz, biotite, carbonaceous, and contains a small amount of apatite, chlorite. There main structures of ores are other shaped to semi-self-shaped grain structure, alternating residual structure, and alternating dissolution structure. There are six main types of ore structures: strip structure, speckled structure, block structure, breccia structure, fine vein impregnated structure, honeycomb structure and skin shell structure. The surrounding rock of the mine is shallow metamorphic sandstone and quartzite, due to the good porosity of sandstone, coupled with rock joints, fracture development and other factors, it can become a migration channel and ore-holding site for mineral hydrothermal fluids, forming vein-like and impregnated lead and zinc ore. The origin of the deposit is a dynamic metamorphic low-temperature hydrothermal alteration fracture zone filled with lead and zinc deposit.

*Project JinHao*

The exploration area is located at the northern section of the Tanggula-Changdu-Lanping-Simao fold system, the Mojiang-Green Spring Fold Belt, the AiLao Mountain fault and the Amero River fault. The overall appearance of the mining area is a monoclinic structure with northwest and southeast trend, northeast inclined, and an inclination angle of 50 to 65°. The outcropping strata in the mine area mainly include: Silurian (S) thousand rocks, slates, schists; Permian (P?) Slate, melilite, metamorphic siltstone, sandstone, schist, chiliform schist, carbonate rock, sandwiched with multi-layer metamorphic mafic volcanic rock; The lower section of the Triassic Upper Unified Bowl Formation (T3ya) is light gray-purple-gray fine conglomerate, conglomerate-bearing coarse sandstone and mudstone, silty mudstone, siltstone interbedded, interbedded with purple-red sandstone, upper section (T3yb) gray-white-gray-black medium-thick layer massive microcrystalline limestone, dolomitic limestone, argillaceous limestone, ash-gray-green medium-fine-grained quartz sandstone, feldspar quartz sandstone, siltstone, mudstone; The third series of Middle and New (NL) gray-gray-yellow sandstone, conglomerate, siltstone, fine sandstone, mudstone and coal line, coal seam. In the low-lying terrain, there are several meters thick layers of residual slope gravel and clay.

The natural ore type of ore is mainly sulfide ore, and only sporadic oxidized minerals such as lead alum and malachite are seen in local surface engineering, and the oxidation zone characteristics are not obvious. The main minerals are galena, pyrite, chalcopyrite and zoisite. The gangue minerals are mainly quartz and dolomite, with a small amount of sericite, plagioclase feldspar and calcite. The ore structure of ores is granular metamorphic structure, microscale metamorphic structure, self-shaped semi-self-shaped one-other granular structure, containing structure, crushed structure. The ore structure is mainly an impregnated structure, fine vein-like vein structure and breccia structure. The main useful components in the ore are lead, copper, silver, and the content of other elements is low, which cannot meet the requirements of comprehensive utilization indicators. The surrounding rocks include pyrite mineralization (limonite mineralization), silicification, calcite and so on. The origin of deposit is a medium and low temperature hydrothermal deposit produced in the inter-stratum tectonic fracture zone.

**Resources and Reserves**

Based on the definition of Resources under the JORC Code, the Competent Persons have verified the data of mineral resources/ore reserves reported in the previous geological exploration works and the verification reports for mineral resources/reserves prepared for the Two Projects, including the shape and measurement, and the physical characteristics of the mineral ore bodies/seams to estimate the volumes of the mineral deposits, determining an average grade for each resource blocks to be estimated, and verifying the measurements of the densities. Table ES-1, ES-2, and ES-3 show the results of Mineral Resources and Ore Reserves estimated for Project JiuYuan and Project JinHao.

**Table ES-1: Statement of Mineral Resources of Project JiuYuan as of 30 June 2023**

Name of Project	Chinese Reserves	Quantity (T)	Pb (%)	Zn (%)	Under JORC
	Category				Category
Project JiuYuan	333	178,000	1.99%	5.60%	Inferred

**Table ES-2: Statement of Ore Reserves of Project JiuYuan as of 30 June 2023**

Name of Project	Chinese Reserves	Quantity (T)	Pb (%)	Zn (%)	Under JORC
	Category				Category
Project JiuYuan	122	198,000	1.91%	4.33%	Probable

**Table ES-3: Statement of Mineral Resources of Project JinHao as of 30 June 2023**

Name of Project	Chinese Reserves	Quantity (T)	Pb (%)	Cu (%)	Ag (10 <sup>-6</sup> )	Under JORC
	Category					Category
Project JinHao	331	191,000	5.42%	0.94%	127.41	Measured
	332	666,000	6.39%	1.12%	146.11	Indicated
	333	360,000	6.01%	1.04%	128.64	Inferred

There had been no material changes to the Resource and Reserve estimation of the Projects since 30 June 2023 and up to Report Date.

### **Project Development Plan and Mining Methods**

Given the fact that Project JiuYuan and Project JinHao are in the same geographic area with similar terrain and geological conditions, the same mining method applies to the Two Projects. However, Competent Persons suggested the mining scale of 90,000 t/a for Project JinHao, which is higher than the current mining scale of 30,000 t/a stated in the mining license of Project JiuYuan, due to substantial larger mineral resources amount in Project JinHao. The typical project development system for the Two Projects are adits (main) combined declines. The topography of the area is very suitable for using adits to access the underground mineral deposits. The main adits are used for transportation of

ores, equipment, and workers, and used for fresh air inflows fanned into working places. Normally, an adit services the ore reserves above the level of this adit, and if needed, declines may be developed to assist accessing the ore reserves under the level of the adit. In addition, one or more ventilation adits are also required for forming a ventilation system for the project development.

**Table ES-4: Mining Schedule of the Mineral Deposits from the Two Projects for economic analysis**

Project Name	2024	2025	2026	2027	2028	2029	2030	2031	2032
Project JiuYuan	30,000	30,000	30,000	30,000	30,000	30,000	18,000	-	-
Project JinHao	-	45,000	90,000	90,000	90,000	90,000	90,000	90,000	34,000

The mining methods used for the Two Projects are typical Short-Wall Caving Mining Method for the mining of ores seams as like that used for narrow coal seams' mining in the coal mining industry in China. For the metal mineral deposits at Project JiuYuan and Project JinHao, since the veins are mostly narrow-wide and deep-inclined in nature, the suitable mining method for those veins is the Short-Hole Shrinkage method. Project JiuYuan is expected to start mining in January 2024, while Project JinHao is expected to start mining in July 2025. The forecast for mine life of Project JiuYuan and Project JinHao are both 7 years. The mining recovery rate and dilution rate are 90% and 10% for both Project JiuYuan and Project JinHao.

### **Mineral Processing**

Project JiuYuan adopts the gravity concentration combined with flotation beneficiation process. Firstly, gravity separation is used to select a portion of the lead concentrates, with the intermediate ore undergoing flotation and the tailings being discarded. The flotation process prioritizes the flotation of lead, followed by the flotation of zinc. The tailings are then fed into a shaking table for re-separation of lead, and the intermediate ore is returned to flotation. The tailings are discarded. The recovery rate is 89% for lead, and 81% for zinc.

Project JinHao adopts the mixed flotation of copper monosulfide lead copper lead separation and reconcentration of lead oxide to carry out flotation conditions, grinding fineness, flow structure and small closed circuit test research, respectively. The recovery rate is 89% for lead, 90% for copper, and 85% for silver.



**Infrastructure and Investment**

There are a mining history and invested fixed asset (see Table ES-5) in Project JiuYuan with present value of about RMB 29.4 million. Project JiuYuan can restart operation immediately once the 12 months working capital of about RMB 7.22 million is available according to the requirement of Chapter 18.03 (4) of listing rule of HKEx.

**Table ES-5: Invested fixed asset of Project JiuYuan for the mining scale of 30,000 t/a as at report date**

No.	Department	Present Value (RMB)
1	Mine Equipment	25,400,000
2	Factory	3,400,000
3	Laboratory	147,000
4	Other	461,000
	<b>Total (rounded)</b>	<b>29,400,000</b>

There was only an exploration history but no mining history in Project JinHao. After two times of site visits, interviewing the relevant key staff and the department leaders for gathering data and information as required, and discussing with the relevant technical, operational, and management personnel of their perspectives on the future development plan of the project, Competent Persons provided the suggested capital investment for the mining scale of 90,000 t/a for the Project JinHao in Table ES-6:

**Table ES-6: Suggested Capital Investment of Project JinHao for the mining scale of 90,000 t/a as at report date**

No.	Item	Cost (RMB)
1	Mine Equipment	44,100,000
2	Factory	11,000,000
3	Laboratory	1,300,000
4	Other	3,200,000
5	Resource Tax	45,000,000
6	Contingency Expense	1,000,000
	<b>Total:</b>	<b>105,600,000</b>

### Economic Evaluation

The Competent Persons noted that the Two Projects have been in maintenance status. Project JiuYuan had been idled for about 18 months since strict pandemic control started in 2022 in China. However, as the necessary license, infrastructure, factory, and equipment are available, Project JiuYuan can restart operation immediately in January 2024 if 12-months working capital of about RMB 7.22 million is ready according to the requirement of Chapter 18.03 (4) of listing rule of HKEx. Project JinHao is under application for a mining license. The Competent Persons were provided by the Company with the details of the development plan of Project JinHao. The Competent Persons found no negative issues interfering with the application of mining license of Project JinHao and estimate that the total budget of the capital investment for Project JinHao to start operation in July 2025 is approximately RMB105.6 million. Competent Persons estimated the mining cost of RMB190/t and RMB330/t for Project JiuYuan and Project JinHao, and the processing cost of RMB45/t and RMB80/t for Project JiuYuan and Project JinHao.

Based on the Mineral resources and Ore Reserves (detailed in Chapter 4 of this Report) and the Project Development and Planning (detailed in Chapter 5 of this Report), APA considers that Economic Evaluation (detailed in Chapter 7 of this Report) to be reasonable and achievable based on the current mining equipment and future designs. The Fair Value of the Project JiuYuan and Project JinHao are **RMB34 million** and **RMB207 million**, or **HKD37 million** and **HKD223 million** as of 30 June 2023.

### Safety and Environmental Assessment

The Competent Persons have assessed the safety and environmental control and management issues relating to the developments and operations of the Two Projects. The Competent Persons have reviewed the work safety permit for Project JiuYuan. Project JiuYuan has a valid work safety permit valid until November 2023. For Project JinHao, the application of mining license and work safety permit is under way. The Competent Persons were told that the application of mining license and work safety permit for Project JinHao has been a normal work for the Company JinHao to carry out. The Competent Persons have not found any negative safety or environmental issues interfering with the operations of the Two Projects.

**Competent Persons' Recommendations and Conclusions**

The Competent Persons concluded that:

- Project JiuYuan, Project JinHao are all located within the rich Mineralization zone of Pu'er City, which have opportunities to expand exploration and mining boundaries and increase greatly in resources and reserves of various minerals and deposits including lead, zinc, copper and silver.
- The development system for the Two Projects is simple, i.e., all the Projects using adit combined declines, which has advantages of less capital requirement and easy for operational management. Both mineral ore bodies/seams and surrounding rocks are relatively stable, which are instrumental in the mining operations underground. Traditional mining methods of Short-Wall Caving Mining Method and Short-Hole Shrinkage Method are suitable for extracting ores seams and narrow veins of lead-zinc-tin polymetallic deposits. Both mining methods have good recovery and dilution control advantages.
- As Project JiuYuan has been granted mining licenses, the Competent Persons have not found any negative issues interfering with the application of mining license of Project JinHao which encompassed even substantial larger and more valuable mineral resources in the similar geological area.
- The capital requirement of approximately RMB105.6 million will be used for Project JinHao to build the development systems, factory, purchasing equipment, as well as to apply and renew all the necessary operating, safety, and environmental licenses, permits and certificates.
- Besides the probable ore reserves of 198,000T in Project JiuYuan, and measured mineral resources of 191,000T and indicated mineral resources of 666,000T in Project JinHao under the JORC Category, there are still 178,000T and 360,000T of inferred mineral resources under the JORC Category in Project JiuYuan and Project JinHao respectively. As valuation for Inferred Mineral resources are not permitted under Chapter 18 of the Listing Rules, Competent Persons advise Company JiuYuan and Company JinHao can initiate an intensive exploration program to investigate and upgrade its current and potential mineral resources from inferred resources to indicated or measured resources. As such, the mine life and the value of the Project JiuYuan and Project JinHao could be increased.

**Disclaimer**

The opinions expressed in this Report have been based on the information supplied to AP Appraisal Limited, by Asia Resources Holdings Limited (the "ARH"). The opinions in this Report are provided in response to a specific request from the Company ARH. The Competent Persons have exercised all due care in reviewing the data and information provided by the Company JiuYuan, and Company JinHao. The accuracy of the results and conclusions of the review are entirely based on the accuracy and completeness of the information and data provided by the Company JiuYuan, and Company JinHao.

Competent Persons do not accept any responsibilities for errors or omissions of the information and data provided and do not accept any consequential liabilities arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of the Competent Persons' investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which the Competent Persons had neither prior knowledge nor opportunities to evaluate.

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## LIST OF TERMS AND ABBREVIATIONS

%	Percent
°	Degrees, either of temperature or angle of inclination
°C	Degree Celsius
AAS	Atomic absorption spectrometry
Ag	The chemical element – Silver
ASL	Above Sea Level
Assay	The chemical analysis of mineral samples to determine the metal content
AusIMM	Australasian Institute of Mining and Metallurgy
Capital Expenditure (CAPEX)	All other expenditures not classified as operating costs
cm	Centimeter
Competent Persons	the “AP Appraisal Limited” or the “APA”
Composite	Combining more than one sample result to give an average result over a larger distance
Concentrate	A metal-rich product resulting from a mineral enrichment process such as gravity concentration or flotation, in which most of the desired mineral has been separated from the waste material in the ore
Crushing	Initial process of reducing ore particle size to render it more amenable for further processing
Cu	The chemical element – Copper
Cu.m	Cubic meter

Cut-off Grade (CoG)	The grade of mineralized rock, which determines as to whether or not it is economic to recover its gold content by further concentration
Dilution	Waste, which is unavoidably mined with ore
Dip	Angle of inclination of a geological feature/rock from the horizontal
E	East cardinal direction
EIA	Environmental Impact Assessment
Fault	The surface of a fracture along which movement has occurred
FC	Fixed Carbon
Footwall	The underlying side of an orebody or stope
Fresh	Refer to Fresh minerals (nor-oxidized minerals)
g	Gram
g/t	Gram per tonne
Grade	The measure of concentration of gold within mineralized rock
Hanging wall	The overlying side of an orebody or slope
Haulage	A horizontal underground excavation which is used to transport mined ore
HCl	Hydrochloric Acid
HF	Hydrofluoric Acid
IFC	International Finance Corporation
Igneous	Primary crystalline rock formed by the solidification of magma

Indicated Mineral resources	That part of a Mineral resources for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support project planning and evaluation of the economic viability of the deposit
Inferred Mineral resources	That part of a Mineral resources for which quantity and grade (or quality) are estimated based on limited geological evidence and sampling Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
JORC Code	Code Australasian Code for Reporting of Exploration Results, Mineral resources and Ore Reserves, the current version is 2012
JORC	Joint Ore Reserves Committee
kg	Kilogram, equivalent to 1,000 grams
km	Kilometers, equivalent to 1,000 meters
km <sup>2</sup>	Square kilometers
kt	Thousand tonnes
kt/d or ktpd	Thousand tonnes per day
kt/y or ktpa	Thousand tonnes per year (annum)
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt-hour

kWh/t	Kilowatt-hour per metric tonne
Lithological	Geological description pertaining to different rock types
LoM	Life-of-Mine plans
m	Meter
m <sup>2</sup>	Square Meter
m <sup>3</sup>	Cubic Meter
M	Million
Measured Mineral resources	That part of a Mineral resources for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed project planning and final evaluation of the economic viability of the deposit
Milling	A general term used to describe the process in which the ore is crushed and ground and subjected to physical or chemical treatment to extract the valuable metals to a concentrate or finished product
mm	Millimeter
Mineral/Mining Lease	A lease area for which mineral rights are held
Mining Assets	The Material Properties and Significant Exploration Properties
NPV	Net Present Value
OHS	Occupational health and safety

Ore Reserves	The economically mineable part of a Measured and/or Indicated Mineral resources It includes diluting materials and allowances for losses, which may be occurred when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors
Pb	The chemical element – Lead
Pillar	Rock left behind to help support the excavations in an underground project
RMB	Chinese Yuan
RoM	Run-of-Mine, i.e., raw ore output
S	Sulphur
Shaft	An opening cut downwards from the surface for transporting personnel, equipment supplies, ore and waste
Silicification	Under the action of hydrothermal solution, the rocks produce alteration minerals such as quartz, chalcedony, opal and jasper
Sill	A thin, tabular, horizontal to sub-horizontal body of igneous rock formed by the injection of magma into planar zones of weakness
Smelting	A high temperature pyrometallurgical operation conducted in a furnace, in which the valuable metal is collected to a molten matte or ore phase and separated from the gangue components that accumulate in a less dense molten slag phase
Stope	Underground void created by mining
Stratigraphy	The study of stratified rocks in terms of time and space

Strike	Direction of line formed by the intersection of strata surfaces with the horizontal plane, always perpendicular to the dip direction
Sulfide	A sulfur bearing mineral
t	Tonne (metric ton)
tpa	Tonnes per year (annum)
tpd	Tonnes per day
Tailings	Finely ground waste rock from which valuable minerals or metals have been extracted
Thickening	The process of concentrating solid particles in suspension
Two Projects	namely Project JiuYuan and Project JinHao
Total Expenditure	All expenditures including those of an operating and capital nature
W	West cardinal direction
WSCP	Water and Soil Conservation Plans
Zn	The chemical element – Zinc



## 1. INTRODUCTION

### 1.1. Background

Asia Resources Holdings Limited (the “**ARH**”, the “**Client**”, or the “**Company ARH**”) was incorporated in Bermuda as an exempted company with limited liability, its shares are listed on the Hong Kong Stock Exchange (the “**Stock Exchange**” or the “**HKEx**”). The principal place of business of the Company ARH is Room 2601, 26/F, West Tower Shun Tak Center, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company ARH acts as an investment holding company, while its subsidiaries are principally engaged in (i) water business ;and (ii) property development and investment business in the PRC.

The Company ARH commissioned AP Appraisal Limited (“**APA**” or the “**Competent Persons**”) to prepare a Competent Person’s Report (the “**Competent Person’s Report**”, the “**CPR**”, or the “**Report**”) for Two Mineral Resources Projects (the “**Projects**”, the “**Two Projects**”, or the “**Two Mineral Resources Projects**”), separately controlled by ZhenYuan County JiuYuan Mining Co., Ltd (the “**Company JiuYuan**”) and ZhenYuan County JinHao Mining Co., Ltd (the “**Company JinHao**”), which are both located at ZhenYuan County, Pu’er City, Yunnan Province, the People’s Republic of China (the “**PRC**” or the “**China**”). Details of Company JiuYuan, Company JinHao and the Two Projects are described in section 2.1 and 2.2 in this CPR.

The Competent Persons prepared the Report in accordance with the Australasian Code for Reporting of Exploration Results, Mineral resources and Ore Reserves (the JORC Code, 2012 Edition) which is the code adopted by the Australasian Institute of Mining and Metallurgy (the “**AusIMM**”) and is binding upon all the members of the Society for Mining, Metallurgy & Exploration (the “**SME**”) and AusIMM, and the Listing Rules, namely Chapter 18 and the relevant guidance letters published by the Hong Kong Stock Exchange (the “**HKEx**”) requiring Mineral resources and Ore Reserves estimates to be submitted under the JORC Code or similar guidelines.

It is the Competent Persons’ goal to assess the permits of Two Mineral Resources Projects (the “**Mineral Assets**” or the “**Assets**”). One of the Projects has lead and zinc mineral resources found within the mining license areas, while the other one of the Projects have lead, copper and silver mineral resources found within the exploration license areas.

### 1.2. Scope of Work

The following assignments were included within the Scope of Work under this study for the Competent Persons:

- Complete a site visit with the appropriate personnel;
- Visit all the two Project sites;
- Collect data and relevant information from the Projects and the offices of the owner, related to production, quality, sales contracts, revenues, and expenses;
- Translate the documents on the Two Projects;
- Review and analyze all the data provided;
- Independently update of the Resource and Reserves base, considering the depletion associated with the production which was reported by the active operations;
- Write and present an updated the Report to the Company ARH for review and comment; and Finalize the Report.

### 1.3. Relevant Assets

The Company JiuYuan and Company JinHao comprise the complete holdings and mineral concessions of the following Two Projects on which the Company JiuYuan and Company JinHao has acquired a controlling interest:

- Project JiuYuan, a mine with discovered lead and zinc mineral resources
- Project JinHao, a mine with lead, copper, and silver mineral resources

#### 1.4. Review of Methodology

The Competent Persons' methodology for this study included the following:

- Conducting initial meetings with the senior management of Company JiuYuan and Company JinHao and its personnel.
- Performing site visit to the project sites of all Two Projects.
- Obtaining historic production and quality figures, sales contracts, and operational and capital expenditures, as well as other relevant reports and documents from the owner.
- Providing translation of the documents into English and the reviewing of the material for use in this Report.
- Independently update of the Resource and Reserves base.
- Preparing this Report and submitting it to the Company ARH for review and comments.
- Site Visits and Inspections.

Mr. Baolong Zhao, a consultant of AP Appraisal Limited and a competent person under Chapter 18 of the Listing Rules, carried out site visits to all the two subject Projects in May 2023, respectively. Mr. Paul Hung, a director of AP Appraisal Limited and a competent person under Chapter 18 of the Listing Rules, carried out site visits to all the two subject Projects in June 2023. During the site visits, they interviewed the project directors and technical staff and collected data on the operations. Underground inspections were made at Project JinHao and Project JiuYuan. The Competent Persons observed that these 2 Projects are similar, and the Competent Persons had thorough understanding of the regional geology and Mineralization from the underground visit.

### 1.5. Data Room Review and Organization

The Competent Persons were granted access by Company JiuYuan and Company JinHao to an electronic data room that consists of shared Dropbox folders, which contained legal and technical information on the subject properties. Among other documents, for this Report, the Competent Persons reviewed exploration and exploitation reports, Environmental Impact Assessments (EIA), mineral reserves reports, mining rights evaluations, safety reports, topographical information on the boundaries of the various properties, location of boreholes, miscellaneous technical documents, business, exploration and mining licenses, geologic maps, and many other relevant documents.

Among other documents, the Competent Persons reviewed the following:

- Exploration Reports
- Topographical Surveys
- Geological Reports
- Mineral resources and Reserves Reports
- Safety Reports
- Mining Rights Evaluations
- Various documents containing comments from regulators
- Quality Reports
- Environmental Impact Assessments
- Business Licenses
- Exploration Licenses
- Mining Licenses
- Work Safety Permit
- Exploitation Plans

- Licenses for Blasting Operation Entities
- Pollutants Discharge Permits
- Explosives Storage Licenses
- Project Feasibility Studies

The Competent Persons used these documents to gain knowledge on the subject Projects and their legal status, as well as the quality of the mineral resources. This knowledge, as well as the multiple interviews with project personnel, additional publicly available information and the Competent Persons' visit to the sites, are the foundation of the Competent Persons' technical opinion on the subject Projects.

Over a period of several months Company JiuYuan and Company JinHao continued supplying information on the Projects. In some cases, the information was supplementary to reports and documents already included in the original data room, while at times it was brand new information.

Several iterations of the Two Project's financial model were discussed, and Company JiuYuan and Company JinHao provided new documents, including the approach for the processing of Lead, Copper and Silver from the Project JinHao, which involved setting up its own processing plant.

#### **1.6. Competent Persons' Qualification and Project Team**

AP Appraisal Limited are comprised by a team of national and international professionals, including but not limited to:

- registered real estate valuers,
- registered land valuers,
- registered asset appraisers,
- appraisers from American Society of Appraisers of the United States,
- appraisers from Royal Institution of Chartered Surveyors of the United Kingdom,

- certified financial consultant from the Institute of Financial Consultants of the United States,
- members from Australasian Institute of Mining and Metallurgy of Australia,
- members form Canadian Institute of Mining, Metallurgy and Petroleum of Canada,
- members from Arizona Geological Society, and
- Ph.D. Geology (Economic Geology) from University of Arizona.

APA have adequate labor resources to prepare this Report. The team of APA includes three persons who meet the requirements of a Competent Person & Competent Evaluators, as defined by Chapter 18.21, 18.22, 18.23 of the Listing Rules and relevant guidelines published by the Hong Kong Stock Exchange and two other full-time employees. These team members include experts in geology, mining, mineral processing, environment, IT, finance, management, and valuation. They have been providing professional service for different types of mineral resources projects (including different companies listed on the Hong Kong Stock Exchange) for many years. APA had allocated more than 2,000 working hours in the preparation of this Report. APA is headquartered in Hong Kong and dedicated to providing reliable, high-quality appraisal and consulting services for domestic and foreign customers since establishment.

The expert team of the Competent Persons includes the following Competent Persons:

*Dr. Mark W. Osterberg (PH.D., P.G.)*

Dr. Mark Osterberg is a full-time employee of APA, a registered member of SME, and a member of Arizona Geological Society of the United States. He has worked for major base metal mining companies and has over 42 years of experience in the mining business. He has provided high level technical expertise to projects in the USA and overseas and has managed multiyear exploration and development projects as well. He has expertise and experience in porphyry copper and molybdenum systems, carlin-type gold systems, shear-zone and volcanic-hosted mesothermal gold systems, magmatic Cu-Ni-PGE and construction materials. His project related experience includes grassroots, green-fields reconnaissance programs,

brownfields exploration and development programs, mine geology and modeling. He has developed innovative mapping techniques for regional and mine scale programs, has excellent computer skills and is an expert GIS for Geology practitioner. Given that Dr. Mark Osterberg has more than 10 years of relevant experience to the style of Mineralization and type of deposit under consideration and to the activity which Company JiuYuan and Company JinHao is undertaking, he is qualified to act as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral resources and Ore Reserves (The JORC Code), the Canadian NI 43-101 rules and other relevant international codes.

*Mr. Baolong Zhao (MAusIMM)*

Mr. Baolong Zhao is a full-time employee of APA, and a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM). Mr. Baolong Zhao has been trained as a mining professional and specialist with qualifications, knowledge, and experience covering mining technologies, geology, mineral processing, project management and economic analysis, as well as the knowledge and experiences of the best practices in the areas of safety and occupational health management, social issues, and environmental management in the mining industry. Given that he has more than 10 years of relevant experience to the style of Mineralization and type of deposit under consideration and to the activity which Company JiuYuan and Company JinHao is undertaking, he is qualified to act as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral resources and Ore Reserves (The JORC Code). The Mineral resources estimate complies with the guidelines of the JORC Code; therefore, it is suitable for public reporting.

*Mr. Paul Hung (MAusIMM)*

Mr. Paul Hung is a director of APA. He has over 10 years of combined experience in exploration, mining, mineral processing, economic evaluation and preparing technical reports for industrial mineral, metal, coal, and hard-rock mineral resources projects in the US, Europe, Africa, Australia, and Asia. His experience includes underground operations in epithermal narrow vein gold deposits in Australia; underground oil-shale mines in the US; underground coal mines in China; underground nickel mines in Indonesia; open-pit iron mines in South Africa and Mongolia; open-pit marble mines in Greece; underground silver and gold mines in Chile and Bolivia; and underground gas deposits in Russia and is responsible for valuation including mineral resources, land and real properties, company value, infrastructures,

plants and equipment in Hong Kong and the PRC for purpose of initial public offering, circular, auditing, financing etc. Given that he has more than 10 years of relevant experience to the style of Mineralization and type of deposit under consideration and to the activity which Company JiuYuan and Company JinHao is undertaking, Mr. Paul Hung is a Registered Surveyor and Member of Royal Institution of Chartered Surveyor, Accredited Senior Appraiser of American Society of Appraiser, Certified Business Appraiser of Institute of Business Appraisers of United States, Certified Financial Consultant from the Institute of Financial Consultants of United States, Member of Australasian Institute of Mining and Metallurgy, Member of Canadian Institute of Mining, Metallurgy and Petroleum, Professional Member of Geological Society of America, Professional Member of Society for Mining, Metallurgy, and Exploration, and Member of Society of Petro-physicists and Well Log Analysts.

### 1.7. Competent Persons and Responsibility

#### *Mineral resources Update*

The information in this Report that relates to the estimation of Mineral resources of the Two Projects is jointly compiled by Dr. Mark Osterberg and Mr. Baolong Zhao and reviewed by Mr. Paul Hung, who are full-time employees of APA.

Dr. Mark Osterberg is a member of the Arizona Geological Society of the United States. Mr. Baolong Zhao and Mr. Paul Hung are members of the Australasian Institute of Mining and Metallurgy (the "AusIMM"). Dr. Mark Osterberg, Mr. Baolong Zhao and Mr. Paul Hung have sufficient and recent experience which is relevant to the style of Mineralization and type of deposit under consideration and to the activity which Company JiuYuan and Company JinHao is undertaking. Dr. Mark Osterberg, Mr. Baolong Zhao and Mr. Paul Hung act as Competent Persons as defined in the JORC Code.

Dr. Mark Osterberg, Mr. Baolong Zhao and Mr. Paul Hung have jointly prepared and reviewed, and are jointly and severally responsible for, all the sections of the Competent Person's Report. Dr. Mark Osterberg and Mr. Baolong Zhao are the principal authors responsible for compiling and Mr. Paul Hung is responsible for revision of the major parts of the Report.

The Mineral resources estimate complies with the guidelines of the JORC Code. Therefore, it is suitable for public reporting.



*Ore Reserves Update*

The information in this Report that relates to Ore Reserves is jointly compiled by Dr. Mark Osterberg and Mr. Baolong Zhao and reviewed by Mr. Paul Hung. Dr. Mark Osterberg, Mr. Baolong Zhao and Mr. Paul Hung act as Competent Persons as defined in the JORC Code.

**1.8. Compliance Statement**

The information in this Report is based on information compiled by Dr. Mark Osterberg and Mr. Baolong Zhao and reviewed by Mr. Paul Hung.

Dr. Mark Osterberg is a registered member of SME and has worked for major precious and base metal mining companies for over 42 years. He has provided high level technical expertise to projects in the USA and overseas and has managed multiyear exploration and development projects as well. He has expertise and experience in porphyry copper and molybdenum systems, carlin-type gold systems, shear-zone and volcanic-hosted mesothermal gold systems, magmatic Cu-Ni-PGE and construction materials. His project related experience includes grassroots, green-fields reconnaissance programs, brownfields exploration and development programs, mine geology and modeling. He has developed innovative mapping techniques for regional and mine scale programs, has excellent computer skills and is an expert GIS for Geology practitioner.

Mr. Baolong Zhao is a Member of The Australasian Institute of Mining and Metallurgy since 2008 and is a full-time employee of APA, a consulting firm registered in Hong Kong providing mineral/mining technical services and project valuations. Mr. Zhao has been trained as a mining professional and specialist with qualifications, knowledge, and experience covering mining technologies, geology, mineral processing, project management and economic analysis, as well as the knowledge and experiences of the best practices in the areas of safety and occupational health management, social issues and environmental management in the mining industry. He has overall 20 years relevant experiences regarding the estimations of a mineral/mining project, which includes over five years recent and relevant experiences of estimation Mineral resources and Ore Reserves and technical reviews against the projects that Competent Persons have been reviewing as defined in the JORC Code 2012 Edition and Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (the "VALMIN Code") 2015 Edition adopted by the AusIMM.

Mr. Paul Hung is a Member of The Australasian Institute of Mining and Metallurgy since 2011 and is a full-time employee of APA, a consulting firm registered in Hong Kong providing mineral/mining technical services and project valuations. Mr. Hung has been trained as a mining professional and specialist with qualifications, knowledge, and experience covering mining technologies, geology, mineral processing, project management and economic analysis in the mining industry. He has overall 10 years relevant experiences regarding the estimations of a mineral/mining project, which includes over five years recent and relevant experiences of estimation Mineral resources and Ore Reserves and technical reviews against the projects that Competent Persons have been reviewing as defined in the JORC Code 2012 Edition and Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (the "VALMIN Code") 2015 Edition adopted by the AusIMM.

*Requirements of the Hong Kong Stock Exchange*

Each of Dr. Mark Osterberg, Mr. Baolong Zhao and Mr. Paul Hung meets the requirements of a Competent Person, as defined by Chapter 18 of the Listing Rules and relevant guidelines published by the Hong Kong Stock Exchange. Each of the Competent Persons:

- Has more than ten years' experience relevant to the style of Mineralization and type of deposit under consideration and to the activity which Company JiuYuan and Company JinHao is undertaking;
- Is a member in good standing of a relevant Recognized Professional Organization;
- Does not have economic or beneficial interest (present or contingent) in any of the reported assets;
- Has not received a fee dependent on the findings outlined in the Report;
- Is not an officer, employee of proposed officer for Company ARH, Company JiuYuan, Company JinHao, or any group, holding or associated company of them; and
- Takes overall responsibility for the Report.

*Consent*

As the Competent Persons to prepare and review this Report, each of Dr. Mark Osterberg, Mr. Baolong Zhao and Mr. Paul Hung has given consent to the inclusion in the Report of the matters based on his information in the form and context in which it appears.

Dr. Mark Osterberg:

- graduated with a Degree of Bachelor in Geology from the University of Wisconsin in 1979;
- graduated with a Degree of Master in Geology from the University of Minnesota in 1983;
- graduated with a Degree of Doctor in Geology (Economic Geology) from the University of Arizona in 1990;
- is a registered member of SME the United States;
- is a member from Arizona Geological Society, the United States;
- is a member from American Association of Petroleum Geologies, the United States.

I have gathered data and information as required for the mission, and discussed with the relevant technical, operational, and management personnel their perspectives on the future development plan of the project. I am the principal author responsible for reviewing the major parts of the Report. My contribution to this Report is focused on the preparation of the sections regarding geology. I am not involved with the Two Projects, Company ARH, Company JiuYuan, or Company JinHao. I have no interest, or intention to receive any interest, either directly or indirectly, either from the project itself, or from Company ARH, Company JiuYuan, or Company JinHao and its subsidiaries.

I was a Principal Geoscientist (1994-2001) in BHP in USA, a Senior Geologist (1990-1994), Cyprus Mining Company in USA, a Consulting Geologist (1989), Meridian Gold Company, in USA, a Geologist(1981-1989) in Gold Fields Mining Corporation in USA.

Mr. Baolong Zhao:

- graduated with a Bachelor's degree in Mining Engineering (BSc.) from the Inner Mongolia University of Science Technology in 1985;
- graduated with a Master's degree in Mining Engineering and Technology (MSc.) from Beijing University of Science and Technologies in 1991; and
- graduated with a Master's degree in Environmental Technologies (MSc. Tech) from the University of Waikato New Zealand in 2000.
- is a lecturer (1992-1995) Department of Mining Engineering, the Inner Mongolia University of Science and Technology.
- is a member of the Australasian Institute of Mining and Metallurgy since 2008.
- is a research analyst (1996-1997) from the University of New South Wales Australia.

I certify that I meet the requirements of being a Competent Person to provide a competent person's report for the Company ARH listed on the Hong Kong Stock Exchange. I have worked for mining or investment companies (a few listed companies listed on the Hong Kong Stock Exchange, including Grand T G Gold Holdings Limited (8299.HK), New Times Energy Corporation Limited (166.HK) and Ban Loong Holdings Limited (30.HK) which have mineral properties of gold and silver deposits, lead mine exploration and coal mine survey and exploration as well as lead mining machinery research and development from 2005 to present. I have been responsible for the project investigations, mining, and exploration planning, supervising open pit and underground production duties. I have also supervised exploration programs in China under the relevant guidelines of JORC Code to prepare JORC standard Mineral resources estimates as required by companies listed on the Hong Kong Stock Exchange for Merger and Acquisition (M&A) activities.

For the mineral deposits of Company JiuYuan and Company JinHao located within the municipal district of Pu'er City, I have made site visits and on-site investigations on the Two Projects in May 2023, to have site seeing, interviewing the relevant key staff and the department leaders for gathering data and information as required for the mission, and discussing with the relevant technical, operational, and management personnel of their perspectives on future development plan of the project. My contribution to this Report is focused on the preparation of the sections regarding mining, processing, and economic evaluation. I have no involvements with Company ARH, Company JiuYuan, or Company JinHao. I have no interest, or intention to receive any interest, either directly or indirectly, either from the Two Project, or from Company ARH, Company JiuYuan, Company JinHao, and its subsidiaries.

Mr. Paul Hung:

- graduated with a Degree of Bachelor of Commerce in Banking & Finance from the University of Canberra, in 2001;
- is a surveyor from Royal Institution of Chartered Surveyors, the United Kingdom;
- is an appraiser from American Society of Appraisers, the United States;
- is a member from Australasian Institute of Mining and Metallurgy, Australia;
- is a member from Canadian Institute of Mining, Metallurgy and Petroleum, Canada;
- is a member from Geological Society of America, the United States;
- is a member from Society for Mining, Metallurgy, and Exploration, the United States;
- is a member from Society of Petro-physicists and Well Log Analysts, the United States.

I have been responsible for the project investigations, mining, and exploration planning, supervising exploration programs, supervising open pit and underground production duties, compiling Competent Person's Report and valuation report under the "JORC Code" and the "VALMIN Code", for clients including HanKing (3788.HK), BBMG (2009.HK), China Investment Fund (612.HK), Real Gold Mining, Synergy (1539.HK), Grand TG (8299.HK), New Times Energy (166.HK), Jayden Resources (TSX.V: JDN), China Mining (SGX: BHD), for Merger and Acquisition activities.

On the Two Projects, I have made site visits and on-site investigations on the Two Projects in June 2023. I have interviewed the relevant key staff and the department leaders for gathering data and information as required for the mission, and discussing with the relevant technical, operational, and management personnel of their perspectives on future development plan of the project. I am a co-author responsible for preparing and compiling the major parts of the Report. I am not involved with the Two Projects, Company ARH, Company JiuYuan, and Company JinHao. I have no interest, or intention to receive any interest, either directly or indirectly, either from the Two Project itself, or from Company ARH, Company JiuYuan, or Company JinHao, and its subsidiaries.

#### **1.9. Limitation and Exclusions**

The review was based on various reports, plans and tabulations provided by Company JiuYuan and Company JinHao, either directly from the Project sites and other offices, or from reports by other organizations whose work is the property of Company JiuYuan and Company JinHao. Company JiuYuan and Company JinHao has not advised the Competent Persons of any material change, or event likely to cause material change, to the operations or forecasts since the date of asset inspections.

The work undertaken for this Report is that required for a review of the project information and prepare a Competent Person's Report. This Report specifically excludes all aspects of legal issues, commercial and financing matters, land titles and agreements, excepting such aspects may directly influence technical, operational, or cost matters.

### 1.10. Responsibility and Context of this Report

The contents of this Report have been created using data and information provided by Company JiuYuan and Company JinHao. The Competent Persons accept no liability for the accuracy or completeness of data and information provided to it by, or obtained by it from Company JiuYuan and Company JinHao, or any third parties, even if that data and information has been incorporated into or relied upon in creating this Report. This Report has been prepared by the Competent Persons using information that is available to the Competent Persons as of the date stated on the cover page. This Report cannot be relied upon in any way if the information provided to the Competent Persons changes.

### 1.11. Indemnities

As recommended by the JORC Code, Company ARH has provided the Competent Persons with an indemnity under which the Competent Persons are to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from the Competent Persons' reliance on information provided by the Company or to the Company not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

## 2. PROJECT DESCRIPTION AND LOCATION

### 2.1. Introduction of the Company JiuYuan and Company JinHao

The Two Mineral Resources Projects, (the "Projects", the "Two Projects", or the "Two Mineral Resources Projects"), namely the Project JiuYuan (the "Project JiuYuan") and the Project JinHao (the "Project JinHao") are both located at ZhenYuan County, Pu'er City, Yunnan Province, the People's Republic of China (the "PRC" or "China"). Project JiuYuan is directly and 100% controlled by ZhenYuan County JiuYuan Mining Co., Ltd. (the "Company JiuYuan"). Project JinHao is directly and 100% controlled by ZhenYuan County JinHao Mining Co., Ltd. (the "Company JinHao").

The registered business number of Company JiuYuan is 91530825670895798W, and the registered address is JiuJia Town of JiuYuan County in Pu'er City, in Yunnan Province in PRC. The registered business number of Company JinHao is 915308257785843852 and the registered address is YinShui Road of JiuYuan County in Pu'er City in Yunnan Province in PRC.

## 2.2. Overview of the Two Projects

Project JiuYuan, located at ZhenYuan County, Pu'er City, Yunnan Province in China, consist of a mining license with minerals of lead and zinc. Project JinHao, located at ZhenYuan County, Pu'er City, Yunnan Province in China, consist of an exploration license with minerals of lead, copper, and silver. The following section provides a brief description of the Two Projects. Table 2-1 sets out a list of the names of the economic mineral resources and/or ore reserves at each of the Two Projects and their location.

**Table 2-1 Produced Minerals and Location of the 2 Projects**

Project				
No.	Project Name	Mineral	License	Project location
1	Project JiuYuan	Lead and Zinc	Mining	ZhenYuan County, Pu'er City, Yunnan Province
2	Project JinHao	Lead, Copper & Silver	Exploration	ZhenYuan County, Pu'er City, Yunnan Province

### 2.2.1. Project JiuYuan and its Transportation

Project JiuYuan is located at 38° in ZhenYuan County, Pu'er City, Yunnan Province, The PRC, with a straight-line distance of 22 km, in the territory of Xiaojie Village Committee of JiuJia Town, ZhenYuan County. Geographical coordinates (extremes, 1980 Xi'an coordinate system): 101°13, 57"~101°15, 13"E; 24°09, 10"~24°10, 16"N. The road between mine to EnLe (ZhenYuan)-JiuJia Highway is connected by a gravel road 3 km in length. The mine to the north to JiuJia ZhenFu is asphalt road, 15 km in length, to the south to ZhenYuan County Town is asphalt road, 65 km in length, distance to JiuJia to ZhenYuan County is 80 km, to ZhenYuan County is 68 km, ZhenYuan County is 184 km from Pu'er City, and ZhenYuan County is 455 km away from Kunming. The traffic in the mine is relatively convenient. (See Figure 2-1, 2-2, 2-3 and 2-4 for details)



### 2.2.2. Project JinHao and its Transportation

Project JinHao is located at 35° direction of EnLe Town, ZhenYuan County, Yunnan Province, with a straight distance of about 22km, and the administrative division belongs to Deng Gao Village, JiuJia Township, ZhenYuan County, Yunnan Province, the PRC. The exploration area has a simple sand and gravel road to JiuJia Township through Deng Gao Village, JiuJia Township has an asphalt road leading to the county area, the length of the road from the mine area to the county area is 60km, the travel distance from ZhenYuan County to Pu'er City is about 189km, and the travel distance from the mine area is about 460km from the Kunming, the provincial capital of Yunnan. The transportation is quite convenient. Geographical coordinates of prospecting rights in the exploration area (using 2000 geodetic coordinate system): 101°11, 19" ~ 101°14, 5 8"E, 24°0 7, 04" ~ 24°09, 47"N. (see Figure 2-1, 2-2, 2-3 and 2-4 for details)

**Figure 2-1 The Yunnan Province in China the Two Projects located**



Figure 2-2 The ZhenYuan County the Two Projects located

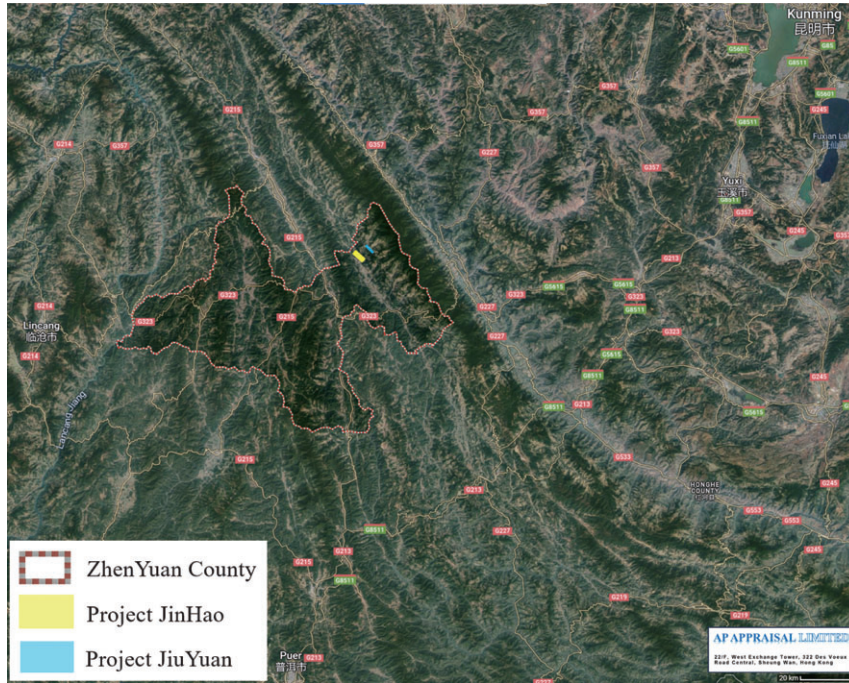
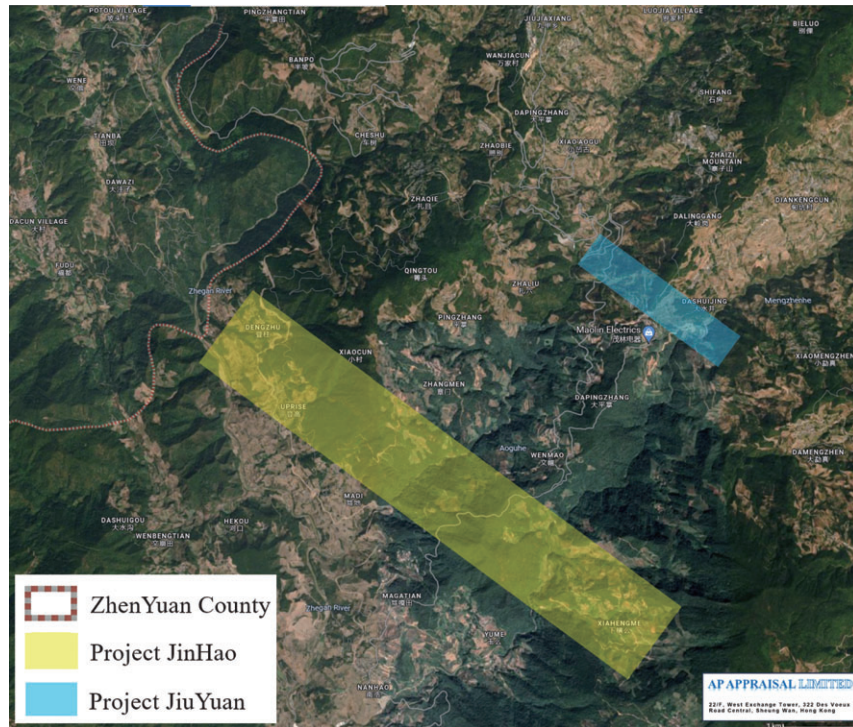


Figure 2-3 Location Map of the Two Projects in ZhenYuan County



Figure 2-4 Detail Location Map of the Two Projects in ZhenYuan County



### 2.3. Regional Environment

Given the fact that these Two Projects are in the same geographic area, that climate of this area belongs to subtropical monsoon climate zone, with a maximum temperature of 36.2°C and a minimum temperature of 2.1°C. The annual average temperature of 18.5°C. The average frost-free period is 318 days annually, and the average sunshine time per day is 5.86 hours. Annual precipitation ranged from 1,124.6 to 1,432.6mm; average precipitation is 1,284.8mm annually. Rainfall concentrates mostly between May and October when the period accounts for about 80% of the annual rainfall. Maximum daily precipitation is 135.90mm, and the dry season starts from November to April the next year. Average humidity is 78%. The wind direction is mostly southerly, and the average annual wind speed is 1.1m/s.

### *2.3.1. The Regional Environment for Project JiuYuan*

The exploration area is located at the southeast of Hengduan Mountain Range, and the main body of the mountain range runs in a northwest-southeast direction, which belongs to the western slope of the foothills of Ailao Mountain. The terrain is high in the north and east and low in the south and west. The highest point in the area is Xunzhen Liangzi, with an altitude of 2,354.8m; the lowest point is the western Jiaotu Dry River Valley, with an altitude of 990m (the lowest erosion base preparation surface in the region), and the maximum relative height difference is 1,364.8m, which is the high mountain deep cutting area. The elevation in the mine area ranged from 1,180-2,260m, and the maximum relative height difference is 1,080m. The surface water system in the area is developed and distributed in the shape of branches, and the rivers in the area belong to the Amer River system, a tributary of the Lixian River.

The Xiaojie River, which is the closest to the mine area, flows from northeast to southwest in the mine area and joins the Jie Gang River, and the Huimo Dagou flows from the southeast to west runoff of the mine area into the Xiaojie River. The Jie Gang River flows from north to south and finally joins the Amor River, which belongs to the Red River system. The flow rate of Xiaojie River in the dry season is 794.64 L/s, and the back grinding ditch was 15.32L/s.

The mine area and its surroundings mainly include villages such as Jiujia, Deng Gao, Zhalu, Xiaojie, and Shitie, and the residents are mainly Yi and Han. Crops mainly include rice, wheat, corn, tobacco, sweet potatoes, etc., The economy is relatively lagging due to its location being located at higher altitude mountainous areas. The high-voltage power grid passes the side of the mine area, program-controlled telephone has been connected to township first level, and the wireless signal has covered the mine area. Water, electricity, roads and so on in the mine area can roughly meet the future needs of mine production and life.

### *2.3.2. The Regional Environment for Project JinHao*

The mining area is located on the western slope of the northern section of the Ailao Mountain Range and Hengduan Mountain, the mountain range is generally northwest-southeast, the terrain slopes from east to west, due to the erosion of rivers flowing east to west, a deep cut landform between mountains and rivers is formed, the mountains are steep, and ravines are developed. The highest point in the area is at the northern mountain top of Dashanjing, with an altitude of 1,887.6m. The lowest point is at the Suokou River Valley, with an altitude of 1,250 m. There is a relative height difference of 637.6m, which belongs to the middle cutting area of Zhongshan. The terrain in the area is steep, with slope generally being at 20-30°.

The regional rivers belong to the Red River system. The Gonggu River and the Jingkeng River in the area are located in the northwest and southeast region of the mine, respectively, and flow into the Jikan River from the northeast to the southwest, passing through the Guma River and the Amer River Merge into the Lixian River. The State Grid has covered the mine area and has sufficient power supply.

The residents in the district are mainly Yi and Hani, mixed with Han, Lahu and other ethnic groups. This group's population is relatively small. The mine is a typical mountainous agricultural township, without industrial and mining enterprises, and the economy is mainly based on traditional agricultural economy. The main food crops are rice and corn, and the main cash crops are tea, lac and peanuts.

## **2.4. Licenses And Approvals**

The Mineral resources Law ("MRL") is the national law governing the prospection for and extraction of mines in China and the registration of mining rights. The MRL was promulgated by the Standing Committee of the National People's Congress on March 19, 1986, and amended in 1996 and 2009, respectively.

The Ministry of Natural Resources (“MNR”) and its local bureaus are the primary governmental bodies administering the mining industry together with other ministries and departments that regulate other aspects of the mining industry. For example, the Ministry of Ecology and Environment (“MEE”) is responsible for environmental protection, and the Ministry of Commerce is responsible for regulating the import and export of mineral products. Other sources of law affecting the mining industry includes rules, regulations and guidelines:

- (i) by the State Council, for example, the Measures for the Administration of Transfer of Mineral Exploration Rights and Mining Rights;
- (ii) by local People’s Congresses and their standing committees at various governmental levels, for example, the Administrative Regulations on Mineral resources in Beijing; and
- (iii) by central-level ministries, commissions, and agencies under the direct supervision of the State Council, for example, the Administrative Rules on Shanghai Mining Rights Market.

The following tables set out the details of the 2 licenses of mine that the Company JiuYuan and Company JinHao has controlled:

**Table 2-2 Mining License for Project JiuYuan**

Project Name	Project JiuYuan
Name of Mine	ZhenYuan County XiaoJie lead and zinc mine
Name of Certificate	Mining license
Mining Right Holder	ZhenYuan County JiuYuan Mining Co., Ltd
License Number	C5300002008093220000808
Location	ZhenYuan County, Yunnan Province, the PRC
Corporate Entity	Limited Liability Company
License Area	0.9844 sq. km
Validation period	7 years, from 25 July 2019 to 25 July 2026

Issuing Authority	Land and Resources Bureau in Pu'er City
Issue Date	25 July 2019
Production scale	30,000 tons/year
Mining Method	Underground Mining
Minerals to be extracted	Lead ore, Zinc ore
Mining Elevation	1,590m to 1,200m elevation

**Table 2-3 Table of inflection point coordinates of mine area in Project JiuYuan**

Number of the inflection point	1954 Beijing coordinate system		1980 Xi'an coordinate system	
	X	Y	X	Y
Mine 1	2674537	34422290.1	2674476.05	34422203.68
Mine 2	2674001.9	34423003.4	2673940.95	34422916.98
Mine 3	2672994.9	34423811.5	2672933.95	34423725.08
Mine 4	2672705.9	34424240.2	2672644.95	34424153.79
Mine 5	2672495.3	34424035.7	2672434.35	34423949.28
Mine 6	2672746.5	34423510.3	2672685.55	34423423.88
Mine 7	2673748.8	34422688.1	2673687.85	34422601.68
Mine 8	2674301	34422110.1	2674240.05	34422023.68

The mine area is 0.9844km<sup>2</sup>, mining elevation is 1,590-1,200m

**Table 2-4 Exploration License for Project JinHao**

Project Name	Project JinHao
Name of Mine	ZhenYuan County DengGao lead and copper mine
Name of Certificate	Exploration License
Exploration Right Holder	ZhenYuan County JinHao Mining Co., Ltd

Exploration License Number	T5308002008013010003569
Location	ZhenYuan County, Yunnan Province, the PRC
Corporate Entity	Limited Liability Company
License Area	7.31km <sup>2</sup>
Validation period	5 years, From 25 July 2022 to 25 July 2027
Issuing Authority	Land and Resources Bureau in Pu'er City
Issue Date	25 July 2022

**Table 2-5 Table of Area of Prospecting right and coordinates of the inflection points (using 2000 National Geodetic Coordinate System)**

The inflection point number	Geographic coordinates (2000 National Geodetic Coordinate System)		3° with Cartesian coordinates (2000 National Geodetic Coordinate System)	
	Longitude	Latitude	X (m)	Y (m)
1	101°11'19.011"	24°09'47.433"	2673587.59	34417542.25
2	101°12'11.185"	24°09'47.726"	2673609.93	34419010.41
3	101°12'11.423"	24°09'03.706"	2672256.1	34419002.71
4	101°13'25.910"	24°07'58.252"	2670213.48	34421108.94
5	101°14'58.911"	24°07'58.252"	2670199.18	34423734.98
6	101°14'58.910"	24°07'04.252"	2668537.68	34423726.08
7	101°13'51.913"	24°07'10.252"	2668732.54	34421835
8	101°13'35.910"	24°07'32.252"	2669411.93	34421386.89
9	101°13'19.819"	24°08'01.718"	2670337.49	34420940.2
10	101°12'01.336"	24°08'33.693"	2671334.65	34418715.11
11	101°11'37.200"	24°09'03.881"	2672261.6	34418042.78
12	101°11'19.021"	24°09'03.804"	2672264.53	34417534.58

Total Exploration Area: 7.31km<sup>2</sup>



## 2.5. Exploration History

### 2.5.1. Exploration History of Project JiuYuan

- i. From 1966 to 1968, the Geological Survey (Second Region) Bureau of Yunnan Province carried out 1:200,000 regional geological survey in the area and submitted the "1:200,000 Regional Geological Survey Report" in 1976.
- ii. In October 2001, the Mineral resources Management Committee in SiMao City approved the "YunSi Reserve Verification (2001) No. 22", which verified 2,000 tons of class 333 Lead and Zinc Metal.
- iii. In 2005, the Land and Resources Bureau of SiMao City approved the "Verification Report on XiaoJie Lead and Zinc Mineral resources and Reserves in ZhenYuan Hani Autonomous County in Yunnan Province", which verified 142,739 tons of class 332 mineral resources, with 3,252 tons of Lead metal and 2,169 tons of Zinc metal, and with grades of 2.28 % and 1.52% for Pb and Zn.
- iv. In June 2008, the Geology and Mineral resources Exploration and Development Bureau of Yunnan Province approved the "Verification Report on XiaoJie Lead and Zinc Mineral resources and Reserves in ZhenYuan County in Yunnan Province", which verified 214,100 tons of indicated and inferred ore resources, with 9,926 tons of Lead and Zinc metal, and with grades of 1.47% and 3.2% for Pb and Zn. There were 87,000 tons of class 332 mineral resources, with 4,016 tons of Lead and Zinc metal, and with grades of 1.61% and 3.01% for Pb and Zn. There were 127,100 tons of class 333 mineral resources, with 5,910 tons of Lead and Zinc metal, and with grades of 1.37% and 3.23% for Pb and Zn.
- v. On May 12, 2013, Kunming LongYuDa Mineral resources Co., Ltd. submitted the "Verification Report on XiaoJie Lead and Zinc Mineral resources and Reserves in ZhenYuan County in Yunnan Province", which was approved by Land and Resources Bureau in Pu'er City in 2008, which stated the amount of lead and zinc ore and metal as Table 2-6 below.

Table 2-6 Summary Table of Resource reserves estimation results

Resource quantity type	Resource quantity category	Ore amount ('000 ton)	Metal quantity (tons)			Remarks
			lead	zinc	Lead and zinc	
111b + 122b + 333	Verified Volume	361.5	6,629	9,115	15,744	Average Pb grade: 1.82%, Zn
111b	Mined volume	235.3	4,715	5,169	9,884	2.50%.
122b + 333	Retained volume	129.8	1,914	3,946	5,860	

In 2017, the Land and Resources Bureau of Pu'er City approved "Verification Report on XiaoJie Lead and Zinc Mineral resources and Reserves in ZhenYuan County in Yunnan Province", which verified 198,500 tons of class 122b ore reserve, with 3,799 tons of Lead and 8,592 tons of Zinc metal, and with grades of 1.91% and 4.33% for Pb and Zn. It also verified 178,000 tons of class 333 mineral resources, with 3,539 tons of Lead and 9,973 tons of Zinc metal, and with grades of 1.99% and 5.6% for Pb and Zn.

#### 2.5.2. Exploration History of Project JinHao

The Geological Survey (Second Region) Bureau of Yunnan Province completed the 1:20,000 regional geological and mineral survey at the area around Project JinHao in 1970, The Geophysical Exploration Team of Yunnan Province completed the 1:20,000 geochemical survey of sediments and water system in 1990. The Geological Bureau of JiangXi Province completed the 1:10,000 geochemical survey of Soil in 2008. The Geological Engineering Survey Corporation of Yunnan Province completed the "Exploration Report of DengGao Lead and Copper Mineral resources and Reserves in ZhenYuan County in Yunnan Province" in 2012. The Land and Resources Bureau of Yunnan Province approved the " Verification Report of DengGao Lead and Copper Mineral resources and Reserves in ZhenYuan County in Yunnan Province" in 2012.

**Table 2-7 Table of Exploration work completed in Project JinHao between 2008 and 2012**

	Work	Unit	Completed
Topographic survey	1:2,000 topographic survey	km <sup>2</sup>	2.04
Geological Survey	1:10,000 geological survey	km <sup>2</sup>	41
	1:2,000 geological survey	km <sup>2</sup>	2.04
	1:2,000 water and environment survey	km <sup>2</sup>	2.04
	1:1,000 exploration line cross-section survey	km	2
Geophysical survey	Geophysical electromagnetic (EH4) cross-section survey	km	3.6
Geochemical Survey	1:1,000 Geochemical Survey	km <sup>2</sup>	6.6
Exploration	Trench	m <sup>3</sup> /pcs	1,850/8
	Adit	m/pcs	1,318/4
	Shaft	m/pcs	421/3
Assay	Chemical Assay	pcs	298
	Mineralogical and petrological Assay	pcs	2
	Group Assay	pcs	11
	Internal Assay	pcs	30
	External Assay	pcs	15
	light weight Assay	pcs	40
	Phase Assay	pcs	11
	Processing Assay	pcs	1
	Water Quality Assay	pcs	2
Rock Mechanic Assay	pcs	20	

## 2.6. The History of Mining

### 2.6.1. Mining History of Project JiuYuan

The Project JiuYuan began infrastructure construction back in 2003 and carried out small-scale mining activities till 2013. From 2014 to 2016, due to the shrinkage of international and domestic metal markets, the mine did not carry out normal mining activities. Project JiuYuan mined 45,330 tons of ores during 2017 -2021. There was no mining activity during 2022 and 2023 since strict pandemic control started in 2022.

**Table 2-8 Summary Table of extracted ores from Xiaojie lead and zinc mine in ZhenYuan County (From 2005 -May 2023)**

No.	Year	Production (‘000 tons)	Remarks
1	From 2003 and 2005	33.8	Data provided by the mine owner
2	2006	44.8	
3	2007	41.7	
4	2008	22.4	
5	From 2008 to July 2013	92.6	
6	From 2014 to December 2016	34.8	
7	2017 to May 2021	45.33	
<b>Subtotal</b>		<b>315.43</b>	

### 2.6.2. Mining History of Project JinHao

As of the Valuation Date, there is no mining history but only exploration work has been carried out in the mine. The history of exploration and physical work completed is described in section 2.5.2, Exploration History of Project JinHao. The mining plan is described in section 5.2 in this Report.

### 3. GEOLOGY

This section summarizes the information available on the regional and local geology of the subject projects.

Regional geology can be defined as the link between global continental geology and local geology. Modern regional geology seeks to synthesize the work of early explorers all the way to modern surveys by governments, academic scientists and earth scientists involved in exploration and exploitation of ores, coal, hydrocarbon, and water resources. In recent years, the information required for a complete appreciation of regional geology includes a large variety of geochemical and geophysical observations.

The local geology focuses on more specific features of the geology within the boundaries of the projects and its immediate area of influence. As previously mentioned, the Two Projects located in Yunnan Province within the PRC and include diverse geological environments, as diverse as the geology of China itself.

#### 3.1. Regional Geology

The geomorphology of China can be divided into several parts. The historical center of Chinese culture is on the loess plateau, the world's largest Quaternary loess deposit, and on the alluvial lands at the east of it. The alluvial East China plain extends from just south of Beijing in the north, to the Yangtze River delta in the south, punctuated only by the igneous Shandong highlands and peninsula.

South of the Yangtze River, most of the landscape is mountainous, dominated by sedimentary deposits and by the South China Craton. The most famous scenery in China is found in the karst landscapes of Guangxi and Yunnan provinces. The alluvial Sichuan basin is surrounded by mountains, the QinLing mountains to the north and the Himalaya to the west and southwest. Much of Northeast China, or Manchuria, is dominated by alluvial plains, but the border regions with Korea are also highly mountainous. In the west, most of the Tibetan Plateau is in China, and averages over 4,000 meters in elevation. The Yunnan-Guizhou plateau is also an extension of the Tibetan Plateau. The area where Yunnan province is located (South China Block) was in the marine environment for a long time in the Paleozoic Era, especially in the Carboniferous and Permian period. 280 million years ago, the shallow sea formed a large area of limestone deposits. Later, due to tectonic movement, Yunnan region was continuously uplifted and turned into land.

The tectonic location of these Two Projects are in the north section of Mojiang Luchun fold belt of Tanggula Changdu Lanping Simao fold system, between Ailao Mountains fault and Amujiang fault. This area is in the Jiuji fault active zone of Ailao Mountains Fracture zone. The fault structure in the area is dominated by northwest Fracture zone; Magmatic activity strongly fissured, forming NW trending multi-stage intrusive granite body, rock vein body and many intermediate basic Diabase, quartz vein rocks.

### *3.1.1. Stratum*

The exposed strata in the area, from old to new, mainly include the Proterozoic (Pt), Silurian (S), Carboniferous (C), Permian (P?), Triassic (T), Jurassic (J), Cretaceous (K), Tertiary Miocene (N1), and Quaternary (Q). The overall distribution of each layer is from northwest to southeast. It is now divided into the following:

**Proterozoic (Pt):** Proterozoic (Pt) is distributed in the northeast side of Ailao Mountains fault, belonging to the Xiaoyangjie Formation (Ptx) of Ailao Mountains Group. It is black plagioclase granulite, Gneiss, granite Gneiss, schist, microcrystalline schist, granulite with marble, and the thickness is unknown.

**Silurian System (S):** Mainly Metamorphic rock, exposed along the west slope of Ailao Mountain. Its original rock is Sedimentary rock, and Phyllite, slate and schist are formed after regional metamorphism. The thickness is about 5000 meters.

**Carboniferous System (C):** Distributed near Zhanniu River and Zhedong Street, the lithology is mainly sandstone, slate, and limestone.

**Permian (P?):** It is distributed on the west slope of Ailao Mountain, in fault contact with the "Ailao Mountains Deep Metamorphic zone" in the east and the Upper Permian and Upper Triassic in the west. The lithology is mostly grayish green and grayish black. The original rock mainly consists of argillaceous and sandy clastic sediments. After slight regional metamorphism, it has become various slate, Phyllite, metamorphic Siltstone, metasandstone, schist, chylonoid schist, characterized by multiple layers of metamorphic basic lava, and mixed with metamorphic iron ore deposits. The thickness is greater than 4,000 meters.

Triassic System (T): Only the Upper Triassic (T3) is exposed in the area. Due to later structural damage, incomplete and sporadic exposure, the distribution area is narrow. It borders Ailao Mountains Metamorphic rock in the east and Permian and Jurassic strata in the west. It is composed of Luma Formation (T3l) and Yiwanshui Formation (T3y), which are in integrated contact. Luma Formation is mainly composed of variegated sand shale, Yiwanshui Formation is composed of upper and lower members, the upper member is the deposit of Carbonate rock and Clastic rock interbedding, and the lower member is mainly Clastic rock. The thickness is greater than 1,900 meters.

Jurassic (J): The area is well developed and widely distributed, consisting of upper Jingxing Formation, middle Bazhulu Formation, Hepingxiang Formation and Yaqi Formation, mainly composed of sandstone and mudstone. The thickness is greater than 2,500 meters.

Cretaceous System (K): The lower Cretaceous Mangang Formation (K1m) can be seen in the area, which can be divided into upper and lower sections based on lithology and is in fault contact. The upper section is an interbedded layer of purple red mudstone with varying thicknesses of brown gray and purple red siltstone, mixed with a small amount of conglomerate, with a thickness greater than 1,457 meters; The lower section is light yellow and purple, gray medium and fine feldspathic quartz sandstone mixed with purple red argillaceous Siltstone.

Tertiary Miocene (N1): It is composed of conglomerate, sandstone, and mudstone, with brown coal seams commonly present in the middle. Mainly exposed in depression basins, unconformity above underlying strata, locally in fault contact, with a thickness of approximately 732 meters.

Quaternary System (Q): Extremely underdeveloped, found sporadically in foothills and on both sides of modern rivers. Alluvium consists of mud, sand and gravel; The residual and deluvial layers are mainly composed of yellow clay, laterite, and rock blocks. The thickness is greater than 1,100 meters.

### *3.1.2. Structure*

The development of geological structures in this area is mainly divided into three major tectonic cycles, namely the Jinning tectonic cycle, the Indosinian Yanshan tectonic cycle, and the Himalayan tectonic cycle. The form of the Jinning period structure is characterized by tight folds, often alternating and continuously developing in the form of compound folds and waves; The main types of fractures are regional high angle compressive fractures, followed by tensile and torsional fractures. During the Indosinian Yanshan period, the fold structure was mainly of the intermediate type, mostly developed as oblique and inclined folds, with local vertical and inverted folds; The most common type of fracture is strike compression fracture. During the Himalayan period, there was mainly differential block uplift and subsidence, mainly the revival of deep and large faults in the area, and the folds were gentle and wide spreading. These tectonic lines of different periods and tectonic periods form their own systems, but they inherit, interfere, and composite with each other, resulting in a more complex geological structure outline in this area.

The main structural line direction in this area is northwest-southeast, mainly composed of fault structures with fewer folds.

### *3.1.3. Fracture*

The main faults in the area are northwest trending faults, and there are also smaller and later formed northeast trending faults that were formed in the early stages of staggered faults. Among the NW trending faults, the Ailao Mountains fault, Jiujia fault, Miyajie fault, and Lidi fault are the most striking ones in terms of their scale.



*AiLao Mountains Fault*

Distributed in the northeast direction of the mining area, it is a deep and large fault, extending roughly along the watershed, and cutting the northwest Ailao Mountains structural belt into two parts. The east side is the Ailao Mountains deep Metamorphic zone (composed of folds, compression zones and faults), and the west side is the Ailao Mountains shallow Metamorphic zone (composed of folds and fractures). In the region, the Ailao Mountains fault is about 82 kilometers long, and both the north and south ends extend out of the area. The fault line is wavy, trending northwest southeast, dipping northeast, and dipping 60°-70°. The Ailao Mountains fault is the boundary fault between the Ailao Mountains deep Metamorphic zone on the northeast side and the Silurian and Permian systems on the southwest side.

The AiLao Mountains deep fault is one of the main faults that have been revived for a long time. At the beginning, it was a reverse fault mainly formed by the horizontal compression force from the northeast southwest direction. Later, it appeared in the form of differential ascending and descending movement, resulting in the phenomenon that the footwall on the west side of the Fracture zone was relatively down and rising again. As a result, along the fault line about 40 kilometers long, there were obvious fault residual triangles exposed on the west side, with steep terrain and flat and wide east side.

*JiuJia fracture*

It is in the southwest of the AiLao Mountains fault, striking northwest, extending out of the area at the north and south ends, with a length of about 70 kilometers. It is the boundary fault between the Silurian and Permian systems on the northeast side of the AiLao Mountains shallow Metamorphic zone and the normal Sedimentary rock distribution area on the southwest side.

The fault is a large compressive fault, which was formed at the same time as AiLao Mountains deep fault, AiLao Mountains compression zone and HongHe deep fault. The fault line is wavy, trending northwest southeast, dipping northeast, and dipping 30°-40°, which is a Thrust fault. Many YanShaNian intermediate basic and ultrabasic rock bodies and crushed Breccia belts are distributed along the fault, with a bandwidth of tens to hundreds of meters. Tectonite is highly silicified, hard, and brittle, and often develops many quartz veins. The rocks on both sides of the fracture are broken, and there are clear fracture scratches on the compressed fracture surface.

#### *MiYa Street Fault*

The fault line passes through Miya Street and is approximately 23 kilometers long. This fault is often staggered by east-west transverse fault layers, with a strike of northwest southeast and a dip angle of 80 ° towards the southwest. It is a high angle normal fault. It is mainly distributed in the Triassic strata, and the southern section is covered by the Tertiary basin. Structural Breccia can be seen along the fault line, and the breccia is composed of limestone, Siltstone, and mudstone; The former has long strips of angular gravel, 6-8 centimetres in length, and is calcium cemented; The latter is 1-2 centimetres, with a muddy cementation. The structural Breccia is 20-30cm wide, with broken rock layers on both sides and argillaceous folds.

#### *Bottom and Batch Breaking*

It is roughly parallel to the Miya Street Fault and is approximately 37 kilometers long. The north end of the fault line is microwave shaped, and the south section is relatively straight. It strikes northwest southeast, dips northeast, and has a dip angle of 85°. It is a high angle Thrust fault. Faults are mainly distributed in the Permian, Triassic, and Jurassic systems. Along the fault line, compressive fracture zones and medium basic rock veins can be observed, and some sections of the fracture zone are filled with quartz veins, with a width of tens of centimetres, high degree of silicification, and hardness; In some sections, Calcite veinlets crisscross into a network. In addition, sliding surfaces and giant scratches about 5 meters long were also observed. In terms of topography, the Lower Permian limestone forms a steep and steep ridge.

#### *3.1.4. Monocline*

Namely, DaLiang Mountain monocline, located between AiLao Mountains fault and JiuJia fault on the west side of AiLao Mountain, strikes northwest southeast, leans to northeast, in a monocline shape, and the structural line is 76 kilometers long. The monocline is mainly distributed in the AiLao Mountains shallow Metamorphic zone. From east to west, Phyllite, schist formation and greenstone combination metasandstone and slate formation are exposed respectively. The dip angle of the bedding varies, with steep slopes in the upper section of the monocline, relatively gentle slopes in the middle and lower sections, and secondary back facing folds and faults appearing. In addition, numerous micro folds have also developed, jointly forming a unidirectional tilting structure with a width of about 8-9 kilometers.

#### *3.1.5. Magmatic Activities*

There are numerous cycles of magmatic activity in the area, with the YanShan cycle being the main one. In the YanShan cycle, the magma from ultrabasic to acidic is repeatedly active, with complex lithology, small and numerous rock masses, especially Ultramafic rock. Most types of rocks are altered or influenced by dynamic forces. The distribution of magmatic rocks is controlled by regional structures, which are mainly exposed in the AiLao Mountains structural belt and both sides of the "Western Yunnan Parageosyncline". The rock mass is distributed in belts along the Fracture zone. The surrounding area is mainly distributed with Variscan magmatic rocks and Yanshan magmatic rocks.

The Variscan magmatic rocks are distributed in narrow and elongated strips, and their occurrence is consistent with that of the surrounding rocks, possibly as rock beds or bedding. The rock has been generally metamorphosed, and the original rock is basalt or gabbro Diabase. The rock is greenish gray, weathered to a brownish yellow color, and generally presents a dense block like structure with obvious directional structures in local areas.

Yanshanian magmatic rocks are relatively developed in the survey area, mainly distributed in Ailao Mountains area. The Ultramafic rock is mainly distributed along the Jiujiu Fracture zone and has been strongly altered into Serpentinite or talc Serpentinite, with chloritization and carbonation. Massive and directional structures, rocks with strong dynamic metamorphism, chimeric and schistose directional structures are relatively developed, and schistosity is generally gentle, consistent with the schistosity and cleavage of wall rocks. The basic rocks include Gabbro, Diabase, diabase porphyrite and basalt porphyrite, and are mainly Diabase, which is mainly distributed in the Triassic system at the southwest side of Jiujiu fault, and is in contact with the surrounding rock. The mineralization in the Dahongshan area is closely related to basic rocks, and related mineralization phenomena such as iron, copper, and lead zinc have been discovered in the basic rocks distributed along the Jiujiu Fault. Therefore, the basic rocks in the area are of great significance for searching for copper and iron rich deposits.

#### *3.1.6. Metamorphism*

The Metamorphism in this area can be divided into two types: regional Metamorphism and dynamic Metamorphism, the former being dominant.

##### *3.1.6.1. Regional Metamorphism*

It is mainly distributed in a large area on the northeast side of Jiujiu fault, namely the Ailao Mountains Metamorphic zone. In the east of Ailao Mountains fault, the metamorphic degree is deeper, which is composed of black plagioclase granulite, Gneiss, granite Gneiss, schist, microcrystalline schist, granulite, etc., forming the Ailao Mountains deep Metamorphic zone; The metamorphic degree between Ailao Mountains fault and Jiujiu fault is relatively shallow, which is composed of various slate, Phyllite, metamorphic Siltstone, twisted sandstone, schist and phyllite schist, forming Ailao Mountains shallow Metamorphic zone.

### *3.1.6.2. Dynamic Metamorphism*

Fault structures are developed in the area, and dynamic Metamorphism is also widely distributed. Generally, Tectonite such as cataclastic, crushed Breccia, tensional Breccia, etc., formed by dynamic Metamorphism, are often distributed in belts along faults, which are tens of kilometers long and hundreds of meters wide. Dynamic Metamorphism breaks rocks, and magma intrusion or hydrothermal migration is common along the Fracture zone, which often becomes a favorable place for ore guiding or hosting.

### *3.1.7. Regional geochemical characteristics*

The geochemical anomalies delineated by the 1:200,000 water system sediment measurement are mainly Sb, Cu, Mo, accompanied by elements such as Hg, As, Fe, Co, Ag, etc., with complex combinations. The anomalies are mostly distributed in a string of beads along the northwest trending faults such as the Jiujiia Fault and Miyajie Fault, showing that some small and medium-sized anomalies in the combination of medium to high temperature elements may be related to the relatively developed magmatic activity in the area; A large number of anomalies are mainly characterized by the combination of medium and low temperature elements, which range from Square kilometer to dozens of Square kilometer, indicating that hydrothermal activities along the fault are relatively extensive.

### *3.1.8. Regional Mineral Characteristics*

The NW-SE structure in this area is mainly affected by the long-term activity of the Ailao Mountains structural belt, which controls the distribution of copper polymetallic ores and iron ores in a narrow strip in the NW-SE direction. This ore belt is mainly related to the NE to NEE tension fractures and torsional fractures, as well as NW interlayer fractures. On both sides of Jiujiia Fracture zone on the west side of Ailao Mountain, it is a copper polymetallic metallogenic prospect area; A total of 5 copper occurrences and 2 lead-copper occurrences have been discovered in Jiujiia, Santai, Huimo, Waizhangpan and other areas in the area.

In this ore-forming prospect area, the medium to low temperature hydrothermal copper polymetallic deposit is the most important type of deposit, with the hope of expanding its prospects. The occurrence of this type of deposit is mainly related to and controlled by derivative faults and

fractures in the same direction as the JiuJia Fault. Special attention should be paid to searching for richer mineral deposits related to hydrothermal processes in the favorable structural areas mentioned above.

### 3.2. Local Geology

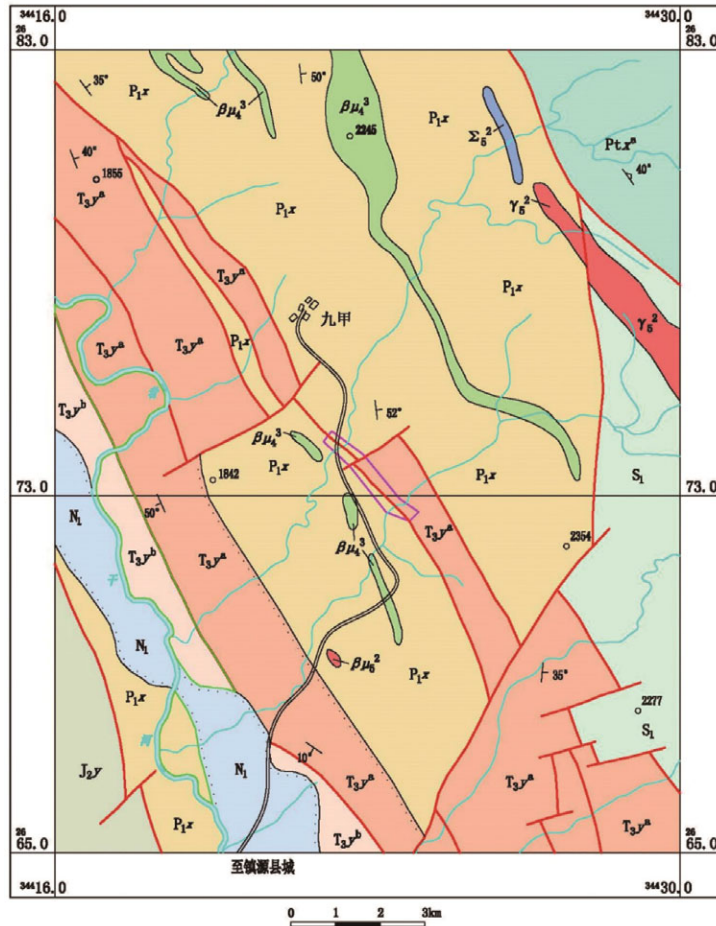
The Competent Persons reviewed the local geology corresponding to the area where Project JiuYuan and Project JinHao is located. The following is a summary of the information contained in the relevant reports provided to the Competent Persons by Company JiuYuan and Company JinHao, which were reviewed by the Competent Persons to form its opinion about the local geology of the area.


















#### *3.2.1. Local Geology of Project JiuYuan*

The geotectonic structure of Project JiuYuan is in the Lijiang Taiyuan fold zone (I1) of the Mesozoic settlement zone (I4) on the west side of the junction of the Yangtze Quasi-Terrace (II4) and the Tangula-QamDo-LanPing-Simao Fold System (I.4), and the JiuJia-Anding fault zone of the AiLao Mountain metamorphic rock tectonic belt (III) (see Figure 3-1 for details). The area is exposed by the lower section of Proterozoic Little Sheep Street (Ptxa) and the lower Paleozoic Silurian (S1), Permian Lower Street Formation (P1x), Mesozoic Triassic ShangTong 1 bowl water group (T3y), Jurassic middle unified Ya period group (J2 y), the third line of the Cenozoic Series (N1) and the fourth line of the New Series (Q).

The regional structure is relatively developed, mainly faults, followed by folds, faults are mainly northwest-southeast compressive torsional longitudinal faults, the predecessors are collectively known as the JiuJia fault zone, followed by north-east faults, with the characteristics of cutting longitudinal faults. The folds are mainly anticline of small streets, and the axis of the folds is not very clear due to the failure of the break. The JiuJia fault zone has an obvious control effect on the distribution of regional minerals. Regional magmatic activity is only in the early YanShan period (r52), diabase and diabase dikes, ultramafic rocks ( $\Sigma$ 52). The area is rich in mineral resources, mainly copper, lead and zinc, coal, etc. In the western part of the mine, there are NanHao coal mine related to the third line, WenLong copper mine related to Permian metamorphic rocks, JiuJia pyrite and so on.

Figure 3-1: Geological Map of Project JiuYuan



- |   |  |   |  |
|---|--|---|--|
|  | Neogene System Miocene Series                    |  | Yanshan Stage Granite                              |
|  | Silurian System Llandovery Series                |  | Unconformity Geological Boundary                   |
|  | HuaLiXi Stage Metamorphic Basic Rock             |  | Triassic System Upper Series YiWanShui Formation   |
|  | Schistosity Occurrence                           |  | Yanshan Stage Diabase and Allgovite                |
|  | Jurassic System Middle Series YaQi Formation     |  | Unknown Fault                                      |
|  | Proterozoic Erathem Lower XiaoYangJie Formation  |  | Permian System Cisuralian Series XiaoJie Formation |
|  | Conformity Geological Boundary                   |  | Ultrabasic Rock                                    |
|  | Mining Area                                      |  | Occurrence   |
|  | Triassic System Upper Series YiWanShui Formation |   |  |

*3.2.1.1. Stratum of Project JiuYuan*

The mine mainly reveals the first to third sections of the Paleozoic Permian Lower Small Street Formation (P1x1 ~ P1x3). The lower section of the unified bowl water group (T3ya) and the fourth series of the upper three-layer system of the Mesozoic Era. It is described from the new to the old as follows:

Series IV: Alluvium, low-lying ravines. It is mainly composed of sand and clay, gravel, sand and clay. The thickness is between 0~5m, and the underlying formation is not integrated contact.

Yi Wan Shui in the lower section of the group (T3ya): It is distributed on the eastern side of the mine and spreads in a northwest-southeast direction. The main lithology is light gray, purple-gray fine conglomerate, conglomerate coarse sandstone with quartz sandstone and mudstone. Top siltstone. Gray-green, gray-white mudstone and siltstone interbedded with purplish-red sandstone, thickness > 853m. The second section of the Station Street Group (P1x3) is in contact with the fault.

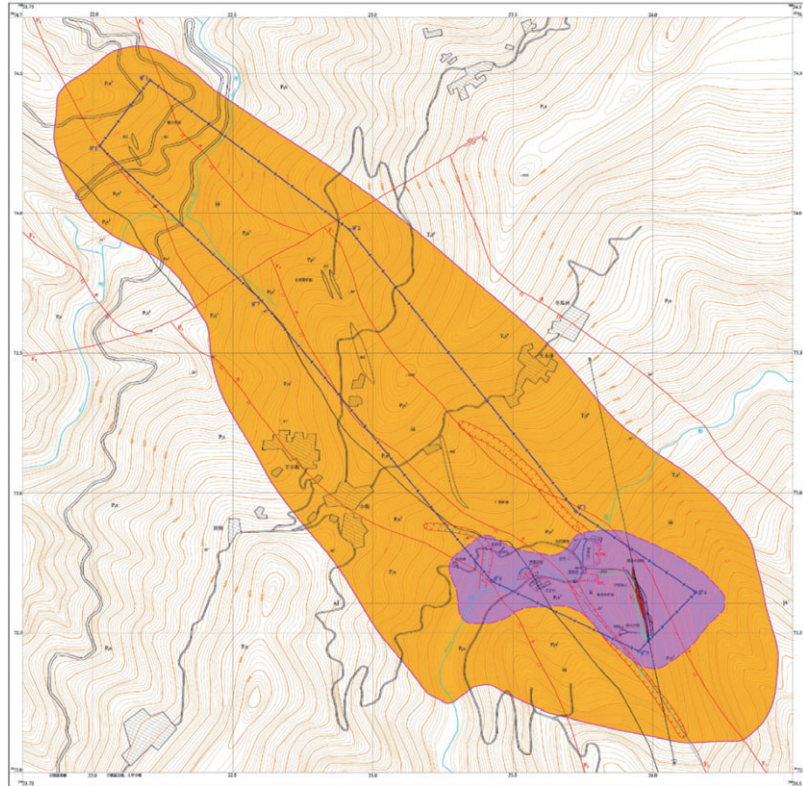
Xiao Jie Zhu Section 3 (P1x3): It is distributed throughout the mine, running through the central zone of the mine, and spreads in a northwest-southeast direction. The main lithology is gray, gray-black sandstone, metamorphosed tuff sandstone and metamorphosed medium-mafic lava and siliceous rock. There is a radical intrusion in this paragraph. The lead and zinc ore in Xiaojie is in this section of siliceous rock. After metamorphism, siliceous rock has granite metamorphic structure, macroscopic block and micro-sheet physicochemical structure, the composition mineral is mainly quartz, and there is a small amount of feldspar, mica, and paraminerals such as zircon, apatite, magnetite, etc. The thickness is greater than 200 m, and it is in contact with the second section of the Xiaojie Formation (P1x2) of the underlying strata.

Xiao Jie Zhu Section 3 (P1x2): It is distributed in the middle zone of the mine, and spreads in a northwest-southeast direction. The main lithology is gray, gray-green slate, thousand rock, metamorphic sandstone mixed with carbonaceous slate and siliceous rock, with a thickness > 275.4m. The first section (P1x2) of the overlying stratum is in integrated contact.



Xiao Jie Zhu Section 1 (P1x1): It is distributed on the west side of the mine, and spreads in a northwest-southeast direction. The main lithology is gray-black slate, thousand rocks, sandy slate sandwiched tuff, alteration fine porphyry, due to fault failure incomplete exposure, thickness of 154 ~ 605.73m.

Figure 3-2: Stratum of Project JiuYuan



Erathem	System	Series	Formation	Member	Symbol	Lithostratigraphic	Thickness (M)	Lithology
Cenozoic	Quaternary				Q <sub>4</sub>		0~ 2	Diluvium and Alluvium formed by sandy soil, gravel, and clay.
		Mesozoic	Triassic	Upper	Yi Wan Shui	Lower	T <sub>3</sub> y <sup>8</sup>	> 853
Paleozoic	Permian	Lower					Xiao Jie	Middle
			P <sub>1</sub> x <sup>2</sup>	> 275	Grey and Greyish Green Slate, Phyllite, Metamorphic Sandstone with Carbonaceous Slate, Siliceous rock.			
			Lower	P <sub>1</sub> x <sup>1</sup>	154~ 605	Greyish Black Slate, Phyllite, Carbonaceous Slate with Tuff.		

T <sub>3</sub> y <sup>8</sup> Upper Triassic Yi Wan Shui Formation	Tunnel
P <sub>1</sub> x <sup>2</sup> Lower Permian System Upper XiaoJie Formation	Operating Area
P <sub>1</sub> x <sup>3</sup> Lower Permian System Middle XiaoJie Formation	River System and Direction
P <sub>1</sub> x <sup>1</sup> Lower Permian System Lower XiaoJie Formation	Existing Water Culvert
P <sub>1</sub> x Lower Permian System XiaoJie Formation	Residential Area
D <sub>3</sub> Yanshanian Diabase, Allgovite	Second Level Highway
Reverse Fault	Village Road
Strike-slip fault	Waste Dump
Geological Boundary	Unstable Slope
Vein	Gully
Dip Angle	Serious Environmental Impact Area
Turning Point in Mining area	Mild Environmental Impact Area
Cross-section Line	Assessment Boundary
Adit	Environment Impact Assessment Area

### 3.2.1.2. *Fault of Project JiuYuan*

Faults: The characteristics of the north-west fault zone group and the north-east fault group are as follows:

Fracture Zone Group (Northwestern direction) (F1, F2, F3, F4):

The mine is located on the JiuJia regional fault zone on the west side of the metamorphic rock belt of AiLao Mountain, and the direction of the tectonic line is in consistent with the regional tectonic line due to the influence of regional tectonics, fault development is not obvious. The faults are mainly compressive torsional faults towards the northwest direction, followed by north-east-west faults, and the faults in the northeast direction are closely related to lead and zinc mineralization.

Fracture Zone Group (Northeastern direction) (F5):

F5: Located in the middle of the north and west section of the mine, the overall north-east-south-west direction is spread, with a total length of about 1.6km. The fault is generally translated, and the horizontal stagger is about 60-250m. It cuts and destroys the continuity of the strata and the ore-bearing belt, and it is a mine-breaking structure in the mine.

There are four diabase and diabase dikes of the YanShan period ( $\beta \mu 52$ ) in the central and north-western parts of the mine, which are beaded and distributed in south-east tectonic lines following the north-west between the F1 and F2 fault structures. The length of the dike is about 25-120m, and the exposed area is 94-927m<sup>2</sup>. According to regional data, except for chromium, the rest of the trace elements in the rock were lower than the Clark value of the mafic rock. Diabase and diabase dikes have little influence on mineralization in mines.

*3.2.1.3. Ore Bodies of Project JiuYuan*

The lead and zinc mine in Xiaojie Lead Street is divided into four sections, including the fore shaft, millet basket, factory tong, and silver stove house according to the division of old tong, slag and slag (Figure 5). Among them, the exploration effect of the fore shaft ore section, the millet basket section and the factory tong ore section are not satisfactory, while the YinZaoFang ore section has been controlled by many years of exploration (mining) engineering, and its V1 ore body has a certain scale and prospects. Therefore, only the YinZaoFang ore section (V1 orebody) undergoes resource reserve is under verification.

The No. VI ore body, distributed in the YinZaoFang mine section in the south and east of the mine, is generally spread in a north-western direction, with an incline angle of 60-69°, average 65°, incline angle 65-85°, average 75°. There are 2 old tongs (LD7, LD9) engineering control on the surface, The deep part is controlled by 4 tunnels and 6 middle sections (1,415m, 1,385m, 1,370m, 1,340m, 1,310m, 1,260m). The control strike length of the ore body is 210-270 m, and the control spacing is 20-79m. The control tendency extends 194-268m, and the middle section is 15-70m high. The thickness of the ore body of the single project is 1.46-16.52m, the average thickness is 9.34m, and the thickness change coefficient is 50.96, which is considered as a stabilized type. Single engineering grade Pb 0.8-4.18%, an average of 2.95%; Zn 0.96-8.41%, an average of 7.47%. The coefficient of change of Pb content of 29.24%, and the coefficient of change of Zn content of 44.61%, which is considered as balanced.

The ore body displays as veins, of which the middle section above 1,340m is branched and composite, and some of them are below the minimum erosion datum. The ore body is not yet fully controlled, and there is a certain depth in the strike tendency.

The internal structure of the ore body is relatively simple, mainly impregnated, veined and agglomerate, followed by breccia and star point ores. The grade of lead and zinc ore is lower in longitudinal direction, that is, in the middle section of 1,310m, the lead and zinc content in the upper part of the mine is lower than the lower part, and its thickness is relatively thinner.

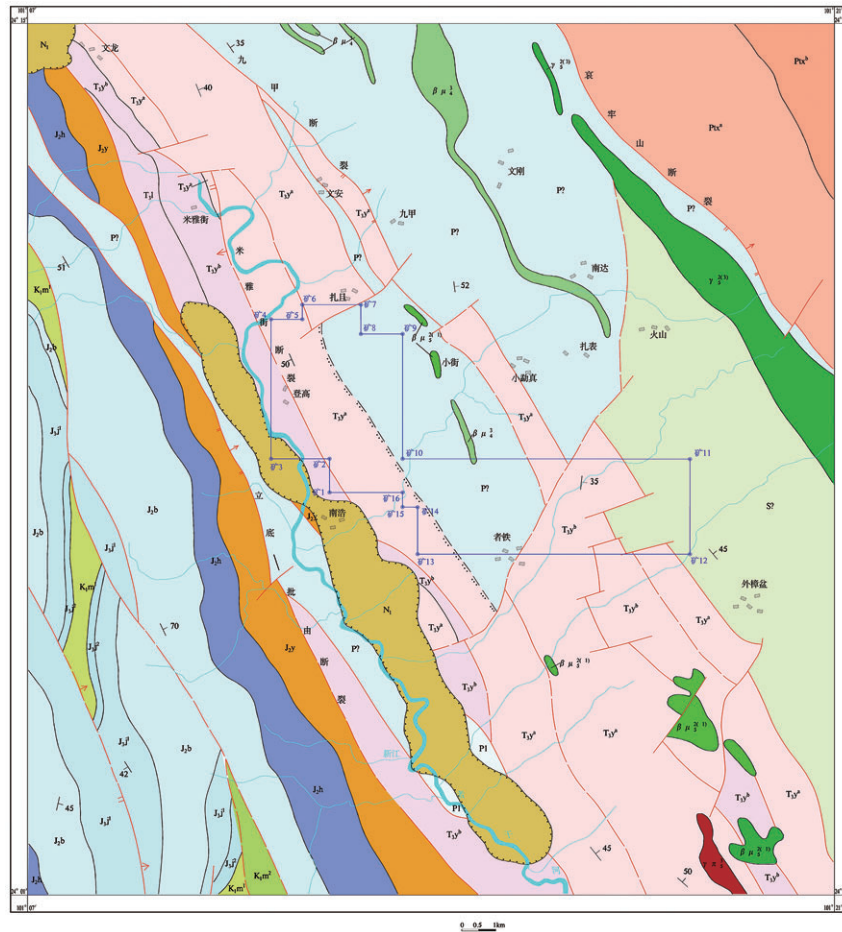
#### *3.2.1.4. Ore Mineral Composition of Project JiuYuan*

The natural ore types are relatively simple. Lead and zinc ore is mainly galena, sphalerite, sulfide ore, and so on. The main minerals are sphalerite, galena, and pyrite. Main types of gangue minerals are quartz, biotite, carbonaceous, and contains a small amount of apatite, chlorite. There main structures of ores are other shaped to semi-self-shaped grain structure, alternating residual structure, and alternating dissolution structure. There are six main types of ore structures: strip structure, speckled structure, block structure, breccia structure, fine vein impregnated structure, honeycomb structure and skin shell structure. The surrounding rock of the mine is shallow metamorphic sandstone and quartzite, due to the good porosity of sandstone, coupled with rock joints, fracture development and other factors, it can become a migration channel and ore-holding site for mineral hydrothermal fluids, forming vein-like and impregnated lead and zinc ore. The origin of the deposit is a dynamic metamorphic low-temperature hydrothermal alteration fracture zone filled with lead and zinc deposit.

#### *3.2.2. Local Geology of Project JinHao*

The mine area is located at the northern section of the TangGuLa-ChangDu-LanPing-SiMao fold system, the MoJiang-Green Spring Fold Belt, the AiLao Mountain fault and the Amero River fault. The overall appearance of the exploration area is a monoclinic structure with northwest and southeast trend, northeast inclined, and an inclination angle of 50 to 65°. The outcropping strata in the mine area mainly include: Silurian (S) thousand rocks, slates, schists; Permian (P?) Slate, melilite, metamorphic siltstone, sandstone, schist, chiliform schist, carbonate rock, sandwiched with multi-layer metamorphic mafic volcanic rock; The lower section of the Triassic Upper Unified Bowl Formation (T3ya) is light gray-purple-gray fine conglomerate, conglomerate-bearing coarse sandstone and mudstone, silty mudstone, siltstone interbedded, interbedded with purple-red sandstone, upper section (T3yb) gray-white-gray-black medium-thick layer massive microcrystalline limestone, dolomitic limestone, argillaceous limestone, ash-gray-green medium-fine-grained quartz sandstone, feldspar quartz sandstone, siltstone, mudstone; The third series of Middle and New (NL) gray-gray-yellow sandstone, conglomerate, siltstone, fine sandstone, mudstone and coal line, coal seam. In the low-lying terrain, there are several meters thick layers of residual slope gravel and clay. (see Figure 3-2 for details).

Figure 3-3: Geological Map of Project JinHao

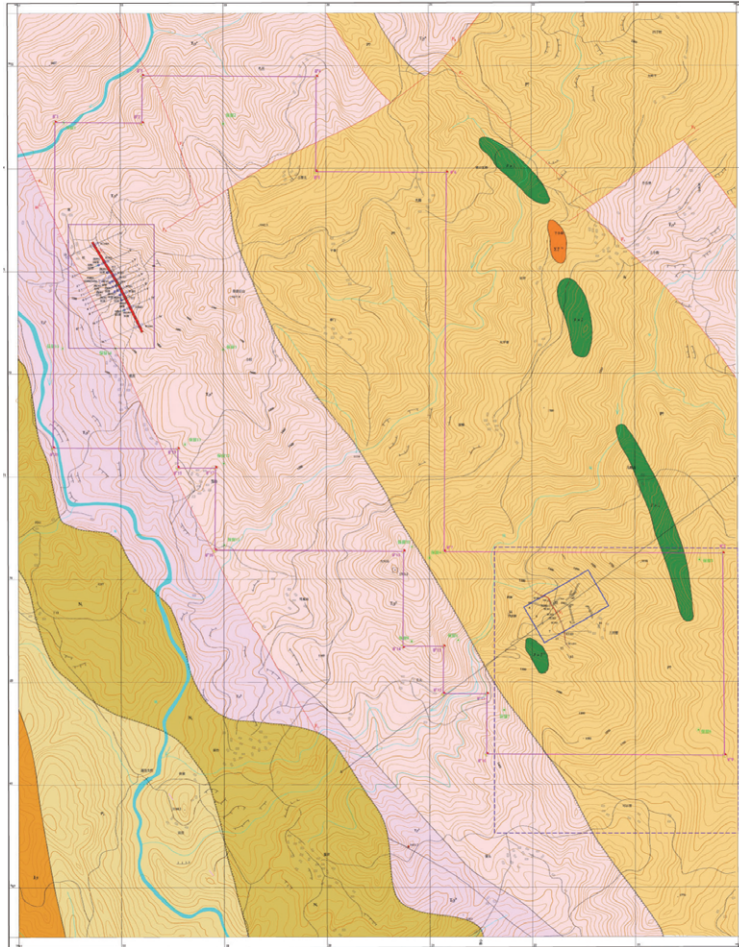


- |   |  |
|---|--|
| <span style="background-color: #f0e68c; border: 1px solid black; padding: 2px;">N<sub>1</sub></span> Neogene System Miocene Series                                  | <span style="background-color: #d9ead3; border: 1px solid black; padding: 2px;">P?</span> Permian System                                   |
| <span style="background-color: #5cb85c; border: 1px solid black; padding: 2px;">K<sub>1m<sup>2</sup></sub></span> Cretaceous System Lower Series ManJiang Formation | <span style="background-color: #d9ead3; border: 1px solid black; padding: 2px;">S?</span> Silurian System                                  |
| <span style="background-color: #5cb85c; border: 1px solid black; padding: 2px;">K<sub>1m<sup>1</sup></sub></span> Cretaceous System Lower Series ManJiang Formation | <span style="background-color: #f4cccc; border: 1px solid black; padding: 2px;">Ptx</span> Proterozoic Erathem Lower XiaoYangJie Formation |
| <span style="background-color: #46b8d9; border: 1px solid black; padding: 2px;">J<sub>3<sup>f</sup></sub></span> Jurassic System Upper Series Jingxing Formation    | <span style="background-color: #c00000; border: 1px solid black; padding: 2px;">γ π 3</span> Yanshan Stage Granite                         |
| <span style="background-color: #46b8d9; border: 1px solid black; padding: 2px;">J<sub>3<sup>l</sup></sub></span> Jurassic System Upper Series Jingxing Formation    | <span style="background-color: #008000; border: 1px solid black; padding: 2px;">γ μ 3</span> Yanshan Stage Diabase                         |
| <span style="background-color: #46b8d9; border: 1px solid black; padding: 2px;">J<sub>3b</sub></span> Jurassic System Middle Series BeiZhuLu Formation              | <span style="background-color: #008000; border: 1px solid black; padding: 2px;">β μ 2</span> Yanshan Stage Ultrabasic Rock                 |
| <span style="background-color: #46b8d9; border: 1px solid black; padding: 2px;">J<sub>3h</sub></span> Jurassic System Middle Series HePingXiang Formation           | <span style="background-color: #008000; border: 1px solid black; padding: 2px;">β μ 3</span> HuaLiXi Stage Metamorphic Basic Rock          |
| <span style="background-color: #f4a460; border: 1px solid black; padding: 2px;">J<sub>3y</sub></span> Jurassic System Middle Series YaQi Formation                  | Conformity Geological Boundary   |
| <span style="background-color: #fce4ec; border: 1px solid black; padding: 2px;">T<sub>3l</sub></span> Triassic System Upper Series LuMa Formation                   | Unconformity Geological Boundary   |
| <span style="background-color: #fce4ec; border: 1px solid black; padding: 2px;">T<sub>3y<sup>b</sup></sub></span> Triassic System Upper Series YiWanShui Formation  | Occurrence   |
| <span style="background-color: #fce4ec; border: 1px solid black; padding: 2px;">T<sub>3y<sup>a</sup></sub></span> Triassic System Upper Series YiWanShui Formation  | Fault  |
| <span style="background-color: #d9ead3; border: 1px solid black; padding: 2px;">P<sub>1</sub></span> Permian System Cisuralian Series                               | Exploration Area   |

*3.2.2.1. Strata of Project JinHao*

Among them, the Permian shallow metaclastic-carbonate system, which is widely distributed in the work area, is further divided into three lithological segments (A, B, C): (1) A (P?a.) is distributed in the western part of the exploration area, and the lithology is dark gray slate and metamorphic sandstone interbedded, and the thickness in the area is greater than 100m. (2) Section B (P?b) is distributed in the middle of the exploration area, and the lithology is gray-dark gray thin-medium strata dolomitic limestone, limestone, marl, local schist, and the formation thickness is 480-540cm. The lead-copper ore (body) delineated this time is produced in the interstratar tectonic fracture zone of this lithological section. (3) Section c (P?c) is distributed in the eastern part of the exploration area, and the lithology is gray black millipetite, chiymele schist and gray-green metamorphic mafic lava interbedded with chiymeite schist and thousandite rock, and there is a layer of gray sandstone about 10m thick at the bottom, and the thickness of stratum in the mine area is greater than 100m.

Figure 3-4: Stratum of Project JinHao



System	Series	Formation	Symbol	Lithostratigraphic	Thickness (M)	Lithology
Neogene	Miocene	N <sub>1</sub>	[Symbol]	[Symbol]	84	Grey, Greyish Yellow conglomerate, with fine siltstone, mud stone, and coal line.
Triassic	Upper	Yi Wan Shui	T <sub>3</sub> <sup>b</sup>	[Symbol]	148	Greyish White, Greyish Black block, layered and fine Limestone, Dolomitic Limestone, Argillaceous limestone with grey fine-grained Quartzite, Feldspathic quartz sandstone, Greyish Green siltstone, mudstone.
Permian	P <sub>1</sub>	[Symbol]	[Symbol]	2416	Upper: Greyish Black Phyllite, Greyish Black and Greyish Green Qianmi schist and Semischist, Greyish Green Basic Metamorphic Rock, Phyllite interbed. Lower: Dark Grey Slate and Metamorphic Sandstone interbed.	
			β μ	[Symbol]	86	Greyish Green Diabase

- N<sub>1</sub> Neogene System Miocene Series
- J<sub>2</sub> Middle Jurassic System Yaqi Formation
- T<sub>3</sub><sup>b</sup> Upper Triassic Yi Wan Shui Formation: limestone, sandstone, mudstone
- T<sub>3</sub><sup>y</sup> Upper Triassic Yi Wan Shui Formation: Gravel-bearing sandstone, sandstone, mudstone
- P<sub>1</sub> Lower Permian System
- PP Neogene System
- β μ Diabase, Allogovite
- Σ P<sub>1</sub> Ultra basic rock
- β μ Metamorphic basic rock
- Conformity Geological Boundary
- Unconformity Geological Boundary
- Fault
- Vein
- Dip Angle
- Completed Trench
- Completed Adit
- Planned Trench
- Planned Adit and Elevation
- Planned Drillhole
- Planned Hydrological Drillhole and depth
- 1:10000 Geophysical Survey Boundary
- 1:10000 Soil Survey Boundary
- Planned 1:2000 Topographic and Geological survey Boundary
- Original Mining Area
- Reserved Mining Area
- Exploration Line
- River
- Town and Village
- Road

### 3.2.2.2. *Fault of Project JinHao*

There are four main groups of faults in the exploration area: the northwest faults (F1, F2), northeast faults (F3, F4), near-east-west faults and near-north-south faults. Among them, the F1 fault (part of the regional JiuJia fault) tends to northwest and southeast, inclined to northeast, with an inclination angle of 30° to 40°, which is a reverse fault, which shows multiple fracture surfaces in the area, including the crushed breccia belt in between, forming a fault zone ranging from tens of meters to more than 100 meters wide.

The penetration of the meso-mafic one-mafic rock can be seen along the fault zone; The F2 fault has a northwest trend and a southeast, inclination angle of about 80°, which is a high-angle positive fault. The F3 fault tends to the north and east, which is a fault of unknown nature, and the fault inclination angle is steep. The F4 fault goes northeast, the nature is unknown, the fault inclination angle is steep, and the F1 fault in the northwest direction is wrong in the strike upward.

Magmatic rocks developed in the mine area, and in addition to the mafic volcanic lava formations, there were ultramafic rocks and diabase production. Among them, the two ultramafic rock masses were distributed along the JiuJia fault zone, and the surrounding rocks were the lower part of the Permian and Triassic Upper Unification Bowl Formation (T3ya), and the rock mass had been strongly eroded into serpentinite or talc serpentinite, with chlorite and carbonate alteration. The five diabase bodies (β μ) were all intruded into the Permian strata, and the directional structure (sheet) of the rock mass was relatively developed after dynamic metamorphism, and mineralized alteration phenomena such as copper, lead and zinc could be seen at the edge of the rock mass.

### 3.2.2.3. *Ore Bodies of Project JinHao*

This exploration delineates a mineralized zone in the inter-stratum fracture zone of Permian B segment and one lead-copper (silver) industrial orebody (V1) in the middle and upper parts with strong galena mineralization and chalcopyrite alteration.



The V1 orebody is layered, lenticular and occurs in the middle and upper part of the mineralized fracture zone. The top boundary of the ore body is consistent with the top boundary position and occurrence of the mineralized fracture zone, trending northwest, northeast inclined, and the inclination angle is 51°-60°. The roof of the ore body is a thin medium layer of silicified and limonite limestone, and the bottom plate is a tectonic fracture zone. The exploration area has 8 surface grooves and 13 shallow and deep tunnels to control the length of the ore body greater than 600m, the maximum inclination depth is 227.82m, ore body thickness of 1.73-7.43m, with an average of 4.49m, coefficient of thickness change is 28.53%, which belongs to thickness stable type; Pb grade 0.48%-24.31%, flat 5.72%, coefficient of change is 23.74%, which belongs to stable distributed useful components type; Cu grade of 0.43-3.93%, an average of 0.99%, coefficient of change being 21.19%, which also belongs to stable distributed useful components type. Ag grade of 56.43-549.27 x 10<sup>-6</sup>, an average of 125.94 x 10<sup>-6</sup>. The coefficient of change is 27.66%, which once again belongs to the stable distributed useful components type.

#### *3.2.2.4. Ore mineral composition of Project JinHao*

The natural ore type of ore is mainly sulfide ore, and only sporadic oxidized minerals such as lead alum and malachite are seen in local surface engineering, and the oxidation zone characteristics are not obvious. The main minerals are galena, pyrite, chalcopyrite and zoisite. The gangue minerals are mainly quartz and dolomite, with a small amount of sericite, plagioclase feldspar and calcite. The ore structure of ores is granular metamorphic structure, microscale metamorphic structure, self-shaped semi-self-shaped one-other granular structure, containing structure, crushed structure. The ore structure is mainly an impregnated structure, fine vein-like vein structure and breccia structure. The main useful components in the ore are lead, copper, silver, and the content of other elements is low, which cannot meet the requirements of comprehensive utilization indicators. The surrounding rocks include pyrite mineralization (limonite mineralization), silicification, calcite and so on. The origin of deposit is a medium and low temperature hydrothermal deposit produced in the inter-stratum tectonic fracture zone.

#### 4. MINERAL RESOURCES

The Competent Persons have collected all available geological data and verified under the guidelines of JORC Code 2012. The mineral resources and reserves for Project JiuYuan and Project JinHao are classified into categories of the JORC Code.

##### 4.1. Data Verification

The Competent Persons reviewed the resource information received from the Company JiuYuan and Company JinHao and prepared an independent estimate of resources and ore reserves, applying the criteria defined by the JORC code 2012 Edition and the best practices of the industry. However, even if the geological data and resource/reserves information received were produced by the qualified Chinese geological investigation teams, the Competent Persons must check the reliability of the information and the methodologies used to obtain the information.

The Competent Persons have performed data verification for all the Two Projects. The latest geological investigation and verification report on mineral resources and reserves for Project JiuYuan was conducted and approved by the Land and Resources Bureau of Pu'er City in December 2017, while the latest geological investigation and verification report on mineral resources for Project for Project JinHao was conducted and approved by the Land and Resources Bureau of Yunnan Province in December 2012.

##### 4.2. Resource and Reserves Estimation

###### *4.2.1. Introduction of The Chinese Resource/Reserves Classification System*

The resource/reserves estimation or verification presented by the Chinese operators were reported using the new Chinese Resource/Reserves Classification System, which was established by the Ministry of Land and Resources ("MLR") in 1999.

This system attempts to recognize economic parameters as well as parameters related to geological levels of confidence and is based on the complex three-dimensional United Nations Framework Classification System. It is based on a three-dimensional matrix or three-number code in the form of "123":

The first digit represents economics: 1 – Economic; 2 M – Marginal Economic; 2S – Sub-Marginal Economic; 3 – Intrinsic Economic.

The second digit represents the level of technical study:

- Feasibility Study;
- Pre-Feasibility Study;
- Scoping Study or no Study

The third digit represents level of geological confidence:

- Measured;
- Indicated;
- Inferred;
- Reconnaissance.

The United Nations Framework Classification (UNFC) for Energy and Mineral resources is a universally applicable scheme for classifying/evaluating energy and mineral reserves/resources.

Most importantly, it allows a common and necessary international understanding of these classifications/evaluations. Classification is designed to allow the incorporation of currently existing terms and definitions into this framework and thus to make them comparable and compatible. This approach has been simplified through the use of a three-digit code clearly indicating the essential characteristics of extractable energy and mineral commodities in market economies, notably (i) degree of economic/commercial viability; (ii) field project status and feasibility; and (iii) level of geological knowledge.

The UNFC is a flexible system that can meet the requirements for application at national, industrial and institutional level, as well as to be successfully used for international communication and global assessments. It meets the basic needs for an international standard required to support rational use of resources, improve efficiency in management, and enhance the security of both energy supplies and of the associated financial resources. Furthermore, the new classification will assist countries with transition economies in reassessing their energy and mineral resources according to the criteria used in market economies.

The following classes of recoverable coal quantities are defined:

- Mineral Reserves including:
  - Proved Mineral Reserves: code 111
  - Probable Mineral Reserves: codes 121 + 122
- Mineral resources (Additional or Remaining Resources) including:
  - Feasibility Mineral resources: code 211
  - Pre-Feasibility Mineral resources: codes 221 + 222
  - Measured Mineral resources: code 331
  - Indicated Mineral resources: code 332
  - Inferred Mineral resources: code 333
  - Reconnaissance Mineral resources: code 334

Class 111 is of prime interest to an investor since it refers to quantities that are: economically and commercially recoverable (number 1 as the first digit); have been justified by means of a feasibility study or actual production to be technically recoverable (number 1 as the second digit); and are based on reasonably assured geology (detailed exploration for solids) (number 1 as the third digit).

Table 4-1 summarizes the New Chinese Resource/Reserves Classification System.

Table 4-1 New Chinese Resource/Reserves Classification Scheme in Comparison to JORC

Old Chinese Classification		A & B		C			D	E & F	
<b>New Chinese Classification</b>									
"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 (111b)	Basic Reserve (121b)		Basic Reserve (122b)				
Marginal Economic (2M00)		Basic Reserve (2M11)	Basic Reserve (2M21)		Basic Reserve (2M22)				
Sub-Economic (2S00)		Resource (2S11)	Resource (2S21)		Resource (2S22)				
Intrinsically Economic (300)		-	-	Resource (331)		Resource (332)	Resource (333)	Resource (334)	
"F" Feasibility Evaluation		Feasibility (010)	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 Reserove or Indicated Resource		
		Proved / Probable Reserve or Measured Resource							

4.2.2. The Verification Procedures of the Resource/Reserves of the Two Projects

The Land and Resources Bureau of Pu'er City and the Land and Resources Bureau of Yunnan Province used the ore blocking method to calculate the resource/reserves amount of every targeted ore block using its average grade, the density, and the estimated volume.

Figure 4-1 Cross-section Map for Resources and Reserves Estimation for Project JiuYuan

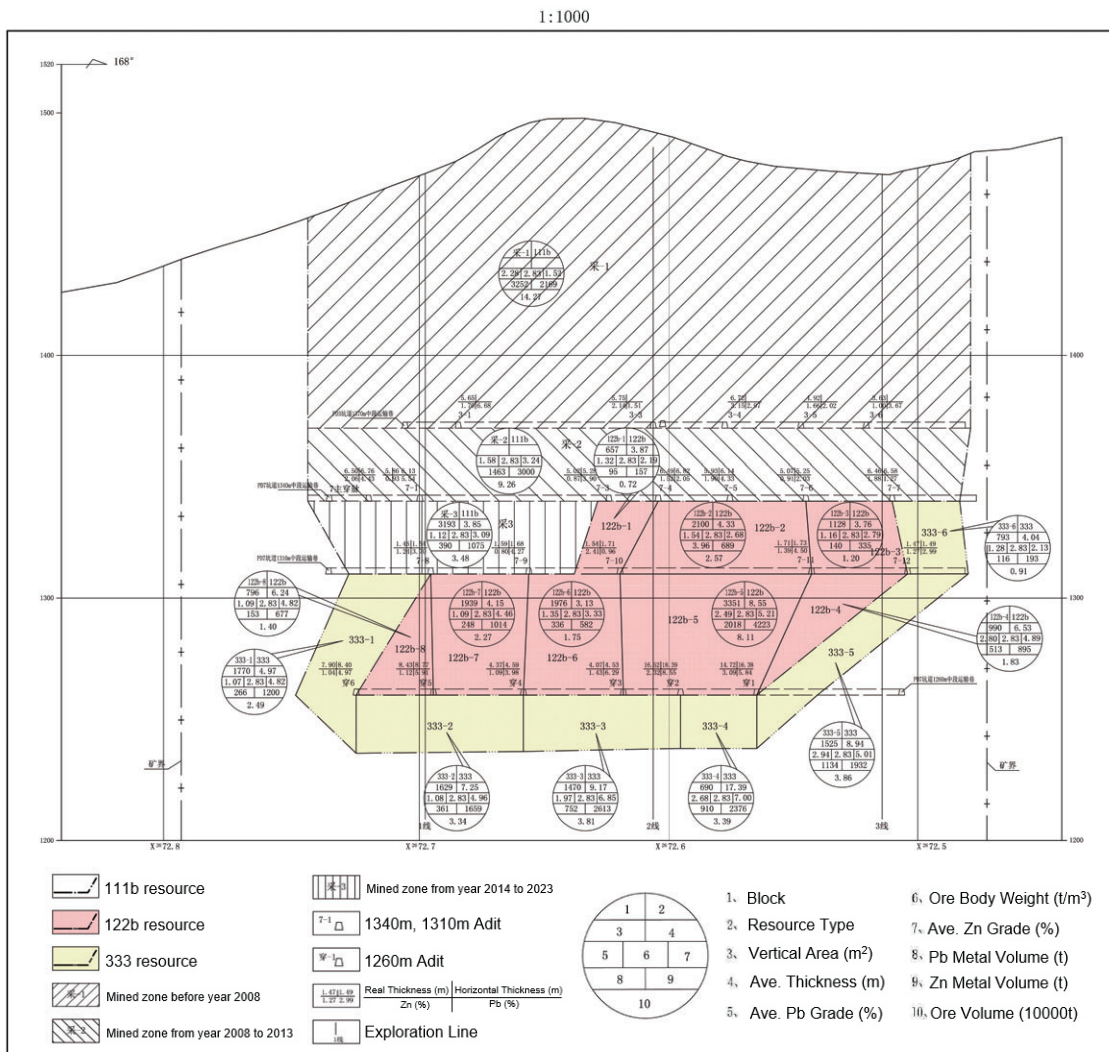
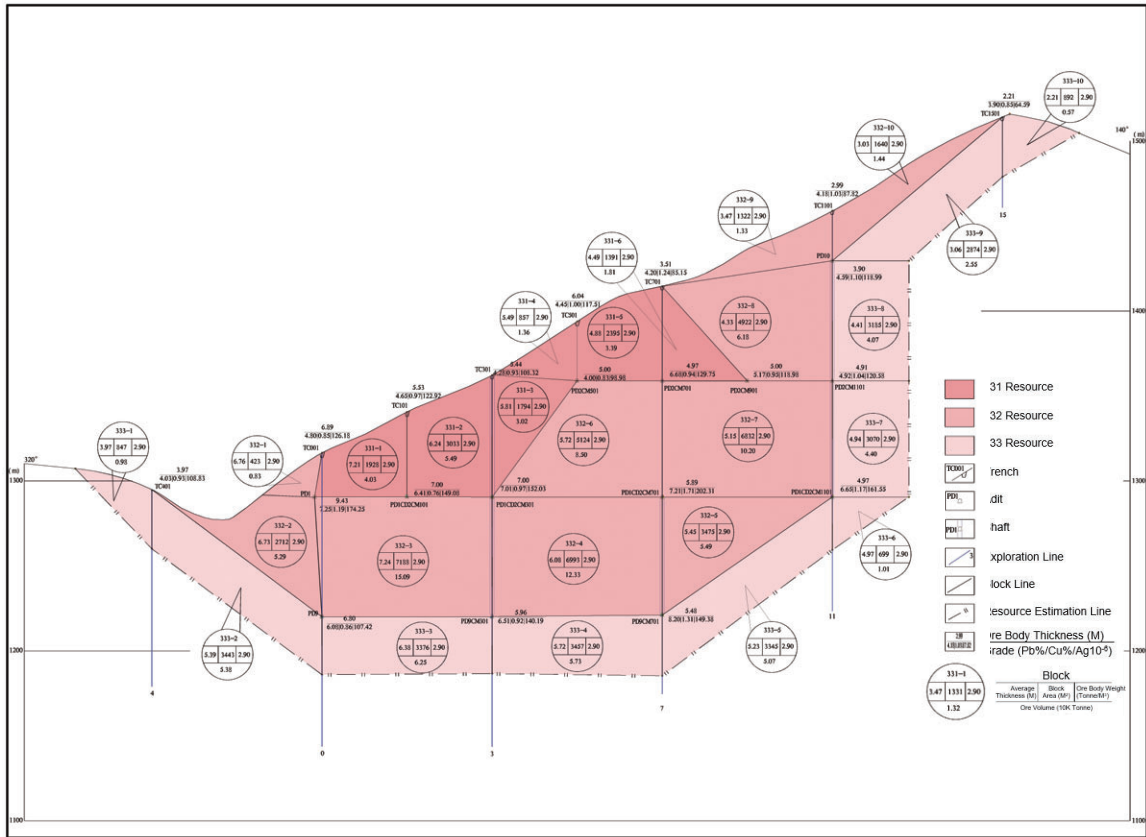


Figure 4-2 Cross-section Map for Resources and Reserves Estimation for Project JinHao



The formulas used for the calculation of the quantities of the resources/reserves is described as the following:

4.2.3. General Description of the Methodology Employed to Estimate Resources and Reserves

As detailed of results and the methodologies used for the resources and reserves verifications of in the previous sections, the Competent Persons understand that estimation of the resources and reserves of the mineral deposits using ore blocking methods with detailed ore volume calculations is acceptable under the JORC code 2012.

- The Competent Persons collected a significant amount of geological and technical information on the Two Projects. This information was provided by Company JiuYuan and Company JinHao in the form of Geology/Exploration Reports, Project Maps, Feasibility Studies, Environmental Impact Studies and other miscellaneous information.

- The Competent Persons and his team familiarized themselves with the information, especially with the geologic and geographic characteristics of the deposits. All the subject properties were explored at both regional and local level by specialized exploration crews, as indicated in the geology reports.
- Various aspects of the deposits such as ore seam dips and structures (folding, faulting, etc.) were analyzed.
- The Competent Persons and its team carefully considered the regional geologic setting of the subject deposits, as well as fundamental aspects such as mineral type, seam thicknesses and continuity, geotechnical aspects (rock mechanics), ore composition, etc.
- The team identified critical data which define its economic viability such as calorific power and Sulphur and ash contents, among others.
- A detailed process of data analysis was carried out to verify that the database was reliable.
- Statistical analyzes of the quality results were performed.
- The Competent Persons reviewed the geo-mechanical test results to better understand the roof and floor conditions of each seam.
- The resources under the Chinese classification system were compared with the values obtained from the independent verification carried out by the Competent Persons.
- The Resources and Reserves were reported in this Report.



### 4.3. Statement of the Mineral resources of Project JinHao

#### 4.3.1. Mineral resources

JORC Code defines that “Mineral resources” is a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

The latest “Verification Report on XiaoJie Lead and Zinc Mineral resources and Reserves in ZhenYuan County in Yunnan Province” was approved by the Land and Resources Bureau of Pu’er City in 2017. The latest “Verification Report of DengGao Lead and Copper Mineral resources and Reserves in ZhenYuan County in Yunnan Province” was approved by the Land and Resources Bureau of Yunnan Province in 2012. The Competent Persons have visited the site of Project JiuYuan and Project JinHao and investigated the mineral resources exposed in the underground tunnels at different development/exploration levels. The government royalties for the verified amount of the mineral resources and ore reserves of the Two Projects had been paid by the license owner after approval. The Competent Persons checked the resources/reserves verification methodologies used by the Land and Resources Bureau of Pu’er City and the Land and Resources Bureau of Yunnan Province. The Competent Persons agrees that the geological works and the methodologies used meet the requirements of the estimation of the Mineral resources defined in the JORC code 2012. The results of the Mineral resources of Project JiuYuan and Project JinHao are displayed in Table 4-2 and Table 4-3.

**Table 4-2: Summary of Mineral resources of Project JiuYuan as of 30 June 2023**

Name of Project	Chinese Reserves		Pb (%)	Zn (%)	Under JORC Category
	Category	Quantity (T)			
Project JiuYuan	333	178,000	1.99%	5.60%	Inferred

**Table 4-3: Summary of Mineral resources of Project JinHao as of 30 June 2023**

Name of Project	Chinese Reserves		Pb (%)	Cu (%)	Ag ( $10^{-6}$ )	Under JORC Category
	Category	Quantity (T)				
Project JinHao	331	191,100	5.42%	0.94%	127.41	Measured
	332	666,900	6.39%	1.12%	146.11	Indicated
	333	360,100	6.01%	1.04%	128.64	Inferred

#### 4.3.2. Ore Reserves

JORC Code defines that “Ore Reserves” is the economically mineable part of a Measured and/or Indicated Mineral resources. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors, which include but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and government factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The Competent Persons justified the modifying factors one by one and concluded that the relevant modifying factors are all positive. The details are explained below:

- Competent Persons consider that Pre-Feasibility for Project JiuYuan issued by GuiZhou TianBao Mineral resources Consulting Service Limited in December 2017 demonstrate that, at the time of reporting, extraction could reasonably be justified.

- Competent Persons consider that the adit-decline development system and the Short-Wall Caving Mining Method are technically feasible and economically cost effective for both the Project JiuYuan and Project JinHao;
- The cut-off grade of 0.5%, the minimum mining width of 1 m, the mining recovery rate of 90% and the dilution rate of 10% were reasonable and applied to both the lead and zinc ore reserves estimation in Project JiuYuan;
- The cut-off grade of 0.5%, the minimum mining width of 1 m, the mining recovery rate of 90%, and the dilution rate of 10% were reasonable and applied to the lead, copper and silver ore reserves estimation in Project JinHao;
- The available lead and zinc mineral resources could make the at Project JiuYuan having an economically reasonable project life of 7 years;
- The available lead, copper and silver mineral resources could make the at Project JinHao having an economically reasonable project life of 8 years;
- The lead and zinc mineral in Project JiuYuan is of a good quality, which can be processed to final product with the grade of 99.99% after the processing recovery rate of 89% and 81% for lead and zinc;
- The lead, copper and silver mineral in Project JinHao is of a good quality, which can be processed to final product with the grade of 99.99% after the processing recovery rate of 89%, 90%, 85% for lead, copper and silver;
- The Competent Persons verified that the cost of mining and processing in Project JiuYuan is estimated at RMB190/t and RMB45/t RoM produced, which is consistent with the market information gathered in the industry, making the mineral resources valuable, so as to the reserves;

- The Competent Persons verified that the cost of mining and processing in Project JinHao is estimated at RMB330/t and RMB80/t RoM produced, which is consistent with the market information gathered in the industry, making the mineral resources valuable, so as to the reserves;
- Other factors including infrastructure, social, environmental, legal and government issues have been positive as so far for the project development and operations of Project JiuYuan and Project JinHao.

By considering the above modifying factors relevant to the estimation of the ore reserves and the technical factors of mining recovery and dilution, the Competent Persons worked out the ore reserves. The results of the ore reserves of Project JiuYuan is displayed in Table 4-4.

**Table 4-4: Summary of Ore Reserves of Project JiuYuan as of 30 June 2023**

Name of Project	Chinese Reserves		Under JORC		
	Category	Quantity (T)	Pb (%)	Zn (%)	Category
Project JiuYuan	122	198,000	1.91%	4.33%	Probable

## 5. PROJECT DEVELOPMENT AND PLANNING

Given the fact that Project JinHao are in the same geographic area with similar terrain and geological conditions, the same mining method applies to the Two Projects. However, Competent Persons suggested the mining scale of 30,000 t/a and 90,000 t/a for Project JiuYuan and Project JinHao due to substantial larger mineral resources amount in Project JinHao. Section 5.1 detailed explain the project development and planning of the mining scale of 30,000 t/a for Project JiuYuan. The key parameters of the project development and planning of the mining scale of 90,000 t/a for Project JinHao will also be provided in section 5.2.

## 5.1. Project Development and Planning of Project JiuYuan

### 5.1.1. Construction scale and product plan

#### 5.1.1.1. Construction scale

According to the terrain and geological conditions of the mining area, the occurrence form of ore bodies, resource reserves, and the owner's opinion, the mining scale of the original mining certificate is determined as 30,000 t/a.

#### 5.1.1.2. Product Plan

The mine has its own processing plant, but both the mine and the processing plant are independent accounting units. The processing plant is about 10 km away from the mine. Based on the opinions of the owner and the actual situation of the mine, the product plan is to sell RoM to the processing plant; The price of ore is settled at market prices.

#### 5.1.1.3. Retained resource and reserves

It has been reviewed by experts organized by Pu'er City Real Estate Office and filed by Pu'er City Bureau of Land and Resources, the resource reserves are: 376,500 tons of 122b+333 lead-zinc Mineral resources and Ore Resources, with an average grade of Pb1.95% and Zn4.93% containing lead metal of 7,338 t and zinc metal of 18,565 t, and total of 25,903 t.

The amount of 122b lead-zinc ore is 198,500 tons, and the amount of contained lead metal is 3,799 tons, and the amount of contained zinc metal is 8,592 tons, which makes the total contained metal of 12,391 tons, with an average grade of Pb 1.91% and Zn 4.33%; There are 178,000 tons of 333 types of lead and zinc ores, with 3,539 tons of contained lead metal, and 9,973 tons of contained zinc metal, and the total is 13,512 tons, with the average grade of Pb 1.99% and Zn 5.60%.

5.1.1.4. *Mineral resources and ore reserves considered for the mine design*

Only one ore body, namely the V1 ore body, was verified at the Project JiuYuan. V1 ore body retains lead-zinc mineral resources/reserves of 376,500 tons. The mine design considers the entire V1 ore body to be developed and utilized. The resource of 333 and reserves of 122b together is 376,000 tons of lead-zinc minerals as shown in Table 5-1 in detail.

**Table 5-1: Mineral resources and Ore Reserves Considered for Mine Design at Project JiuYuan**

Name of Project	Chinese Reserves Category	Quantity (T)	Pb (%)	Zn (%)	Under JORC Category
Project JiuYuan	122	198,000	1.91%	4.33%	Probable Reserve
	333	178,000	1.99%	5.60%	Inferred Resource

5.1.1.5. *Design and utilization of resource reserves*

According to the Chinese “Code for Design of Non-ferrous Metal Mining”, the Designed Utilization Resource and Reserve (DURR) is considering the following four parts:

- (1) the Economic Basic Reserve (122b);
- (2) Proven and Controlled Intrinsic Economic Resource and Reserves;
- (3) Inferred Intrinsic Economic Resource times a confidence coefficient; and
- (4) The design loss.

That is  $DURR = (1) + (2) + (3) - (4)$ .

According to chapter 18.31 (3) that valuations for Inferred Resources are not permitted. Therefore, only the reserves of the V1 ore body is considered for mine development and utilization in this CPR. Since the mine has been developed and operated for many years, the characteristics of the mineral deposits and its mining factors are well known, Competent Persons designed to utilize 90% of the 122b category reserve (i.e., the confidence coefficient is 0.9), and makes the design loss being zero.

The utilization of resource and reserves for Project JiuYuan is:  
 $198,000 \text{ t} \times 90\% = 178,200 \text{ t}$

#### 5.1.1.6. *Designed amount of RoM*

The designed amount of RoM is estimated by considering the following technical factors:

(1) The mining loss and recovery rate

According to the Chinese regulations, for underground mining of lead/zinc equivalent grade is between 4.5% to 9.0%, and the thickness of the deposits is between 5m to 15m, the mining recovery rate must be over 90%. As considered, the mining methods that have been used for the mine are Layered Caving Mining Method and the Short-hole Shrinkage Method, the overall mining loss rate is around 10%, i.e., the resource recovery rate is about 90%.

(2) The dilution rate

The dilution rate is designed as 10% as indicated by the technical staff based their past mining records of the mine.

$$\text{The RoM} = 198,000 \times 90\% / (1-10\%) = 198,000 \text{ (t)}.$$

Table 5-3 provides the details of Design and Utilization of the Mineral resources and Ore Reserves at Project JiuYuan for evaluation use.

**Table 5-2: Design and Utilization of the Mineral resources and Ore Reserves at Project JiuYuan for evaluation use**

Name of Project	Chinese Reserves Category	Quantity (T)	Head Grade (Pb)	Head Grade (Zn)	Under
					JORC Category
Project JiuYuan	122	198,000	1.72%	3.90%	Probable Reserve

#### 5.1.1.7. Mine Life

The mine is an underground mine with a permitted mining capacity of 30,000 t/a, the mine life is the amount of the estimated RoM divided by the annual output, i.e.:  $19.8/3 = 6.6$  years, it is the mine life of 7 years. Table 5-3 shows the Mining Schedule of Project JiuYuan.

**Table 5-3: Mining Schedule of Project JiuYuan (Tons per year)**

Project Name	2024	2025	2026	2027	2028	2029	2030
Project JiuYuan	30,000	30,000	30,000	30,000	30,000	30,000	18,000

#### 5.1.2. Mine Development Plan

According to the reserve verification report, the V1 ore body has been mined for many years and some of its reserves remain between the elevations of 1,340m and 1,240m, therefore, the actual mining range designed for this plan is the elevation is between 1,340m and 1,240m, which is within the mining license elevations of between 1,590m and 1,200m.



### *5.1.3. Mining development scenarios*

#### *5.1.3.1. Selection of mining development scenario*

According to the approved "Verification Report on Resource Reserves of Xiaojie Lead Zinc Mine in ZhenYuan County, Yunnan Province" Geological data and occurrence of the ore body in the middle deposit, due to the deep burial depth of the V1 ore body and its presence above 1,340m has been mined out, and the ore body is a steeply inclined thin to medium thick ore body. The mine has been mined underground many times. The conditions for an open pit mining scenario are not met. At the same time, the mine has formed many underground development tunnels, and some which can be used as the assistant development channels such as ventilation passages. In addition, the mine is experienced and equipped with underground mining operations, so the mining scenario of the deposit is still underground mining.

#### *5.1.3.2. Comparison of development plans*

For the development of this mine, the main options available are "Adit-blind incline plan" and the "Inclined shaft plan" The design compares the two development options as detailed in Table 5-4. After comparing the two options, the final mine development option is selected as: adit+blind incline scheme for development and operation.

**Table 5-4: Comparison of the Two Development Plan**

Items to be compared	Scenario One: Adit -Blind Incline	Scenario Two: Inclined Shaft
Development system	Adit -Blind Incline	Inclined Shaft
Transportation system	Incline hoisting and man powered cars	Incline hoisting
Drainage system	Pump drainage	Pump drainage
Transportation costs	higher	lower
System complexity	complicated	simple
Advantages	<ol style="list-style-type: none"> <li>1. Transforming and utilizing existing shaft and roadway projects, with a short initial construction period;</li> <li>2. The existing industrial sites, roads, power sources, etc. have been connected;</li> <li>3. Can utilize the buildings and structures within the existing industrial site.</li> </ol>	<ol style="list-style-type: none"> <li>1. The hoisting system is simple;</li> <li>2. High degree of mechanization;</li> <li>3. The ventilation system is smooth.</li> </ol>
Disadvantages	N/A	Require more capitals for the development of new declines.
Conclusion	The Mine Design is to introduce the Scenario One as the Development Plan	

### Utilization of existing tunnels

The mine is a continuous production mine, with the original roadway mainly consisting of 5<sup>#</sup> Adit (located at 1,400m of water) which had always been used as a return air tunnel in the mine, and 2 main fans were installed at Adit which is located at level of 1,340 m and had been used as the main transportation Adit in the mine) tunnel. As such for the current mine development design, the main Adit of the 1,340m middle section roadway, which can continue to be used as the main transportation roadway, and the 5<sup>#</sup> Adit will continue to be utilized as a return air adit. The selection of this scenario will save initial capital costs of mine development constructions and engineering works.

### Setting of the development levels

There is only one main ore body available for design in the mining area, which is the V1 ore body, and the ore body has been identified at levels between 1,340m and 1,249m, which is inside the license boundary of the minimum mining elevation of 1,200. In addition, the 1,310m level, the 1280m level, and the 1240m level tunnels have been formed. After years of mining, the ore reserves above the 1,340m level were fully excavated, and the minimum mining elevation designed for this project is 1,240m. Therefore, the ore body in this design occurs between the elevations of 1,340m and 1,240m, and the development party Most of the cases utilize the existing formed tunnels and optimize the original development, transportation, and ventilation systems. The main goal of this development plan is to improve the ventilation system, so the middle section heights are 30m and 40m.

#### *5.1.4. Mining sequence*

- (1) Mining sequence for the development levels: there are three levels of 1,310m, 1,280m, and 1,240m are designed as the development levels for mining. The development system for each of the three levels is relatively simple, and the development adopts a top-down sequence from level 1,310m to 1,240m.
- (2) The mining sequence at each level is from the two ends of the deposit and drawing back to the middle where the declined shaft is constructed, which is called backward mining.

#### *5.1.5. Determination of surface movement range*

Based on the occurrence of the ore body and the properties of the surrounding rock, the layered caving method is mainly used for excavation of the ores. To delineate the range of ground movement, it is necessary to consider the stability of the roof and floor surrounding rocks in the goaf. It is crucial to select a reasonable top and bottom rock mass angle, as well as the final movement angle of the ore and rock layers at both ends of the ore body trend. Based on past operation practice and experiences, the final movement angle selection for this design is: the upper wall rock mass movement angle is  $65^{\circ}$ , and the lower wall rock mass movement angle is  $65^{\circ}$ . The moving angle is  $65^{\circ}$ ; The movement angle of the end rock mass is  $70^{\circ}$ . The range of movement is shown in the plan of the mine Section view.

#### *5.1.6. Mining Technical Conditions*

The mining area is located on the west slope of the northern AiLao Mountains of HengDuan Mountains, which generally runs from northwest to southeast. The overall trend of the mountain range terrain is from northwest to southeast, and due to the erosion of east-west rivers; it forms a deep mountain-river cutting terrain pattern, the mountain terrain is steep, with a slope of generally  $20-30^{\circ}$ . The valleys and gullies are well developed.

This area has a subtropical monsoon climate with three-dimensional climate characteristics. The annual rainfall in the area is 1,631mm-2,300mm. The rainy season is from June to October every year, with aggregation rainfall, which accounts for 86% of the annual rainfall. The dry season is from November to May of the following year, with minimal rainfall. The annual evaporation is 1,030mm-1,300mm. The region has a mild climate, simultaneous rain and heat, distinct dry and wet seasons, abundant rainfall, and sunshine adequate features.

The river flow in the area belongs to the Red River system, mainly flowing from east to west. After merging with the BianJiang River, it flows into the Li Xian River. State Grid has covered the mining area with sufficient power supply.

The V1 ore body in the mining area belongs to structural mineralization, and the structural faults have great impacts on the mining activities; break the faults are fragmented structure, with shallow rock masses being fragmented and some breccia being cemented with mud, which expands when

encountering water, which will be resulting the softening of walls and collapse of the works. Where a fault encounters, it requires support treatment, while the deep ore blocks are much stable due to the low degree of weathering impact. The following figures, Figure 5-1 and Figure 5-2 show the existing supporting measures for a block access and at a main passing through a fault zone.

**Figure 5-1: Supporting Treatment of A Block Access**



**Figure 5-2: Existing Supporting Measures for A Main Passing through a fault zone**



V1 ore body occurs in metamorphic sandstone and Quartzite of the third member (P1x3) of the Xiaojie Formation of the Permian, it is in the form of veins and lenses, and the ore body is generally distributed in a northwest direction, with a dip of 60-69° and an average of 65°, The inclination angle is 65-85°, with an average of 75°. Single engineering ore body thickness 1.46-16.52m, the average thickness is 9.34m.

According to the information provided in the reserve verification report, the ore body in the mining area is small in scale and the surface topography is relatively steep, there is no large water body in the mining area, and the surface allows for subsidence, making it suitable for underground mining.

#### *5.1.6.1. Mining method selection*

The average inclination angle of the ore body within the mining range of this design is 75°, and the average thickness of the ore body is 9.34m; The verification report indicates that the lead-zinc ore bodies in this mine are all produced in metamorphic sandstone and metamorphic tuffaceous sandstone, the integrity of the surrounding rock mass of the hanging wall and the foot wall of the ore body is relatively stable, but partly developed fractures are prone to occur unfavorable engineering geological phenomena such as collapse and falling blocks. Based on the above factors and mining technical conditions, also analogies are made to similar mines in China, especially the current mine's operational experiences, as well as the actual mining situation of regional mines such as ZhenYuan Gold Mine (National owned gold mine property).

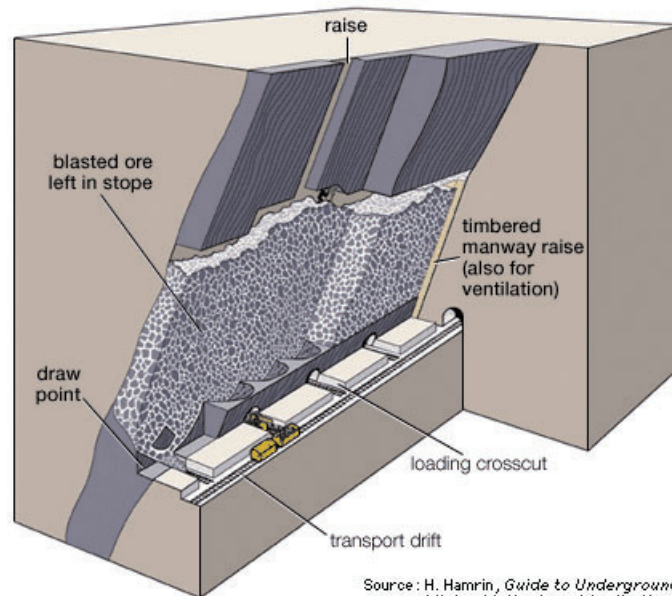
The final mine plan adopts two mining methods: Slicing and Caving mining method and Shallow Hole Shrinkage mining method. The Slicing and Caving mining method is a mature mining method originally used in this mine; Shallow Hole Shrinkage method is relatively simple, easy to operate, and has mature mining techniques development in China, which making it more suitable for small mines as the current reported one. Additionally, Shallow Hole Mining facilitates the control of mining dilution rate and the ore reserve loss and can effectively improve the resource recovery rates.

For certain blocks of the deposit's hanging walls and the foot walls are stable, Shallow Hole Shrinkage mining method is adopted for mining; while for that of more fragmented sections, Slicing and Caving mining method is adopted. In the future mining operations, it should be conducted a detailed evaluation of the stability of the ore bodies and the surrounding rocks and conduct a corresponding rock analysis and the stability of the ore body, and then select suitable mining methods to ensure the mine having safety production activities.

#### Shallow Hole Shrinkage Stopping Mining Method

Shallow-hole shrinkage stoping is a labor intensive, selective mining method that enables close control of ore loss and dilution. This mining method is suited to the style of a narrow, moderately dipping orientation ore body. The vein ranges in dip from 45 ° to 66°, with an overall continuous thickness and grade over the length of the vein group, as illustrated in Figure 5-3.

**Figure 5-3: A Typical Shallow-hole Shrinkage Mining Method**



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Source: H. Hamrin, *Guide to Underground Mining Methods and Applications* (Stockholm: Atlas Copco, 1980)

The major parameters of a standard production block of this method are summarized:

- The production block is arranged along the strike, and its size is 50m in length by vein thickness by interval between the up and down levels;
- The top pillar is 3m thick, and the bottom pillar is 4m thick;
- The spacing between two funnels is 6m;
- Raises are set on both side of the block for vertical access and ventilation;
- The mining works for short-hole shrinkage stoping:
- Mining work includes rock drilling, blasting, ventilation, local ore drawing and safety treatment;
- After forming a free-space tunnel on the bottom, the mining is carried out from bottom to top in layers of about 2 to 2.5m working level;
- Ammonium oil explosive is used, but non-electric detonator is used for initiation;
- After blasting and ventilation works completed, each time of ore drawing only one third of the ores are discharged through the ore passes, which ensures the working space at about 2m in height keeping convenient for next working circle.



## Pillar Mining and Goaf Treatment

Company JiuYuan has planned to recover underground pillars which uses the shrinkage stoping method. This practice will increase the ore recovery rate effectively. This is driven by the higher gold prices and the higher ore grade underground. After the ore extraction is completed in each mining block, the rib pillar, top pillar and bottom pillar are recovered by replacing concrete pillars as the means of goaf safety management. Waste rocks are used for filling to stops to prevent sudden collapses, and the goafs are sealed after the finishing of the whole mining works.

The following equipment used for short-hole shrinkage stoping are typically as:

Air-leg drills YT-7655 (YT-23) and YSP-45 hammer drills are used for mine development and ore stope drilling. The YT-23 is a hand-held drilling machine operated by separate air and water supplies and is primarily used in mine development. The YSP-45 is a slightly larger hand-held drilling machine, which is used mainly in stope drilling and is suitable for the method of mining. Broken ore is transferred to the loading chute/funnel by gravity, where it is loaded into 0.5 cu.m rail mounted ore carts (YFC0.5). Rail mounted electric locomotives are used to move the loaded carts down a 3% gradient and out of the mine via one of the adits.

Table 5-5 provides the details of the technical and productive indexes that the short-hole shrinkage stoping mining method could offer.

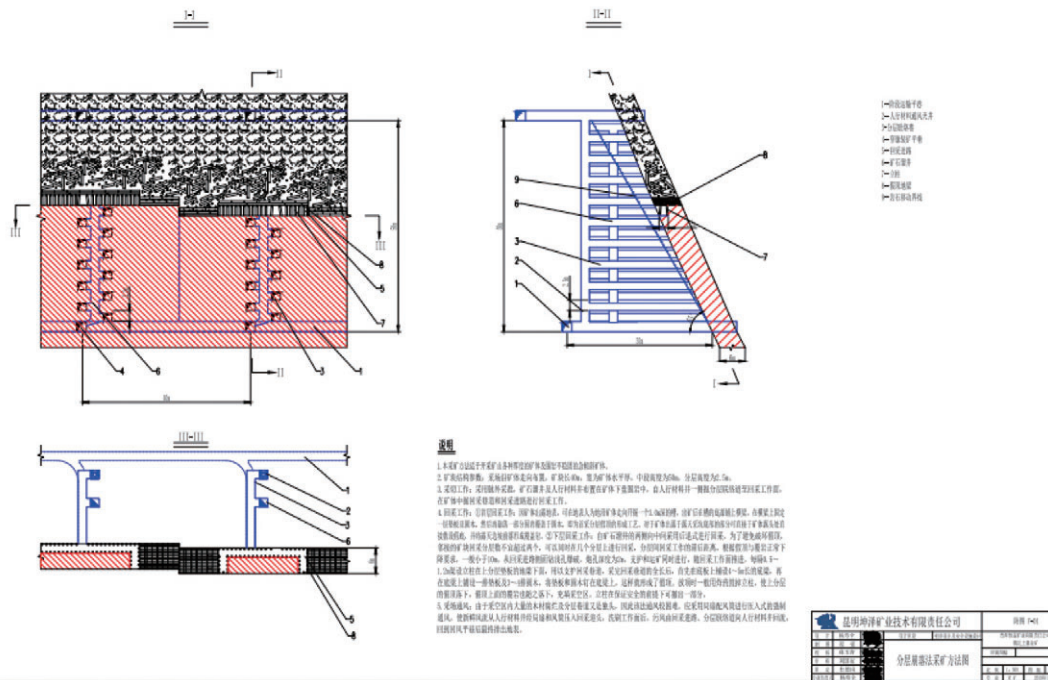
**Table 5-5: Technical and Productive Indexes of the Shallow-hole Shrinkage Stopping Mining Method (Pillars Recovered)**

9/15/2023Name of the Index	Unit	Index	Remarks
Black Productive	t/d	70	Lower productive
Recovery Rate	%	95	Higher recovery
Dilution Rate	%	7	Lower dilution
Mining/Cutting Ratio	m/kt	9	Higher in cutting

Slicing and Caving Mining Method

This mining method is suitable for mining the steeply inclined thin to medium thick (3 to 5m) mineralized zones. Mining is from the top slice to down under. After each slice of ore is mined, the hanging wall rocks caving in to fill the space. Slicing and caving mining is carried out under the protection of manmade roof, which separates the ore from the rock, thus reducing the mining dilution. To ensure the production capacity, two working faces of each mining block can be arranged from drilling, blasting, and ore drawing simultaneously. Figure 8.11 shows the mining method designed by Kunming Kunze (2019) for ShangZhai Gold Mine in its preliminary design report.

Figure 5-4: Slicing and Caving Mining Method



Source: a typical underground mine with similar mining conditions of Project JiuYuan

The major parameters of a standard production block of the slicing and caving mining method are summarized below:

- The production block is arranged along the strike, and its size is 40m in length by vein thickness by interval between the up and down levels, 50m;
- Up and down-level haulage roadways are built in foot wall rocks, and about 35m away from the orebodies;
- Raises for man and ventilation are built outside the possible movement boundary of surrounding rocks (due to roof walling);
- Each slice is 2.5m high;
- No top and bottom pillars;
- The major mining equipment used for this method as the followings:
  - YT-28 shallow hole rock drill with FT140B air lag is selected for cutting roadway driving;
  - YSP-45 upward rock drill with FT160BC air leg is selected for raise boring;
  - FT-28-1 explosive charger used for filling the blast holes;
  - JK58-1NO4 is selected as the local fan;
  - 2DJP scraper is used for haulage.

The mining works including the followings:

- blasting and ventilation works completed, the blasted ores are moved to ore pass by the scraper; Mining work includes bolt-shotcrete supporting, rock drilling, blasting, ventilation, local ore drawing and safety treatment;
- After cutting and forming a free-space on the top slice, the mining access roadways will be supported by way of shotcrete bolt-shotcrete supporting engineering measures. The mining is carried out from top slice to down, and the to a 2.5m working level;
- Drilling using YT-28 drilling machine, the diameter of the hole is 34 to 42mm, hole depth is 1.8m;
- Ammonium oil explosive is used, but non-electric detonator is used for initiation;

Table 5-6 shows the technical and the productive indexes of the Slicing and Caving

**Table 5-6: Technical and Productive Indexes of the Slicing and Caving Mining Method**

Name of the Index	Unit	Index	Remarks
Black Productive	t/d	50	Average
Recovery Rate	%	85	Higher recovery
Dilution Rate	%	12	Lower dilution
Mining/Cutting Ratio	m/kt	14.74	Higher cuttings
Max Ore size	mm	300	

*Source:* The development and utilization of the mineral resources of Project JiuYuan

### Production Scheduling and Verification of the Production Capacities

JiuYuan license has been permitted a production rate of 30 ktpa by underground mining. APA has noted that most of the mineral resources/ore reserves are suitable for underground mining, which is believed that only relying on the underground mining could meet the production requirement.

As noted by APA that Company JiuYuan has a production schedule like that of the most Chinese mining companies as:

- Annual production, 300 days;
- Annual maintenance (equipment and facilities), 60 days;
- Shift hours, 8;
- Shifts per day, 3

### Pre-Mining Preparation and Block Cutting

The mining preparation work mainly includes development of adits within foot wall rocks and along strike, and development of roadways, raises, and chutes etc. The Slicing and Caving method adopts layered drift mining and no need for block cutting. Table 5-7 provides details of the preparation of a unit Slicing and Caving mining block with its workloads.

**Table 5-7: Workloads of the Preparation and Cutting forming a Standard Slicing and Caving Stope**

Project	Length (m)	Section (m <sup>2</sup> )	Volume (m <sup>3</sup> )	Section Shape
Ore pass	30	4.84	145.2	Rectangle
Access between slices	96	4.55	436.8	Three centered arch
Raise for man materials and ventilation	35	4.0	140	Rectangle
Haulage roadways	35	4.85	169.75	Three centered arch
Total	191		891.75	

The level adit and mining block raises are arranged within foot walls of the ore body, and the chutes of the mining blocks are arranged within orebody but near the foot walls.

Standard mining area (ore block strike length of 50m, middle section height of 30m, ore body thickness of 9.34 m, orebody dip angle 75°).

#### *5.1.7. Mining process*

After the mining and cutting work is completed, the mining is carried out from top to bottom in the ore body of the stope, using 7655 Rock drill drilling, manual charging, non-electric detonator initiation system initiation. The ore is collected by electric rake at the bottom of the ore pass, a mining car is used to vibrate the ore drawing gate at the bottom of the pass for ore drawing and loading. Mining room return Procurement includes the following processes:

##### *(1) Rock drilling*

Use 7655 for drilling. The blasthole diameter is 40mm, and the blasthole is arranged in Quincunx or chessboard, The spacing between holes is 0.7-0.9m, the row spacing is 0.6-0.8m, and the depth of the blast holes is 2.2m. During production, according to the mine Adjust the firmness of the stone appropriately.

(2) *Blasting*

After each cycle of borehole drilling is completed, manual charging is used, and non-electric detonating tubes are used for detonation. Large blocks with a qualified ore size of less than 300mm and larger than 300mm are manually or explosively used in the mining area Perform secondary crushing. The blasting operation should comply with the relevant provisions of national standards, manual charging should be used, and nonelectric detonators detonate. To avoid blasting damage to the false roof and supporting materials, as well as unstable surrounding areas The charge amount for each blasting must be strictly controlled, especially near the false roof.

(3) *Ore extraction*

The ore collected from the mining face is transported to the ore chute through an electric rake, and vibration drawing is used to store the ore Transported by battery electric vehicles, the ore is transported to the ore chute of the mining site and then installed at the bottom of the chute The vibrating ore drawing machine of the department loads ore into a 0.7m<sup>3</sup> tilting bucket mining car. Ores larger than 300mm, Crush in the mining area and strictly prevent large pieces of ore from damaging the ore pass and blocking the ore mouth.

5.1.7.1. Mining face ventilation

Each mining slice is in a single end working face, so that the ventilation is difficult, it is a common disadvantage of this mining method, and generally has poor ventilation conditions. Therefore, the mine used a JK55-2NO4.5 local fan equipped with air ducts to generate compressed air flow into the mining face.

5.1.7.2. Underground Support measures

The stability of the surrounding rock should be taken into consideration for the ventilation shafts, transportation alleys, and return air connections of pedestrian materials to provide support. Accesses within slices are supported by wooden sheds with a spacing of 0.5-0.8m, and where it is necessary, using dense support or metal support.

#### 5.1.7.3. Mining stope floor laying

After the ore extraction of the mining route is completed, the bottom laying work of the mining site is carried out according to the requirements of the top caving. Due to the direct impact of the quality of the slice layout on the safety and dilution rate of the next slice's operation, metal mesh wooden floor beams (diameter 200mm-250mm). Wooden ground beams should be laid along the mining roadway, with a length of 3-3.5m for each beam and a spacing between beams 0.6-1.0m, with a lap length of no less than 300mm, and the lap joint is tied with No. 8 iron wire at the orebody. When laying the bottom at the hanging wall, it should be based on the changes in the occurrence of the orebody. If layered drift mining is used, the ground beam should lay at an interval of 0.6-1.0m between the hanging wall and foot wall.

#### 5.1.7.4. Caving

The caving work can be completed by using JH2-5 type column return winch to pull the steel wire rope shed bracket, If the roof cannot fall smoothly after pulling down the support in local areas, shallow drilling should also be added to force the cave collapsing. The brackets should be recycled as much as possible for reuse in other tunnels.

### ***5.1.8. Mine Development Plan and Transportation Plan***

#### *5.1.8.1. Mine Development Plan*

At present, the mine mainly uses adits and blind inclined shafts were used to explore and mine the V1 orebody in the mining area. Production scale approved by the mining license is 30,000 tons/year. This design is based on the production scale approved by the mining license. Project JiuYuan has a mining license area of 0.9844km<sup>2</sup>.



The mining license has an elevation between 1,590m and 1,200m, and the mineral deposit has been evaluated as that the lowest occurrence elevation in the V1 orebody is at 1,240m, which is lower approximately 90m than the lowest erosion foundation of 1,330m in this area. As investigated by the mine designer, being the good conditions of the maintenance and usage of the original exploration and mining tunnels in the mine, all the original development mains are utilized into the mine development system.

The original 7<sup>#</sup> main adit (1,340m adit) and 1<sup>#</sup> blind inclined shaft (Figure in Figure 5-5) of the mine, with 1<sup>#</sup> blind The inclined shaft has reached to level 1,240m, and the middle section of 1,310m level has been formed in the mine (divided into southward roadway and northward roadway) along the roadway, the middle section of 1,280m level (divided into south and north roadways), and the southward roadway of 1,240m level; The blind inclined shaft is connected to each middle section using a side rail connection method (Figure 5-6).

**Figure 5-5: Blind Incline Shaft (Real of the mine, photo took in June 2023 by APA)**



**Figure 5-6: Side Rain Connection (Real of the mine, photo took in June 2023 by APA)**



The mine uses mechanical ventilation to provide fresh air inflow to the mining faces, and the ventilation conditions along the southern roadway is relatively good, but poor in the northern part. The original ventilation system of the mine adopts mechanical ventilation, and the return air tunnel is located 1,400 m level. There are two explosion-proof axial flow fans (fan model FBCZ No. 11/22) are installed, with a fan power of 22kw.

#### *5.1.8.2. Mine Transportation Plan*

##### (1) Ore transportation

The ore extracted from each level is then vibrated and drawn from the chute, loaded into mine cars, and hauled by electric battery locomotive through cross-vain roadway and then to level transportation tunnel and finally reaching to the level transportation port connected to the blind inclined shaft. The loaded cars then lifted through the blind inclined shaft to level 1,340m, the level of the main adit, and to the ore storage pad outside of the main entry of the adit 1,340.

##### (2) Waste stone transportation

The waste rock transportation route is the same as the ore transportation route, and after being transported outside the pit, unload into the temporary waste rock yard on the ground. The waste rocks can be used for mine site road maintenance or dumped to waste rock stockpile.

(3) Transportation of materials and equipment

The materials and equipment are transported by the battery electric locomotive from each level transportation tunnel into the underground and distributed to each of the operation working faces.

(4) Personnel going up and down

When personnel entered level 1,240m from main level 1,340m, due to the vertical height of the inclined shaft exceeding 50m, personnel enter through specialized personnel transportation vehicles from 1,240m level and blind inclined shaft entering the underground. When entering the middle level of 1,310m, one can walk into the underground. The original blind inclined shaft setting the pedestrian steps and handrails basically meet the requirements for safe personnel entry into the underground.

(5) Underground drainage

The underground wastewater is mechanically drained to the surface from the bottom of the inclined shaft. There is a wastewater storage facility built at the bottom port of the inclined shaft. The wastewater is then discharged into a sedimentation tank on the surface and treated to a permitted standard of discharging level, which is then discharged into the local streams or pumped back into the underground for reuse.

**5.1.9. Ventilation system for the mine development**

*5.1.9.1. Selection of ventilation methods and systems*

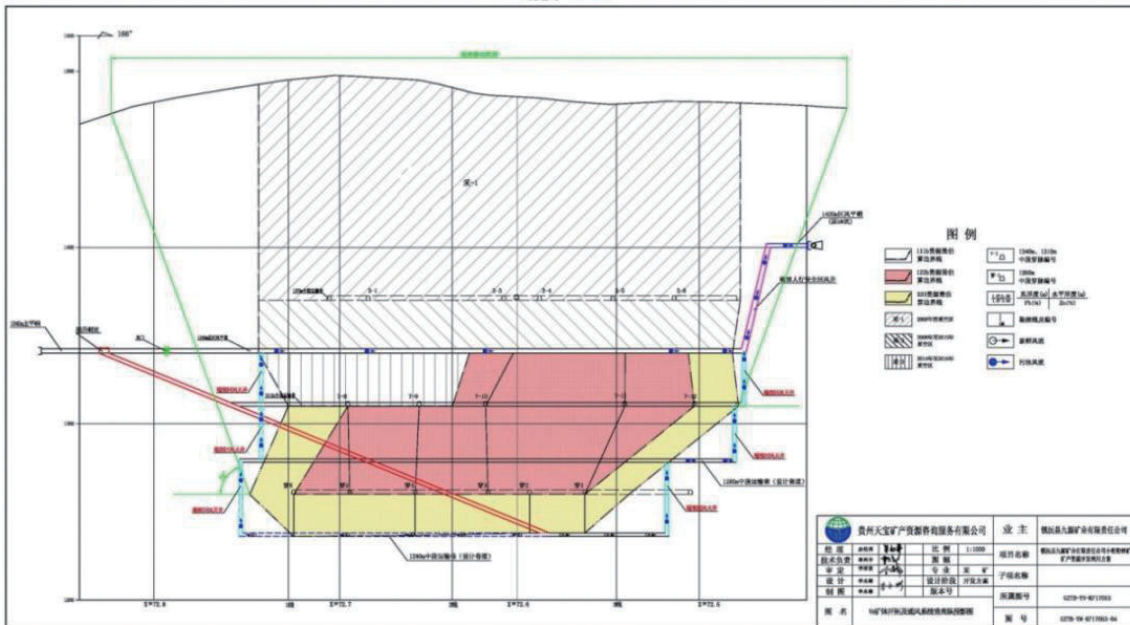
This mine adopts adit-blind inclined shaft development. Based on the experience of similar small underground mines in the local area as well as the actual situation of this mine, using a single ventilation system can fully meet the production needs, this design adopts an exhaust ventilation method.

Adopting exhaust ventilation method. To reduce capital costs, adopt a centralized layout. The main fan set up at 5<sup>#</sup> outlet located on level 1,400m. Fresh air enters through the main transport adit and passes through 1<sup>#</sup> blind incline entering different levels of 1,310m, 1,280m, and 1,240m, the transportation roadway, then passing through the vertical block passes reaching to the working faces. The dirty air is sucked upwards through the upper section of the block passes to the up-level ventilation tunnels. There is a ventilation shaft built at the other side of the mine development system, the dirty air flows coming from all returning ventilation tunnels will be centralized into the ventilation shaft, and flow to 1,340m level main return air tunnel and passing through an air decline to the 1,400m return air and extracted from the surface by the main fan.

The ventilation system of the ore body is detailed in the vertical projection of the development ventilation system of the V1 ore body, Figure 5-7.

Figure 5-7: Vertical projection of the development ventilation system of the V1 Ore Body

镇沅县九源矿业有限责任公司小街铅锌矿V1矿体开拓及通风系统垂直纵投影图  
比例尺 1:1000



*5.1.9.2. Selection of ventilation equipment*

Since there is only one ore body in this mine, the occurrence of the ore body is simple, and the ventilation line is relatively long, all the middle level roadways does not directly connect to the surface, so that the development and utilization plan adopts an exhaust ventilation method. The original facilitated two FBCZ No. 11/22 explosion-proof axial flow fans are still selected as the main ventilation equipment of the mine, which can meet the ventilation needs of the mine as operated in the past years.

The other existing ventilation facilities and equipment can also be used for some years as by the mine designer and APA inspected. This type of fan can reverse wind when needed, which has a reverse wind rate greater than 60%.

The performance specifications of the fan is displayed below:

- Fan model: FBCZ No 11/22;
- Air flow: 8.3 to 17m<sup>3</sup>/s;
- Wind pressure: 200 to 1,040 Pa;
- Rotation speed: 1,470 r/s;
- Electric Motor Model: Y180M2;
- Motor Power: 22kw;
- Motor weight: 900kg.

#### *5.1.10. Mine Drainage System*

On the northeast side of the mining area, there is the Dingkeng River, which flows from east to west into the Zhedong River and flows year-round. After merging with the Bianjiang River, it flows into the LiXian River, which belongs to the Red River system. There is a spring water point near the small gully to the north of the V1 orebody within the mining area, with an inflow of 1.8 L/s, it is the current domestic water source for the mine. It may be the F1 fault spring water, and no others found within the mining district.

The Dingkeng river is below the PD7 tunnel entry, with different river flows during the dry and rainy seasons about 10 L/s, 90 L/s, but the river flow surges during the rainstorm, which is prone to mountain torrents, so attention should be paid for the mining safety issue.

In this design, water gushing from working faces above the 1,340m level can be discharged by gravity along the ditches of the tunnels. Adits and the mid-level tunnels of adopt a slope of no less than 3%, and the drainage ditch is made of concretes with smooth surface. Mechanical drainage measures may be required in the levels of without self-drainage slope.

Where mining operations on 1,310m, 1,280m and 1,240m levels, the wastewater is collected into a sump built near the 1,240m rail siding port, and the wastewater pump is pumped to the 1,340m main adit and is discharged from the surface by gravity through the main adit.

##### *5.1.10.1. Mine Compressed Air Supply*

The air supply pipelines from the air compressor station are distributed to each level of the mine through the level entrances, then directed into the working faces where the compressed air is needed. Install Dg75 seamless steel pipes for the compressed air supply pipe in the middle levels. Small diameter pipes are then installed in raises and passes between levels (by Dg50), and then the high-pressure plastic pipe (Dg25) is distributed into the working faces.

The compressed air consumption equipment underground is rock drills. The mine adopts the 7655-drill type. As assessed, the compressed air consumption in the mining area is  $17.3\text{m}^3/\text{Min}$ . The air compressor can be arranged in a fixed air compressor station, which is set at 1,340m level near the entrance of the intermediate transportation adit. Please refer to the general layout plan of the mining area for details. Selection of air compression equipment.

Two LG25-25/7 air compressors (original one); One working and one standby. Multiple units.

When the rock drill is working simultaneously, both air compressors start to supply air simultaneously.

#### *5.1.10.2. Water Supply*

The water consumption of this mine is relatively low, with a total water consumption of  $60\text{m}^3$  per day, which includes operational water consumption of  $50\text{m}^3/\text{d}$  (underground production  $30\text{m}^3/\text{d}$ , air compressor cooling  $10\text{m}^3/\text{d}$  and surface dust control water usage of  $10\text{m}^3/\text{d}$ ) and domestic water consumption of  $10\text{m}^3/\text{d}$ .

The water supply pressure is about 0.4-0.5MPa. The Design utilizes the current water supply system, and to maintain and upgrade to a better operational condition. The water source is pumped from the spring as mentioned before as well as from DingKeng River (not far from PD7 adit entry) to a higher-level water storage pool. The water flows through a branched pipe network to various water consumption places for production use or for daily domestic use.

There is a water storage pool built at an elevation of 1,350m in the northwest of orebody V1, which is about 60m higher than the highest level in the current underground water consumption working face for rock drilling. The 60m water-head can fully meet the water pressure requirements of rock drilling operation. The volume of the water storage is  $100\text{m}^3$ , which can fully meet the water consumption needs of the mining area.

### 5.1.10.3. *Underground Electricity Supply*

After investigating, the total installed electrical capacity of the mine is 319 kw, the working capacity is 169kw, and the annual electricity consumption is  $54.5 \times 104\text{kW} \cdot \text{h/a}$ .

There is a 10kV transmission line passing through the vicinity of the mining area. The line has been integrated into the national power grid, and the power supply and distribution facilities in the mining area are well maintained, which is wholly adopted for the mine design.

To ensure the safety of production, there are currently (DG-0.5/0.5500VA, 380/36V) two lighting transformers that are used for supplying power to the 36V lighting circuit underground. The mine is a 24h/7d continuous production mine, according to the information provided by the owner, there is 10kV external electric main passing nearby the mine, and the power supply line of the mining area has been connected.

The underground power supply is from the surface transformer station lined to the inclined shaft and connected to a power distribution box, then using a cable rack supply to each working level of the mine. The underground lighting is powered by a 36V dry transformer. Mine The primary load is the drainage pump, while the other electric machinery uses secondary and tertiary loads. In the mine plan, there is a set of diesel generators (50kw) planned as a backup power supply for the mine, which forms a dual source power supplies to ensure the safe supply of electricity to the mine.

### 5.1.10.4. *Selection of Underground Hoisting Winch*

(1) Main inclined shaft lifting elements:

- Name of inclined shaft: Main inclined shaft;
- Upper head elevation: 1,340m;
- Bottom elevation: 1,240m;
- Inclined shaft length: 256m;



- Slope of inclined shaft: 23°;
- Cross section of inclined shaft: 7.5m<sup>2</sup>;
- Lifting method: lifting the ore cars in group;

(2) Lifting load

- Lifting load per shift: 100 t/d with 2 shifts, i.e 50 t/shift;
- Hourly lifting capacity:  $1.2 \times 50 / (8 \times 0.6) = 12.5 \text{t/h}$ , (“1.2” is an uneven factor, and “0.6” is the block operable factor);
- Mine car volume: 0.75m<sup>3</sup>;
- Mine car dead weight: 750kg;
- Mine car valid load capacity: 1,194kg;
- The maximum number of cars for one lift: 5;

(3) The selected hoisting winch model

- The hoisting winch model: JTP1.2;
- Drum diameter 1.2m;
- Drum width 1.0m;
- The maximum static tension: 30kN;
- Rope speed: 2.6m/s;
- Choose an AC electric motor with a rated power of 55kW, rated rotation speed of 980r/min, and voltage of 380V.

#### 5.1.11. *Mine Production Plan and Schedule*

- Annual operation days: 300;
- Shifts per day: 2;
- Working hours per shift: 8;
- Valid mining blocks arranged on one level: no less than 4;
- Mining block operable factor: 60%;
- Unit block yield: 50 t/d;
- Production capacity:  $300 \times 4 \times 50 \times 0.6 = 36,000$  t/a.
- APA states that the production of 30,000 t/a task can be easily achieved by only arranging 4 mining units at a single level, and it has more potential to increase its capacity in the future if required.

#### 5.1.12. *Surface Facilities*

##### 5.1.12.1. *Layout of surface industrial sites and transportation system*

The mining is a small-scale mine, most of the living facilities are still the original ones, a portion of production and living facilities can be improved, and the improved industrial site will be arranged in a relatively flat area at level 1,340m next to the original highway in the northern part of the orebody. The transportation of equipment, materials, explosives, and blasting equipment, etc. is carried out by mine trucks. Mine workers are transferred to and from workplaces by commuter minibuses of Company JiuYuan. The internal transportation of the mine mainly involves the transportation of waste rocks and production auxiliary materials, which are transported by mine trucks. External transportation mainly involves ore and production, such as explosives, blasting equipment, and steel drill bits, and daily necessities can be outsourced for transportation.

*5.1.12.2. Waste rock stockpiles*

Due to the small amount of waste rock generating from the mine, only one waste rock stockpile site is needed. The site is located at 1,340m level in the southwest of the adit entrance. There are no other buildings or residential buildings around the stockpile, and the design is to build a new track from the level 1,340 m entrance to the waste rock stockpile is about 200m. The waste is transported using mine tracks.

As estimated that the waste rock volume generated will be 2,644m<sup>3</sup> (original volume) and 5,818m<sup>3</sup> (original volume) from mine development stage and production stage, respectively. totaling 8,500m<sup>3</sup> (original volume). Applying a loose coefficient of 1.6 to the original volume, the loose waste rock material volume will be 13,600m<sup>3</sup>. This mine design is to build a waste rock stockpile volume of 15,000m<sup>3</sup> at level 1,340m to meet the requirement of waste rock dumping. Before dumping waste rock onto the stockpile pad, a foundation needs to be prepared, which include removing vegetation and humus soil, build up a retaining dam, establishing an intercepting ditch on the left, right, and upper parts of the stockpile to intercept floods and divert water from the stockpile field, which is to avoid causing landslides or mudslides incidents.

*5.1.12.3. Explosive storage*

It is recommended that the explosives, detonators, and other civilian explosive materials are extremely controlled by the local government civilian explosive team. The use of explosive related materials for mine production must be applied and permitted and registered by the relevant local government bureaus. APA found that there was a temporary explosive storage house located at a point outside of certain distance from residential or industrial districts. The original explosive facilities of the mine can be utilized into the mine design if they meet the regulation requirement. APA has inspected the explosive facilities of the Project JiuYuan, which are outside of the mining license area, and still being good quality to be used in the upcoming mining operations.

*5.1.13. Mining Schedule and Mining Cost*

**Table 5-8: Mining Schedule Project JiuYuan (Tons per year)**

Project Name	2024	2025	2026	2027	2028	2029	2030
Project JiuYuan	30,000	30,000	30,000	30,000	30,000	30,000	18,000

**Table 5-9: Breakdown of Estimated Mining Costs for Extracting of the Mineral Deposits from the Project JiuYuan**

Cost Breakdown	Unit Cost	Cost
Tax	RMB/tore	120
Labor Cost	RMB/tore	40
Supporting Materials	RMB/tore	10
Explosive Related Materials	RMB/tore	5
Power Charges	RMB/tore	5
Admin and Other Fees	RMB/tore	10
Total Mining Cost	RMB/tore	190

*5.1.14. Engineering and equipment for the mine development*

*5.1.14.1. Underground tunneling engineering required for the mine development*

The following table, Table 5-10 gives the details of the required tunneling engineering works of the mine development including the newly developed and the original old tunnels.

**Table 5-10: Mine Development Underground Engineering Works**

Name of the engineering works	Size (m x m)	Length (m)	Volume (m <sup>3</sup> )	Remarks
Decline shaft	2.5 x 3	256	1,920	Original
1,310 m level tunnel	2.5 x 2.0	290	1,450	Original
1,280 m level tunnel	2.5 x 2.0	280	1,400	Original
1,240 m level tunnel	2.5 x 2.0	68	340	Original
1,240 m level tunnel	2.5 x 2.0	176	880	New
Safety tunnel at the end of mine development system	2.0 x 2.0	60	300	New
Sum of the Original tunnels		894	5,110	
Sum of the newly developed tunnels		236	1,180	
Grand total		485	6,290	

#### 5.1.14.2. Mining equipment

The major mining equipment required for the mining operations of the mine is listed in the following table, Table 5-11.

**Table 5-11: Major Mining Equipment**

Name	Model	Unit	Working	Spare	Total	Remarks
Rock drill	7655	set	2	2	4	2 in stock
Rock drill	YSP45	set	2	2	4	2 in stock
Battery locomotive		set	2	1	3	1 in stock
Mine car	YCC0.76 (6)	set	12	5	17	5 in stock
Hoisting Winch	JTP1.2	set	1		1	New
Main fan	FBCZNo11/22	set	1			1 in stock
Local fan	JK55-2NO4	set	4	1	5	2 in stock
Compressor	LG25-25/7	set	1	1	2	2 in stock
Pump	IS65-40-315	set	1	2	3	New

5.1.14.3. *Infrastructure Engineering*

The general infrastructure engineering is listed in the following table, Table 5-12 General Infrastructure Engineering.

**Table 5-12: General Infrastructure Engineering**

Order number	Name	Unit	Amount	Remarks
1	Earthworks	m <sup>3</sup>	500	
2	Retaining wall	m <sup>3</sup>	1,200	
3	Flood interception trench	m	220	0.5m x 0.4m
4	Road	m	1,216	
5	Retaining dam	m <sup>3</sup>	750	

5.1.14.4. *Building***Table 5-13: Building**

Name of the building	Unit	Building area	Structure type	Remarks
Repair workshop	m <sup>2</sup>	50	Simple civil structure	Original
Substation room	m <sup>2</sup>	40	Brick and concrete	New
Storage house	m <sup>2</sup>	40	Simple civil structure	Original
Diesel depot	m <sup>2</sup>	45	Brick and concrete	Original
Dining rooms, bathrooms and washrooms	m <sup>2</sup>	120	Brick and concrete	Original
Office and dormitory	m <sup>2</sup>	200	Brick and concrete	Original
Compressor room	m <sup>2</sup>	30	Simple civil structure	New
Water pool	m <sup>2</sup>	100	Brick and concrete	Original
Total area	m <sup>2</sup>	625		

## 5.1.15. Invested Fixed Asset

Table 5-14 shows invested fixed asset for mining scale of 30,000t/a of Project JiuYuan as at report date:

**Table 5-14: Invested fixed asset of Project JiuYuan as of report date**

No.	Department	Present Value (RMB)
1	Mine Equipment	25,400,000
2	Factory	3,400,000
3	Laboratory	147,000
4	Other	461,000
	<b>Total (rounded)</b>	<b>29,400,000</b>

Among the invested fix asset, the breakdown of Mine Equipment and Factory of Project JiuYuan as at report date are shown at Table 5-15 and Table 5-16 below:

**Table 5-15: Invested fix asset, the breakdown of Mine Equipment of Project JiuYuan as at report date**

Record no.	Name	Purchase Date	Life	Quantity	Present Value
1602035	Air Compressor	2012.10.11	13	1	3,000
1601037	Air Compressor	2014.10.22	15	1	210,000
1601038	Air Compressor	2012.10.11	13	1	157,000
1601039	Changchai Diesel Machine	2012.10.11	13	1	3,000
1601040	Rock Drilling Machine	2012.10.11	13	1	29,000
1601041	Pneumatic pick	2012.10.11	13	1	1,000
1601042	Transformer	2012.10.11	13	1	50,000
1601044	Starter Cabinet	2012.10.11	13	1	31,000
1601045	Diesel Generator Set	2012.10.11	13	1	528,000
1601046	Motor	2012.10.11	13	1	9,000
1601047	Mine Cart	2012.10.11	13	1	62,000
1601048	Ventilating Machine	2012.10.11	13	1	37,000
1601049	Steel Wheel Standard Track Locomotive powered by Diesel Machine	2012.10.11	13	1	48,000

Record no.	Name	Purchase Date	Life	Quantity	Present Value
1601050	Water Pump	2006.03.20	13	1	16,000
1601051	Loader	2012.10.11	8	1	40,000
1601052	Loader	2012.10.11	13	1	185,000
1601053	Mining Substation	2012.10.11	13	1	10,000
1601054	Jia Ming GPS	2014.02.20	13	1	2,000
1601055	Handheld measuring instrument	2014.02.20	15	1	1,000
1601062	Explosives Depot	2010.10.20	11	1	127,000
1601063	Pit tunnel support (Silver stove room)	2012.10.11	13	1	7,318,000
1601064	Workshop	2012.10.11	13	1	3,033,000
1601065	Tailings reservoir foundation dam	2006.03.20	8	1	3,936,000
1601066	Tailings pond height expansion (including all construction works)	2013.10.16	14	1	3,706,000
1602071	Mine Line	2012.10.11	13	1	107,000
1602122	Mine Stockyard	2012.10.11	13	1	122,000
1602072	Retaining walls along mine roads	2012.10.11	13	1	30,000
1602073	Staff room of the mine	2007.03.20	13	1	276,000
1602076	Explosives Depot HK Video Surveillance System	2012.10.11	13	1	19,000
1602077	Full drilling instrument	2012.10.11	13	1	10,000
1602079	Samsung® All-in-one Machine	2012.10.11	5	1	-
1602080	Laptop	2014.08.06	6	1	2,000
1602081	Liu Da System	2013.10.21	14	1	205,000
1602096	Trolley	2012.10.11	13	1	9,000
1602097	Mine roads	2012.10.11	13	1	218,000
1602102	Mine belt mud dewatering machine (Tailings dewatering)	2015.12.20	15	1	151,000
1602103	Rock Drilling Machine	2015.06.20	15	2	4,000
1602104	Motor	2015.06.20	15	1	3,000
1602105	Mine Cart	2015.04.30	15	1	4,000
1602106	Pit tunnel support (Workshop) (Newly added from 2015 - 2017)	2015.04.20	30	3M	8,000
1602108	Winch	2016.06.20	15	1	100,000
1602109	Winch	2016.03.30	15	1	139,000
1602110	Pit tunnel support (Silver stove room) (Newly added from 2015 - 2017)	2016.04.20	30	269M	750,000
1602111	Pit tunnel support (Workshop) (Newly added from 2015 - 2017)	2016.04.20	30	278M	731,000
1602114	Rock Drilling Machine	2017.08.30	15	5	15,000



Record no.	Name	Purchase Date	Life	Quantity	Present Value
1602115	Rock Drilling Machine	2017.12.20	15	1	3,000
1602116	Winch	2017.08.30	15	1	108,000
1602117	Pit tunnel support (Silver stove room) (Newly added from 2015 - 2017)	2017.12.20	30	1550M	2,626,000
1602123	Water Pump	2018.1.27	5	5	8,000
1602124	Surveillance System	2018.3.17	15	1	7,000
1602135	Air-leg Rock Drilling Machine	2019.06.24	5	4	24,000
1602137	0.75 cubic meter Mine Cart	2019.7.05	15	4	30,000
1602136	Diesel Generator Set	2019.7.05	15	2	12,000
1602132	10KG Mine Feeder	2019.5.15	15	1	22,000
1602131	Wheel Pair	2018.12.26	5	1	-
1602142	Air Compressor	2020.07.21	15	1	31,000
1602143	Rock Drilling Machine	2020.08.24	15	2	6,000
1602147	Motor Electricity Distribution Cabinet	2020.11.03	15	1	5,000
1602149	45KW Starter Cabinet	2021.06.24	15	1	6,000
1602148	1.1 Sewage Pump	2021.06.24	15	5	18,000
1601150	Air-leg Rock Drilling Machine	2017.08.30	15	1	12,000
<b>Total</b>					<b>25,400,000</b>

**Among the invested fix asset, the breakdown of Factory of Jiu Yuan as at report date are:**



**Table 5-16: invested fix asset, the breakdown of Factory of Jiu Yuan as at report date**

Record No.	Name	Purchase Date	Life	Quantity	Present Value
1602001	Jaw crusher	2012.10.11	13	1	52,000
1602002	Fine crusher	2013.10.06	13	1	68,000
1602003	Lime agitator	2012.10.11	13	1	5,000
1602004	Belt feeder	2014.10.06	14	1	22,000
1602005	Vibrating feeder	2014.10.06	14	1	4,000
1602006	Ball mill	2014.10.06	15	1	281,000
1602007	Spiral classifier	2006.03.20	7	1	19,000
1602008	Motor start control	2012.10.11	13	1	19,000

Record No.	Name	Purchase	Life	Quantity	Present
		Date			Value
1602009	Low-voltage switchboard	2012.10.11	13	1	19,000
1602010	Capacitance compensator	2012.10.11	13	1	6,000
1602011	Abrasive wheel cutting machine	2012.10.11	13	1	3,000
1602012	Jack	2012.10.11	13	1	4,000
1602013	Gantry	2012.10.11	13	1	3,000
1602014	Lead Zinc Mixing Bucket	2014.10.06	10	1	138,000
1602015	Lead mixing bucket	2012.10.11	8	1	31,000
1602016	Zinc mixing bucket	2012.10.11	8	1	21,000
1602017	Flotation machine	2013.10.06	14	1	234,000
1602018	Plate and frame filter press	2006.03.20	7	1	20,000
1602019	Minerals concentrate belt conveyor	2006.03.20	7	1	5,000
1602020	Minerals concentrate pump	2012.10.11	13	1	6,000
1602021	Welding machine	2012.10.11	13	1	1,000
1602022	Weighbridge	2006.03.20	8	1	13,000
1602024	Hand chain hoist	2012.10.11	13	1	1,000
1602025	Drilling machine	2012.10.11	13	1	5,000
1602026	Linesman pliers	2012.10.11	13	1	-
1602027	Transformer	2006.03.20	15	1	129,000
1602036	Loader	2006.03.20	8	1	40,000
1602043	Wear resistant anti-corrosion pump	2012.10.11	13	1	4,000
1602057	Plant workers housing	2006.03.20	8	1	106,000
1602058	Color steel tile house in the dressing plant	2012.10.11	13	1	1,189,000
1602059	Pharmacy warehouse	2012.10.11	13	1	74,000
1602060	Oil depot	2012.10.11	13	1	198,000
1602061	10KV Line Engineering	2012.10.11	13	1	87,000
1602067	Production water pool	2006.10.20	8	1	39,000
1602068	Stockyard	2012.10.11	13	1	282,000
1602121	Plant to tailings dam road	2010.10.20	11	1	109,000
1602099	Sewage pump	2015.12.30	15	1	6,000
1602100	Transformer	2015.10.30	30	1	16,000
1602107	Water pump	2016.10.30	10	1	5,000
1602113	Reducer gear	2017.08.30	15	2	17,000
1602133	7.5K Sewage pump	2019.05.16	7	1	2,000
1602134	4.5KW 90 Soft starter cabinet	2019.05.17	30	4	8,000
1602139	Screw machine	2019.12.25	15	1	47,000
1602140	Pump with seat	2020.03.27	15	1	4,000

Record No.	Name	Purchase			Present Value
		Date	Life	Quantity	
1602141	Centrifugal pump	2020.03.27	15	1	5,000
1602145	Inverter	2020.03.27	7	1	21,000
1601138	Sewage pump	2020.03.27	7	1	4,000
1601151	Water pump	2020.03.27	7	1	7,000
1601078	Lenovo notebook	2020.03.27	7	1	3,000
<b>Total</b>					<b>3,400,000</b>

5.1.16. Milestone of the Development and Permits Required for Operation

Milestone of the Development of Project JiuYuan					
Year	Quarter	Stages			Important Dates
		Repairing	Mining	Restoration	
2023	1				<p><b>Detail Workings</b></p> <p>1. Repairing of roads, rail, air-strips to access the mine plus the utilities services such as water, sewage and power</p> <p>2. Reparation of mining equipments, processing factories, and environmental protection facilities</p> <p>1. Executing departmental and operating handbook in daily production under mine planning and instructions of mining manager</p> <p>2. Maintaining safe operation of drilling, charging, blasting, loading, processing, and selling</p> <p>3. Monitoring costs and economic payback</p> <p>4. Timely report mining status and incidents to relevant authorities and government</p> <p>1. Removal of office buildings, processing facilities, waste and hazardous materials</p> <p>2. Sealing all mine shafts, adits, and other openings</p> <p>3. Restoration of native plants</p> <p>4. Restoration of the land surface and the water quality of the area equipment, utilities, and other surface structures</p>
	2				
	3				
	4				
2024	1				
	2				
	3				
	4				
2025	1				
	2				
	3				
	4				
2026	1				
	2				
	3				
	4				
2027	1				
	2				
	3				
	4				
2028	1				
	2				
	3				
	4				
2029	1				
	2				
	3				
	4				
2030	1				
	2				
	3				
	4				
2031	1				
	2				
	3				
	4				
<b>Important Dates</b>		 <b>Mine Production</b>  <b>Mine Closure</b>			
<b>Detail Workings</b>					

The permits and licenses required for Project JiuYuan are as follows:

**Permits and Licenses required for Operation**

No.	Permits/Docs/Action requested for operation for Project JiuYuan	Expected Date of Application	Status/ Vendor's Expected Date of Obtaining	Legal Impediment	Requirement/Procedures of Application
1	Exploration License	N/A	Obtained	N/A	1. Limited to applications submitted by the holder of the exploration right only.
2	Mining right application registration or application form	N/A	Obtained	N/A	2. Limited to the change in exploration to mining and in relation to the expansion in mining areas only. During transfer of mining rights, submit a transfer application and an application for change in registration.
3	Agreement to transfer application materials	N/A	Obtained	N/A	1. Limited to transfer of mining rights by agreement only.
4	Approval certificate for foreign-invested enterprises	N/A	Obtained	N/A	2. Submit the agreement in relation to the transfer application, and related department documents in relation to such scheme. It is limited to applications for non-oil and gas establishment, continuation or change by foreign investors. The transfer and changes are limited to the transferee of mining rights as a foreign business.

No.	Permits/Docs/Action requested for operation for Project JiuYuan	Status/ Vendor's			Requirement/Procedures of Application
		Expected Date of Application	Expected Date of Obtaining	Legal Impediment	
5	Mining right transfer income (price) payment or compensation disposal certification materials	N/A	Obtained	N/A	Provide payment notices, instalment payment approvals or confirmation of mining right transaction including the amount payable from the transfer of mining rights (price), payment method, mining right assignment contracts, and payment notes and related certificates for the proceeds (price) of mining right transfer. If there is no corresponding material, the receiving authority shall issue a written opinion explaining the specific circumstances of the payment of the proceeds (price) from the transfer of mining rights, and if it has been approved to convert the proceeds (price) of mining rights into a state fund or state capital, an approval document shall be provided. No longer submitted by the applicant, and is to be verified through government websites by registration management authorities. For new application in relation to change from exploration to mining, submit reviewed and filed resources and reserves review documents.
6	Copy of the applicant's business license	N/A	Obtained	N/A	
7	Mineral resources & reserves review filing documents	N/A	Obtained	N/A	

No.	Permits/Docs/Action requested for operation for Project JiuYuan	Status/ Vendor's			Requirement/Procedures of Application
		Expected Date of Application	Expected Date of Obtaining	Legal Impediment	
8	Mining area map with geological topographic map as base map	N/A	Obtained	N/A	N/A
9	Triple-lap graph	N/A	Obtained	N/A	Applicable to new establishment and expansion of mining areas. The coordinates of the scope of the applied mining right, the estimated range of resource reserves and the scope of exploration right (or the scope of the delimited mining area if the approval for zoning has been obtained) and the superimposed Triple-lap graph shall be submitted.
10	Approval of demarcation of mining area	N/A	Obtained	N/A	If the reservation period has been extended, the extension approval shall also be submitted.
11	Environmental Impact Assessment Report	N/A	Obtained	N/A	N/A
12	Mineral resources development and utilization plans and expert review opinions	N/A	Obtained	N/A	For those who apply for oil and gas continuation, expansion of mining areas (change in mining depth only), reduction in mining areas, name changes and transfer of mining right holders, they only need to submit a plan regarding the development and utilization of mineral resources.

No.	Permits/Docs/Action requested for operation for Project JiuYuan	Status/ Vendor's			Requirement/Procedures of Application
		Expected Date of Application	Expected Date of Obtaining	Legal Impediment	
13	Mine Geological Environmental Restoration and Land Rehabilitation Report	N/A	Obtained	N/A	Where the application for renewal has not been submitted, it is applicable to situations where the plan has not been submitted or the plan has exceeded the validity period, as well as one of the original mine geological environmental protection and treatment restoration plan and the land reclamation plan has exceeded the validity period.
14	Opinions of provincial natural resources authorities	N/A	Obtained	N/A	To be submitted by the provincial-level authorities for natural resources through system.
15	Mining right Certificate	N/A	Obtained	N/A	N/A
16	Blasting Permit	N/A	Obtained	N/A	<ol style="list-style-type: none"> <li>1. Business license</li> <li>2. Mining permit</li> <li>3. Safety production permit</li> <li>4. Explosives storage</li> <li>5. Blasting operator permit</li> <li>6. List of specialised equipment in relation to blasting operations</li> <li>7. Safety management and post safety responsibility system</li> </ol>

No.	Permits/Docs/Action requested for operation for Project JiuYuan	Status/ Vendor's		Requirement/Procedures of Application
		Expected Date of Application	Expected Date of Obtaining	
17	Safe Production Certificate	N/A	Obtained	<ol style="list-style-type: none"> <li>1. Business license</li> <li>2. Mining permit</li> <li>3. Safety production regulations and operational procedures</li> <li>4. Safety qualification certificate for person-in-charge and safety production management personnel</li> <li>5. Operation qualification certificate for personnel performing special operations</li> <li>6. Deposits paid in relation to safety production expenses and safety production risks</li> <li>7. Work-related injury insurance premiums payable for employees</li> <li>8. Emergency rescue plan</li> <li>9. Approvals from authority responsible for supervision</li> </ol>



## 5.2. Project Development and Planning of Project JinHao

### 5.2.1. Key Parameters of Project Development and Planning

#### 5.2.1.1. Mining Schedule

**Table 5–17: Mining Schedule of Project JinHao (Tons per year)**

Project Name	2024	2025	2026	2027	2028	2029	2030	2031	2032
Project JinHao		45,000	90,000	90,000	90,000	90,000	90,000	90,000	34,000

#### 5.2.1.2. Underground tunneling engineering required for the mine development

Table 5-18 gives the details of the required tunneling engineering works for the mine development suggested by the Competent Persons.

**Table 5-18: Mine Development Underground Engineering Works**

Name of the engineering works	Size (m x m)	Length (m)	Volume (m <sup>3</sup> )
Decline shaft	2.5 x 3	768	5,760
1,310m level tunnel	2.5 x 2.0	870	4,350
1,280m level tunnel	2.5 x 2.0	840	4,200
1,240m level tunnel	2.5 x 2.0	204	1,020
1,240m level tunnel	2.5 x 2.0	528	2,640
Safety tunnel at the end of mine development system	2.0 x 2.0	180	900

### 5.2.1.3. Mining equipment

The major mining equipment required for the mining operations of the mine suggested by the Competent Persons is listed in Table 5-19.

**Table 5-19: Major Mining Equipment**

Name	Model	unit	Total
Rock drill	7655	set	8
Rock drill	YSP45	set	8
Battery locomotive		set	6
Mine cart	YCC0.76 (6)	set	15
Hoisting Winch	JTP1.2	set	9
Main fan	FBCZNo11/22	set	9
Local fan	JK55-2NO4	set	15
Compressor	LG25-25/7	set	9
Pump	IS65-40-315	set	9

### 5.2.1.4. Infrastructure Engineering and Building

The General Infrastructure Engineering and Building suggested by the Competent Persons is listed in Table 5-18 and Table 5-19.

**Table 5-20: General Infrastructure Engineering**

Order number	Name	Unit	Amount	Remarks
1	Earthworks	m <sup>3</sup>	1,500	
2	Retaining wall	m <sup>3</sup>	3,600	
3	Flood interception trench	m	660	0.5m x 0.4m
4	Road	m	3,648	
5	Retaining dam	m <sup>3</sup>	2,250	

**Table 5-21: Building**

Name of the building	Unit	Building	
		area	Structure type
Repair workshop	m <sup>2</sup>	150	Simple civil structure
Substation room	m <sup>2</sup>	120	Brick and concrete
Storage house	m <sup>2</sup>	120	Simple civil structure
Diesel depot	m <sup>2</sup>	135	Brick and concrete
Dining rooms, bathrooms and washrooms	m <sup>2</sup>	360	Brick and concrete
Office and dormitory	m <sup>2</sup>	400	Brick and concrete
Compressor room	m <sup>2</sup>	90	Simple civil structure
Water pool	m <sup>2</sup>	200	Brick and concrete
Total area	m <sup>2</sup>	1,575	

### 5.2.2. Suggested Capital Investment

Table 5-22 shows suggested capital investment for mining scale of 90,000t/a of Project JinHao suggested by the Competent Persons as at report date.

**Table 5-22: Suggested Capital Investment of Project JinHao as of report date**

No.	Item	Cost (RMB)
1	Mine Equipment	44,100,000
2	Factory	11,000,000
3	Laboratory	1,300,000
4	Other	3,200,000
5	Resource Tax	45,000,000
6	Contingency Expense	1,000,000
	<b>Total:</b>	<b>105,600,000</b>

Among the suggested Capital Investment, the breakdown of Mine Equipment and Factory of Project JinHao as at report date are shown in Table 5-23 and Table 5-24 below:

**Table 5-23: Suggested Fixed Assets in Mine Segment**

Name	Life	Quantity	Unit Price (RMB)	Cost (RMB)
Air Compressor	15	9	260,000	2,340,000
Changchai Diesel Machine	13	3	6,000	18,000
Rock Drilling Machine	13	16	34,700	555,200
Pneumatic pick	13	3	2,400	7,200
Transformer	13	3	50,000	150,000
Starter Cabinet	13	3	48,000	144,000
Diesel Generator Set	13	3	400,000	1,200,000
Fan	11	24	3,000	72,000
Motor	13	3	15,000	45,000
Ventilating Machine	13	3	54,000	162,000
Steel Wheel Standard Track Locomotive powered by Diesel Machine	13	3	73,600	220,800
Water Pump	13	3	27,600	82,800
Loader	8	6	245,000	1,470,000
Mining Substation	13	3	15,400	46,200
Jia Ming GPS	13	3	3,800	11,400
Handheld measuring instrument	15	3	2,400	7,200
Explosives Depot	11	3	250,000	750,000
Pit tunnel support (Silver stove room)	13	3	1,000,000	3,000,000
Workshop	13	2	1,500,000	3,000,000
Tailings reservoir foundation dam	8	1	9,500,000	9,500,000
Tailings pond height expansion	14	1	9,500,000	9,500,000
Mine Line	13	3	139,800	419,400
Mine Stockyard	13	3	159,400	478,200
Retaining walls along mine roads	13	3	39,300	117,900
Staff room of the mine	13	3	900,000	2,700,000
Explosives Depot HK Video Surveillance System	13	3	30,000	90,000
Full drilling instrument	13	3	15,500	46,500
Samsung® All-in-one Machine	5	3	1,800	5,400
Laptop	6	3	4,400	13,200
Liu Da System	14	3	280,000	840,000
Trolley	13	3	15,000	45,000
Mine roads	13	3	300,000	900,000

Name	Life	Quantity	Unit Price (RMB)	Cost (RMB)
Mine belt mud dewatering machine (Tailings dewatering)	15	3	177,900	533,700
Rock Drilling Machine	15	6	2,800	16,800
Motor	15	3	3,600	10,800
Mine Cart	15	15	5,900	88,500
Pit tunnel support (Workshop)	30	12M	3,200	38,400
Winch	15	9	80,000	720,000
Pit tunnel support (Silver stove room)	30	1400M	1,200,000	1,200,000
Pit tunnel support (Workshop)	30	1400M	1,200,000	1,200,000
Rock Drilling Machine	15	15	3,500	52,500
Winch	15	3	118,700	356,100
Pit tunnel support (Silver stove room)	30	1400M	1,268,000	1,268,000
Water Pump	5	15	2,300	34,500
Surveillance System	15	3	8,600	25,800
Air-leg Rock Drilling Machine	5	12	6,400	76,800
0.75 cubic meter Mine Cart	15	12	8,000	96,000
Diesel Generator Set	15	6	13,500	81,000
10KG Mine Feeder	15	3	25,700	77,100
Wheel Pair	5	3	4,200	12,600
Air Compressor	15	3	32,500	97,500
Rock Drilling Machine	15	6	3,200	19,200
Motor Electricity Distribution Cabinet	15	3	5,500	16,500
45KW Starter Cabinet	15	3	6,800	20,400
1.1 Sewage Pump	15	6	18,600	111,600
Air-leg Rock Drilling Machine	15	3	15,000	45,000
<b>Total:</b>				<b>44,100,000</b>

Table 5-24: Suggested Fixed Assets in Factory Segment

Name	Life	Quantity	Unit price (RMB)	Cost (RMB)
Jaw crusher	13	3	80,000	240,000
Fine crusher	13	3	95,000	285,000
Lime agitator	13	3	10,000	30,000
Belt feeder	14	3	28,000	84,000
Vibrating feeder	14	3	5,500	16,500
Ball mill	15	3	350,000	1,050,000
Spiral classifier	7	3	148,000	444,000
Motor start control	13	3	30,000	90,000
Fan	13	24	3,000	72,000
Low-voltage switchboard	13	3	30,000	90,000
Capacitance compensator	13	3	10,000	30,000
Abrasive wheel cutting machine	13	3	5,000	15,000
Jack	13	3	6,000	18,000
Gantry	13	3	5,000	15,000
Lead Zinc Mixing Bucket	10	3	186,000	558,000
Lead mixing bucket	8	3	62,000	186,000
Zinc mixing bucket	8	3	42,000	126,000
Flotation machine	14	3	336,000	1,008,000
Plate and frame filter press	7	3	155,500	466,500
Minerals concentrate belt conveyor	7	3	40,000	120,000
Minerals concentrate pump	13	3	10,000	30,000
Welding machine	13	3	2,200	6,600
Weighbridge	8	3	80,000	240,000
Hand chain hoist	13	3	2,000	6,000
Drilling machine	13	16	8,000	128,000
Linesman pliers	13	3	1,000	3,000
Transformer	15	3	171,000	513,000
Loader	8	3	245,000	735,000
Building	15	1	1,000,000	1,000,000
Wear resistant anti-corrosion pump	13	3	8,300	24,900
Plant workers housing	8	1	446,800	446,800
Color steel tile house in the dressing plant	13	3	200,000	600,000
Pharmacy warehouse	13	1	112,000	112,000
Oil depot	13	1	300,000	300,000
10KV Line Engineering	13	3	132,400	397,200
Production water pool	8	3	80,000	240,000

Name	Life	Quantity	Unit price (RMB)	Cost (RMB)
Stockyard	13	1	369,000	369,000
Plant to tailings dam road	11	3	147,800	443,400
Sewage pump	15	3	7,100	21,300
Transformer	30	3	18,300	54,900
Water pump	10	3	7,100	21,300
Reducer gear	15	3	18,900	56,700
7.5K Sewage pump	7	3	2,500	7,500
4.5KW 90 Soft starter cabinet	30	3	8,800	26,400
Screw machine	15	3	25,000	75,000
Pump with seat	15	3	4,700	14,100
Centrifugal pump	15	3	6,100	18,300
Inverter	7	3	22,600	67,800
Sewage pump	7	3	5,000	15,000
Water pump	7	3	7,000	21,000
Lenovo notebook	7	3	5,900	17,700
<b>Total:</b>				<b>11,000,000</b>


### 5.2.3. Mining Recovery Rate, Mining Dilution Rate, and Mining Cost

The mining recovery rate and dilution rate for Project JinHao is 90% and 10%. The mining cost is shown in Table 5-25.

**Table 5-25: Breakdown of Estimated Mining Costs for Extracting of the Mineral Deposits from the Project JinHao**

Cost Breakdown	Unit Cost	Cost
Tax	RMB/tore	260
Labor Cost	RMB/tore	40
Supporting Materials	RMB/tore	10
Explosive Related Materials	RMB/tore	5
Power Charges	RMB/tore	5
Admin and Other Fees	RMB/tore	10
<b>Total Mining Cost</b>	<b>RMB/tore</b>	<b>330</b>

5.2.4. Milestone of the Development and Permits Required for Operation

Milestone of the Development of Project JinHao						
Year	Quarter	Stages				
		Construction		Pilot Production	Mining	Restoration
		Infrastructure & Roads & Factories	Equipment Installation			
2023	1					
	2					
	3					
	4					
2024	1					
	2					
	3					
	4					
2025	1					
	2					
	3					
	4					
2026	1					
	2					
	3					
	4					
2027	1					
	2					
	3					
	4					
2028	1					
	2					
	3					
	4					
2029	1					
	2					
	3					
	4					
2030	1					
	2					
	3					
	4					
2031	1					
	2					
	3					
	4					
2032	1					
	2					
	3					
	4					
Important Dates	<div style="text-align: center;">  <p><b>Production Testing    Mine Production    Mine Closure</b></p> </div>					
Detail Workings	1. Recruitment of Mine Manager and mine personnel 2. Construction of roads, rail, declines, return airway, and branching lateral access drives to access the mine plus the utilities services such as water, sewage and power 3. Construction of workforce accommodation, offices, processing factory, workshops, storage, tailing dam, and environmental protection facilities	1. Installation and Assembly of Mining Equipments and Processing Machines 2. Commissioning and ramp up Performance Testings 3. Training of Operators and Repairers 4. Quality Management and Assurance	1. Final Tuning and running of mining equipments and processing factories 2. Developing and organising multi-disciplinary team coordination under standard operating procedures (SOPs) 3. Liasing & testing transportation and selling of products	1. Executing departmental and operating handbook in daily production under mine planning and instructions of mining manager 2. Maintaining safe operation of drilling, charging, blasting, loading, processing, and selling 3. Monitoring costs and economic payback 4. Timely report mining status and incidents to relevant authorities and government	1. Removal of office buildings, processing facilities, waste and hazardous materials 2. Sealing all mine shafts, adits, and other openings 3. Restoration of native plants 4. Restoration of the land surface and the water quality of the area equipment, utilities, and other surface structures	



The permits and licenses required for Project JinHao are as follows:

No.	Permits/Docs/Action requested for operation for Project JinHao	Status/ Vendor's		Legal Impediment	Requirement/Procedures of Application
		Expected Date of Application	Expected Date of Obtaining		
1	Exploration License	N/A	Obtained	N/A	<ol style="list-style-type: none"> <li>Limited to applications submitted by the holder of the exploration right only.</li> </ol>
2	Mining right application registration or application form	1-Dec-2023	31-Dec-2023	No	<ol style="list-style-type: none"> <li>Limited to the change in exploration to mining and in relation to the expansion in mining areas only.</li> </ol>
3	Agreement to transfer application materials	1-Mar-2024	31-Mar-2024	No	<p>During transfer of mining rights, submit a transfer application and an application for change in registration.</p> <ol style="list-style-type: none"> <li>Limited to mining rights transfer by agreement only.</li> </ol>
4	Approval certificate for foreign-invested enterprises	1-Mar-2024	31-Mar-2024	No	<ol style="list-style-type: none"> <li>Submit the agreement in relation to the transfer application, and related department documents in relation to such scheme.</li> </ol> <p>It is limited to applications for non-oil and gas establishment, continuation or change by foreign investors. The transfer and changes are limited to the transferee of mining rights as a foreign business.</p>

No.	Permits/Docs/Action requested for operation for Project JinHao	Expected Date of Application	Status/ Vendor's		Requirement/Procedures of Application
			Expected Date of Obtaining	Legal Impediment	
5	Mining right transfer income (price) payment or compensation disposal certification materials	1-Mar-2024	31-Mar-2024	No	Provide payment notices, instalment payment approvals or confirmation of mining right transaction including the amount payable from the transfer of mining rights (price), payment method, mining right assignment contracts, and payment notes and related certificates for the proceeds (price) of mining right transfer. If there is no corresponding material, the receiving authority shall issue a written opinion explaining the specific circumstances of the payment of the proceeds (price) from the transfer of mining rights, and if it has been approved to convert the proceeds (price) of mining rights into a state fund or state capital, an approval document shall be provided. No longer submitted by the applicant, and is to be verified through government websites by registration management authorities.
6	Copy of the applicant's business license	1-Mar-2024	31-Mar-2024	No	For new application in relation to change from exploration to mining, submit reviewed and filed resources and reserves review documents. N/A
7	Mineral resources & reserves review filing documents	1-Jun-2024	30-Jun-2024	No	
8	Mining area map with geological topographic map as base map	1-Jun-2024	30-Jun-2024	No	

No.	Permits/Docs/Action requested for operation for Project JinHao	Expected Date of Application	Status/ Vendor's		Requirement/Procedures of Application
			Expected Date of Obtaining	Legal Impediment	
9	Triple-lap graph	1-Jun-2024	30-Jun-2024	No	Applicable to new establishment and expansion of mining areas. The coordinates of the scope of the applied mining right, the estimated range of resource reserves and the scope of exploration right (or the scope of the delimited mining area if the approval for zoning has been obtained) and the superimposed Triple-lap graph shall be submitted.
10	Approval of demarcation of mining area	1-Jun-2024	30-Jun-2024	No	If the reservation period has been extended, the extension approval shall also be submitted.
11	Environmental Impact Assessment Report	1-Oct-2024	31-Dec-2024	No	N/A
12	Mineral resources development and utilization plans and expert review opinions	1-Oct-2024	31-Dec-2024	No	For those who apply for oil and gas continuation, expansion of mining areas (change in mining depth only), reduction in mining areas, name changes and transfer of mining right holders, they only need to submit a plan regarding the development and utilization of mineral resources.

No.	Permits/Docs/Action requested for operation for Project JinHao	Expected Date		Legal Impediment	Requirement/Procedures of Application
		of Application	of Obtaining		
13	Mine Geological Environmental Restoration and Land Rehabilitation Report	1-Oct-2024	31-Dec-2024	No	Where the application for renewal has not been submitted, it is applicable to situations where the plan has not been submitted or the plan has exceeded the validity period, as well as one of the original mine geological environmental protection and treatment restoration plan and the land reclamation plan has exceeded the validity period.
14	Opinions of provincial natural resources authorities	1-Nov-2024	31-Dec-2024	No	To be submitted by the provincial-level authorities for natural resources through system.
15	Mining right Certificate	1-Jan-2025	30-Apr-2025	No	N/A
16	Blasting Permit	1-May-2025	30-Jun-2025	No	<ol style="list-style-type: none"> <li>1. Business license</li> <li>2. Mining permit</li> <li>3. Safety production permit</li> <li>4. Explosives storage</li> <li>5. Blasting operator permit</li> <li>6. List of specialised equipment in relation to blasting operations</li> <li>7. Safety management and post safety responsibility system</li> </ol>

No.	Permits/Docs/Action requested for operation for Project JinHao	Status/ Vendor's		Requirement/Procedures of Application	
		Expected Date of Application	Expected Date of Obtaining		Legal Impediment
17	Safe Production Certificate	1-May-2025	30-Jun-2025	No	<ol style="list-style-type: none"> <li>1. Business license</li> <li>2. Mining permit</li> <li>3. Safety production regulations and operational procedures</li> <li>4. Safety qualification certificate for person-in-charge and safety production management personnel</li> <li>5. Operation qualification certificate for personnel performing special operations</li> <li>6. Deposits paid in relation to safety production expenses and safety production risks</li> <li>7. Work-related injury insurance premiums payable for employees</li> <li>8. Emergency rescue plan</li> <li>9. Approvals from authority responsible for supervision</li> </ol>

## 6. TECHNICAL PERFORMANCE OF ORE PROCESSING

### 6.1. Technical Performances of Ores Processing for Project JiuYuan

The occurrence status of lead and zinc in the mineral deposits of mining areas

- (1) Lead: Chemical analysis shows that the average grade of lead in the raw ore is 1.49%. In ore, Galena exists in form of the Galena, which is mainly self-shaped cubic crystal and often coexists with the Sphalerite; Part of Galena is distributed in the broken quartz vein in the form of net vein.
- (2) Zinc: Chemical analysis shows that the average grade of zinc in the raw ore is 3.18%. It mainly exists in the form of Sphalerite in ores. Sphalerite is mainly self-shaped cubic crystals, often forming compact blocks, and Galena is often banded in the middle.

#### *6.1.1. Mineral processing industry indicators*

In October 2005, a 200 t/d processing plant was built at the Xiaojie Lead Zinc Mine, with a feed grade of around 1% Pb + Zn. The gravity concentration combined with flotation beneficiation process was selected. The table concentrator was used for the gravity concentration process. For the flotation, the xanthate was used as a capture agent, and the No. 2 diesel as the foaming agent.

A open circuit crushing combined with a closed circuit of grinding had been used. Firstly, gravity separation is used to select a portion of the lead concentrates, with the intermediate ore undergoing flotation and the tailings being discarded. The flotation process prioritizes the flotation of lead, followed by the flotation of zinc. The tailings are then fed into a shaking table for re-separation of lead, and the intermediate ore is returned to flotation. The tailings are discarded. The recovery rate is 83% for Pb, and 83% for Zn. The zinc content of the zinc concentrate was recorded as 50% to 53%, which reached to the quality of the second-grade product in the Chinese market. The lead content in the lead concentrate reached 50%, which met the fourth-grade standard.

The consumption of beneficiation reagents, materials, and equipment is as follows (provided by the owner):

Steel ball: 1.37kg/ton;

Lime: 16.08kg/ton;

Yi xanthate: 0.39kg/ton;

Ding xanthate: 0.35kg/ton;

No. 25 Black power: 0.068kg/ton;

Pine oil: 0.082kg/ton;

Sulfurous acid: 0.43kg/t;

Sodium sulfide: 0.38kg/t;

Electricity: 44.96kw · h/t;

Water: 6.75m<sup>3</sup>/t.

#### *6.1.2. Processing Cost*

From the above beneficiation industry indicators, when the grinding fineness of 200 mesh accounts for 80% and the grinding concentration is 30%, the beneficiation recovery rate is the best; When the grinding fineness and grinding concentration are greater than or less than, the beneficiation recovery rate is not good; The high mud content and oxidation degree of the ore have an impact on flotation. The higher the mud content and oxidation rate of the ore, the lower the recovery rate.

To sum up, the lead-zinc sulfide ore in this area is beneficiated by the lead-zinc flotation method, with good ore washability, which is easy to select.

The mineral processing industry indicators are as follows:

Daily processing capacity: 200 t/d;

Feed grades: Pb 0.80-3.15%, average 1.82%; Zn 0.96-6.68%, with an average of 2.50%;

Grinding fineness: -200 mesh accounts for 80%;

Grinding concentration: 30%;

Concentrate grade: Pb 50%, Zn 53%;

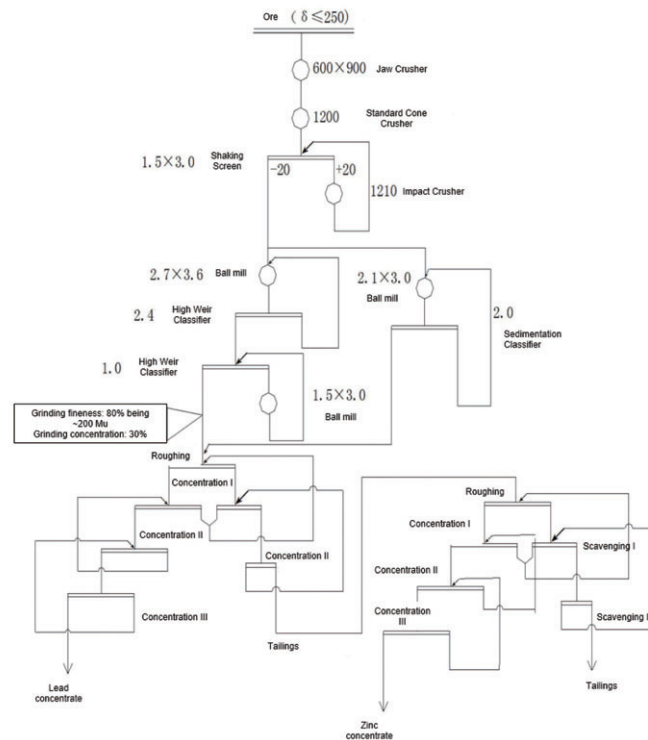
Mineral processing recovery rate: Pb 83%; Zn 81%;

Tailings grade: Pb 0.16-0.65%, Zn 0.27-0.36%;

The cost of beneficiation operation in the beneficiation plant is 100 yuan/ton.

The processing cost is estimated as RMB45 per ton, including refinery cost of RMB5 per ton. The processing recovery rate is 83% and 81% for lead and zinc. See the beneficiation process flowchart (Figure 6-1).

**Figure 6-1: Beneficiation process flowchart**





## 6.2. Technical Performance of Ore Processing for Project JinHao

In November 2010, ZhenYuan County JinHao Mining Co., Ltd., based on the available exploration achievements and real situation, took ore processing test samples for DengGao Lead Copper Mine and commissioned Kunming Metallurgical Research Institute to conduct ore processing and smelting performance test and research, providing technical basis for geological evaluation and future development and utilization.

A total of 1 ore sample was taken in this experiment. The original ore sample belongs to copper lead silver polymetallic sulfide ore. The original ore sample has a copper grade of 1.18%, a lead grade of 6.35%, and a silver grade of  $306.4 \times 10^{-6}$ . The main metal minerals are galena, Chalcopyrite, tetrahedrite, Pyrite, etc. Gangue minerals are mainly quartz and dolomite, with a small amount of sericite, plagioclase and Calcite.

This experiment began on November 30, 2010, and ended in late December 2010.

### 6.2.1. *Sampling type and purpose*

The sampling type is the ore processing and smelting performance test sample.

The purpose of sampling was to provide ore processing technology methods that are in line with the actual situation of the mine by conducting experiments and understanding the ore processing performance.

### 6.2.2. *Sampling method*

Expose the parts of the orebody in the exploration project and collect them using the groove method; The length of the groove is the sampling length of a single chemical sample, with a rectangular cross-section and a depth of 3 centimeters. The width is based on the weight of the collected sample meeting the design weight.

### 6.2.3. *Sample representativeness*

The selected ore processing test samples were taken from 11 engineering points (4 exploration trenches, 7 tunnels) controlling the orebody, with a total weight of 300 kilograms. Based on comprehensive analysis, the original ore sample contains 1.18% Cu, 6.35% Pb, and  $306.4 \text{ Ag} \times 10^{-6}$ . The grade of Cu and Pb in the original ore sample is close to the average grade of Cu 1.07% and Pb 6.13% in the orebody, and the sample has good representativeness on Cu and Pb elements; But the Ag grade in the original ore sample is higher than the average grade of the orebody,  $147.14 \times 10^{-6}$  is much higher, indicating poor representativeness of Ag in the original ore sample.

The natural type of ore is mainly sulfide ore, and only sporadic oxidized minerals such as lead alum and malachite are seen in local surface engineering, and the oxidation zone characteristics are not obvious. The main metal minerals are galena, pyrite, chalcopyrite and zoisite. The gangue minerals are mainly quartz and dolomite, with a small amount of sericite, plagioclase feldspar and calcite. The ore structure includes granular metamorphic structure, microscale metamorphic structure, self-shaped semi-self-shaped one-other granular structure, containing structure, crushed structure; The ore structure is mainly impregnated structure, fine vein-like vein structure and breccia structure. The main useful components in the ore are lead, copper, silver, and the content of other elements is low, which cannot meet the requirements of comprehensive utilization indicators. The main alterations of surrounding rocks include pyrite mineralization (limonite mineralization), silicification, calcite and so on. The report believes that the deposit is a medium and low temperature hydrothermal deposit produced in the inter-stratum tectonic fracture zone.

This exploration collected one optional test sample of sulfide ore. The original sample has a grading of 1.18% copper, 6.35% lead and  $306.4 \times 10^{-6}$  silver. Average Cu grade of 1.15%, Pb grade of 6.15%, Ag grade of  $147.14 \times 10^{-6}$ . Despite Ag and Cu being relatively high, others are close in level. The flotation conditions, grinding fineness, process structure and small-scale closed-circuit test were carried out by mixing flotation copper-lead sulfide-copper-lead separation and repeated selection of lead oxide process, and the copper sulfide concentrate rate was 6.04%, the concentrate contained 17.18% copper, 18.15% lead and silver  $2114.7 \times 10^{-6}$ . The recovery rate is 87.90% in copper, 2.70% in lead, and 62.83% in silver.

The lead sulfide concentrate rate is 9.66%, and contains 58.42% lead, 0.050% copper, and  $724.3 \times 10^{-6}$  silver. The recovery rate is 89.36% in lead, 2.62% in copper, and 22.12% in silver. The lead oxide concentrate rate is 0.24%, and contains 9.93% lead, 0.20% copper, and  $287.9 \times 10^{-6}$  silver, the recovery rate is 0.38% in lead, 0.27% in copper, and 0.22% in silver.

The total refined concentrate rate of the three concentrates is 15.94%, and the comprehensive recovery rate was 90.79% in copper, 92.44% in lead and 85.17% in silver. The tailings contain 0.151% copper, 0.53% lead and  $52.60 \times 10^{-6}$  silver. Ore is available and gets good sorting indicators.

#### ***6.2.4. Summary of physical and chemical properties of raw ore***

APA has checked the analysis processes of the physical and chemical properties of ore samples that the exploration team had used and summarized the following findings of the results.

1. The ore is formed due to the accompanying tectonic movement of the ore-forming hydrothermal fluid, with most of the ore exhibiting fragmented rock like structures and metal sulfides exhibiting scattered dense disseminated structures. Later, the minerals fill along the fractures, forming a fine vein like structure of the ore. It mainly has unequal grain like crystalline structure, microscale like structure, self-shaped semi self-shaped other shaped granular structure, inclusion structure, etc.
2. There are a total of 5 types and 14 types of minerals in the ore, including carbonate, oxide, sulfide, silicate, and natural elements. Among them, carbonate occupies the main position, accounting for 46.4% of the ore; Oxides occupy a secondary position, accounting for 36.2% of the ore; Sulfides account for 9.3% of the ore; Others account for 9%.
3. Copper mainly exists in Chalcopyrite and tetrahedrite in the form of independent minerals; Lead mainly exists in Galena and a small amount of Cerussite in the form of independent minerals.
4. Overall, the adjacent inlay between metal sulfides and gangue mineral particles is conducive to fragmentation and the dissociation of mineral monomers; However, some Galena particles are relatively small, wrapped in gangue minerals, and some broken small gangue mineral particles are wrapped in Galena formed later, which is not conducive to ore separation.

5. 77.53% of silver in ores exists in Galena and tetrahedrite, and this part of silver can be enriched by enriching metal sulfide; 22.47% of the silver is present in the gangue minerals dolomite and quartz, which cannot be enriched through traditional beneficiation methods.

#### 6.2.5. Test results of different beneficiation processes

According to the characteristics of "ore sample belongs to copper lead silver polymetallic sulphide ore, the main useful metal minerals are galena and Chalcopyrite, and silver exists in copper lead minerals" and the floatability of various minerals, after the dosage test, grinding fineness test, copper lead separation reagent dosage test, and copper lead coarse concentrate regrinding fineness test, the mixed flotation principle flow of Copper monosulfide lead copper lead separation lead oxide is followed, Three small-scale closed circuit full process experiments were conducted. Test results (see Tables 6-1).

**Table 6-1: The Results of a Small-scaled Circuit Processing**

Scenarios	Circuit	Yield product	Yield (%)	Grade (%)			Recovery (%)		
				Cu	Pb	Ag( $10^{-6}$ )	Cu	Pb	Ag
I	Ore sample grinding 80% -200 mesh beneficiation -mixed flotation process	Copper sulfide concentrate	6.21	16.63	19.71	19,880.3	87.49	2.89	58.13
		Lead sulfide concentrate	10.08	0.050	55.09	740.7	2.89	88.06	23.61
		Lead oxide concentrate	0.20	0.022	7.48	260.7	0.03	0.24	0.17
		Lead subtotal	10.28	0.050	54.15	731.2	2.92	88.30	23.78
		Tailings	84.51	0.157	0.63	64.3	9.59	88.81	18.06
		Total	100.00	1.18	6.30	316.2	100.00	100.00	100.00

Scenarios	Circuit	Yield product	Yield (%)	Grade (%)			Recovery (%)		
				Cu	Pb	Ag(10 <sup>-6</sup> )	Cu	Pb	Ag
II	Raw ore grinding 90% -200 mesh beneficiation -mixed flotation process	Copper sulfide concentrate	6.04	17.18	18.15	21,114.7	87.90	2.70	62.83
		Lead sulfide concentrate	9.66	0.050	58.42	724.3	2.62	89.36	22.12
		Lead oxide concentrate	0.24	0.20	9.93	287.9	0.27	0.38	0.22
		Lead subtotal	9.90	0.054	57.23	713.5	2.89	89.74	22.34
		Tailings	84.06	0.151	0.53	52.6	9.21	7.56	14.83
		Total	100.00	1.18	6.31	316.1	100.00	100.00	100.00
III	Raw ore grinding 70% -200 mesh beneficiation -mixed flotation process	Copper sulfide concentrate	4.97	18.85	15.15	23,900.0	80.03	1.70	54.77
		Lead sulfide concentrate	10.50	0.062	52.40	746.1	3.92	87.88	25.50
		Tailings	84.53	0.245	0.73	68.3	16.05	10.42	19.73
		Total	100.00	1.17	6.26	307.3	100.00	100.00	100.00

### 6.2.6. Physical and chemical properties of the final product

#### 6.2.6.1. Chemical multi-element analysis of final concentrate products

In this test, chemical multi-element analysis has been carried out on the Copper monosulfide concentrate and Lead (II) sulfide concentrate obtained from Scheme II process (raw ore grinding 90% -200 mesh beneficiation -mixed flotation process), and the results are shown in Table 6-2.

**Table 6-2: Chemical Multi-element Analysis Results**

Element		Cu	Pb	Ag (10 <sup>-6</sup> )	Au (10 <sup>-6</sup> )	S	Zn
Grade (%)	Copper sulfide	17.18	18.15	21,114.7	0.2	26.49	0.39
	Conc.						
	Lead Sulfide Conc.	0.050	58.42	724.3	<0.1	9.44	0.025
Element/compound		As	SiO <sub>2</sub>	Fe	Al <sub>2</sub> O <sub>3</sub>	CaO	MgO
Quantity contained (%)	Copper sulfide	<0.10	4.41	20.71	0.98	1.55	0.57
	Conc.						
	Lead Sulfide Conc.	<0.10	18.56	1.74	1.61	3.66	1.13

**6.2.7. Processing Cost**

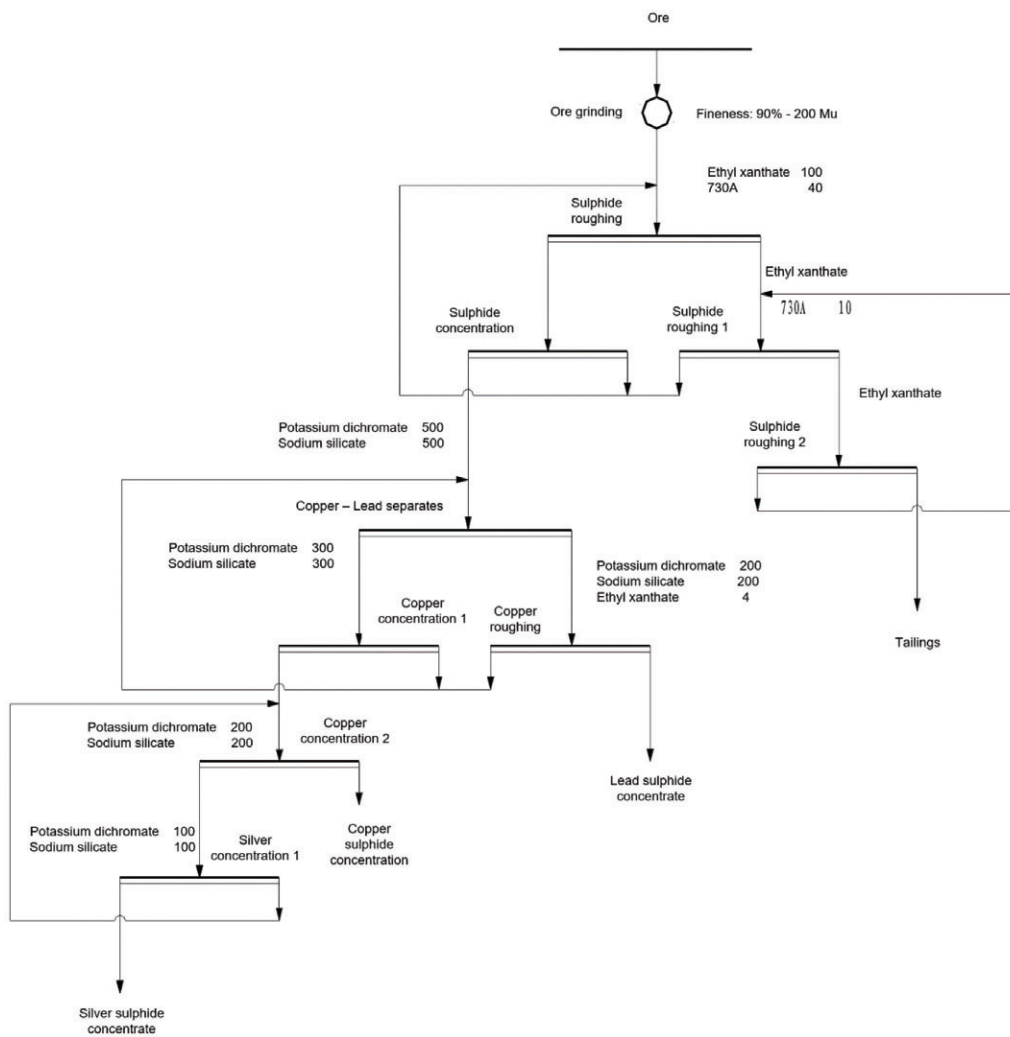
1. A total of 1 ore sample was taken in this experiment. The original ore sample belongs to copper lead silver polymetallic sulfide ore. The raw ore has a copper grade of 1.18%, a lead grade of 6.35%, and a silver grade of  $306.4 \times 10^{-6}$ . The main metal minerals are galena, Pyrite, Chalcopyrite and tetrahedrite, etc.; Gangue minerals are mainly quartz and dolomite, with a small amount of sericite, plagioclase and Calcite.
2. According to the properties and characteristics of raw ore and considering the separation performance of various minerals in ore, this test adopts the principal process flow of mixed flotation of copper monosulfide lead copper lead separation and re concentration of lead oxide to carry out flotation conditions, grinding fineness, flow structure and small closed circuit test research, respectively. The following results were achieved:
  - ① Using the flotation process flow of raw ore fine grinding (90% -200 mesh) beneficiation mixed flotation Copper monosulfide lead copper lead separation reselection lead oxide, good beneficiation indexes can be obtained: the yield of Copper monosulfide concentrate is 6.04%, the concentrate contains 17.18% copper, 18.15% lead and  $21,114.7 \text{ silver} \times 10^{-6}$ , with a recovery rate of 87.90% for copper, 2.70% for lead, and 62.83% for silver; The yield of Lead(II) sulfide concentrate is 9.66%, the concentrate

contains 0.050% copper, 58.42% lead and 724.3% silver  $\times 10^{-6}$ , with a recovery rate of 2.62% for copper, 89.36% for lead, and 22.12% for silver; The yield of lead oxide concentrate is 0.24%, with copper content of 0.20%, lead content of 9.93%, and silver content of  $287.9\% \times 10^{-6}$ , with a recovery rate of 0.27% for copper, 0.38% for lead, and 0.22% for silver; The total yield of the three concentrates is 15.94%, and the comprehensive flotation recovery rate is 90.79% for copper, 92.44% for lead, and 85.17% for silver; The tailings yield is 84.06%, with copper content of 0.151%, lead content of 0.53%, and silver content of  $52.60\% \times 10^{-6}$ .

- ② The copper lead minerals in the ore are closely related to each other, with a finer particle size. Fine grinding of the raw ore can achieve better dissociation of copper lead sulfide minerals. The lead grade of copper monosulfide concentrate is relatively high due to the low copper grade and high lead grade in the raw ore.
- ③ The associated gold content in the raw ore is relatively low. The associated silver content is high, and silver is well enriched in copper monosulfide concentrate and Lead (II) sulfide concentrate, and is mainly enriched in Copper monosulfide concentrate. The silver content in copper monosulfide concentrate reaches about 2%.
- ④ The raw ore contains a small amount of lead oxide minerals, and sulfide flotation can recover a small amount of lead oxide minerals, but the lead silver recovery rate is low and the utilization value is not significant.
- ⑤ Problem and suggestion: The ore contains high silver content. Although the recovery rate of silver is already relatively high, due to a portion of silver being dispersed in gangue minerals, there is still 53% silver in the flotation tailings  $\times$  Around  $10^{-6}$ . If necessary, it is recommended that the owner conduct research on other methods (wet leaching) for silver recovery from flotation tailings.

3. Suggested beneficiation process flow. Based on the properties of the raw ore and the results of the above beneficiation experiments. In this test, it is recommended to adopt the beneficiation process flow of raw ore fine grinding (90% -200 mesh) -mixed flotation Copper monosulfide lead copper lead separation (see Figure 6-2). The processing cost is estimated as RMB80 per ton, including refinery cost of RMB10 per ton. The processing recovery rate is 92%, 90% and 85% for lead, copper, and silver.

Figure 6-2: Recommended beneficiation process flowchart



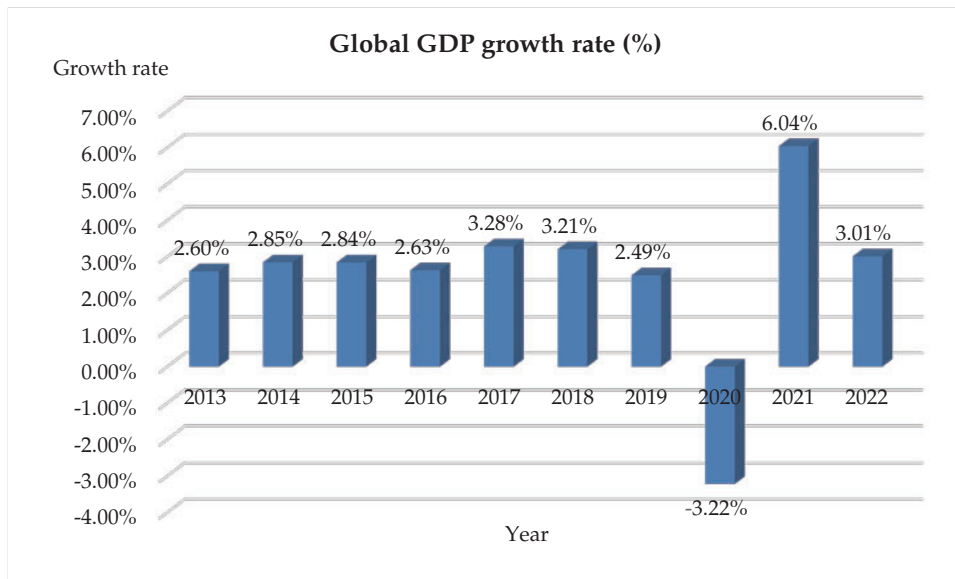


## 7. ECONOMIC EVALUATION

### 7.1. Global Economy

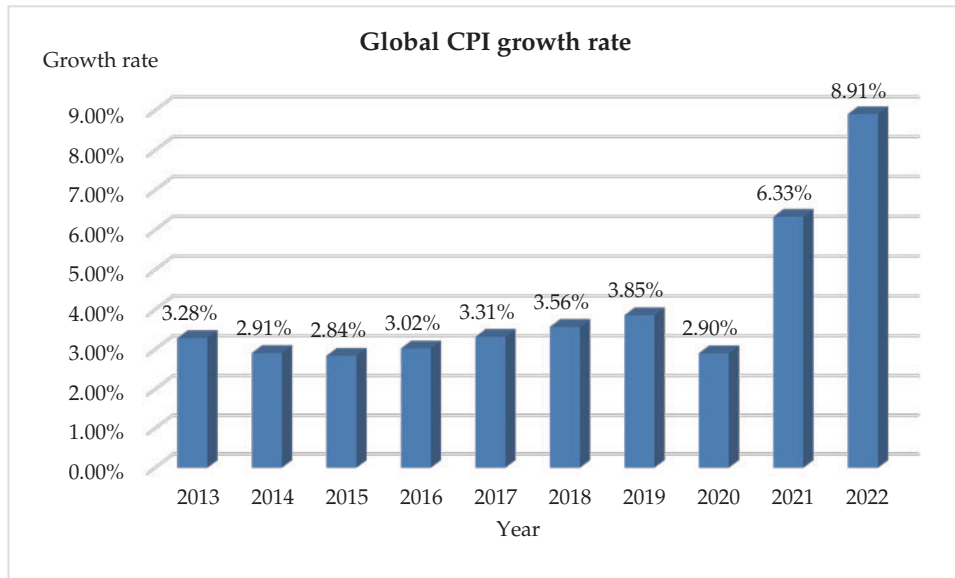
The Russia-Ukraine war has led to economic sanctions on multiple countries, a surge in commodity prices, and supply chain disruptions, causing inflation across goods and services and affecting many markets across the globe. Although the Russia-Ukraine war disrupted the chances of global economic recovery from the Covid-19 pandemic, the global economy remain resilient and developing in a steady pace.

**Table 7-1: Global GDP growth rate (From 2013 to 2022)**



Source: The World Bank

Table 7-2: Global CPI growth rate (From 2013 to 2022)



Source: The World Bank

## 7.2. Global Lead Industry

### 7.2.1. General Lead Description

Lead has a bright luster and is a dense, ductile, very soft, highly malleable, bluish-white metal that has poor electrical conductivity. It is also highly resistant to corrosion and radiation, with following chemical and physical properties:

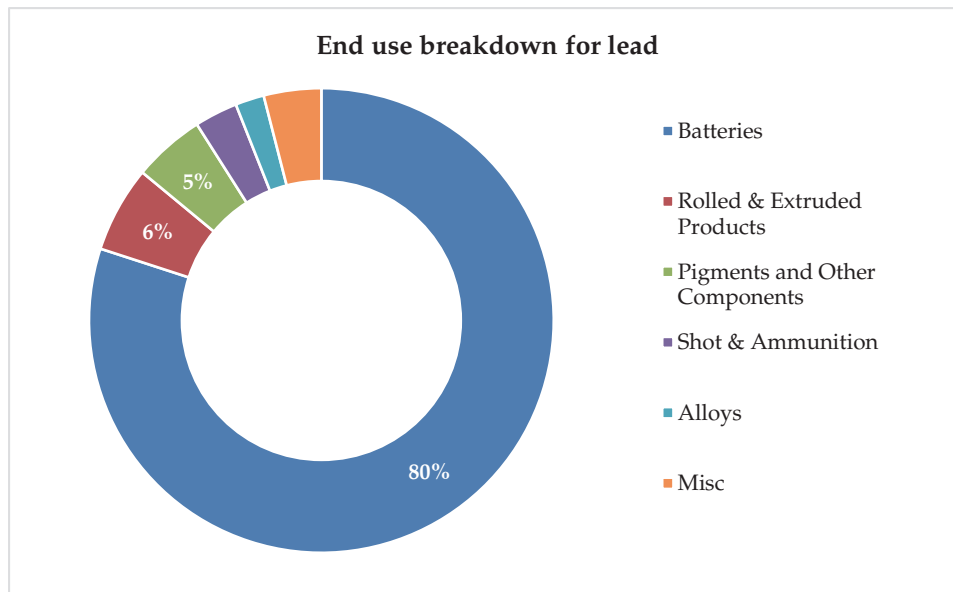
- Chemical Symbol Pb
- Atomic Number 82
- Chemical Series Poor metals
- Density 11,340kg/m<sup>3</sup>
- Appearance Bluish white
- Melting Point 327°C
- Boiling Point 1,749°C
- Heat of Vaporization 177.7 kJ/mol

- Heat of Fusion 4.8 kJ/mol
- Specific Heat Capacity 129 J/(kg.K)
- Electrical conductivity 4.8x10<sup>6</sup> S/m
- Thermal conductivity 35.3W/(m.K)

### 7.2.2. Global Lead Usage in Year 2022

The principal use of lead is for lead-acid batteries for vehicles, backup emergency systems, the telecoms sector and forklift trucks. Lead is also used in rolled and extruded products, compounds in the glass and plastics industries, shot and ammunition and for radiation shielding. Its incredible density provides unrivalled protection from radiation and is essential to staff working in hospitals, dental surgeries, laboratories and nuclear installations. Lead oxides are used in the manufacturing of some specialist glasses used in optical systems, scientific equipment and for radiation shielding. The metal protects thousands of kilometers of underwater power and communications cables. Keeping the world on the move in so many ways would not be possible without the lead used in battery technology. Lead batteries are the mainstay of storage technologies for renewable energy sources, such as solar cell and wind turbines and are used to power cars, trucks, buses, motorbikes, electric vehicles and hybrid vehicles. The end use breakdown for lead is illustrated in the chart below:

**Table 7-3: End use breakdown for lead**

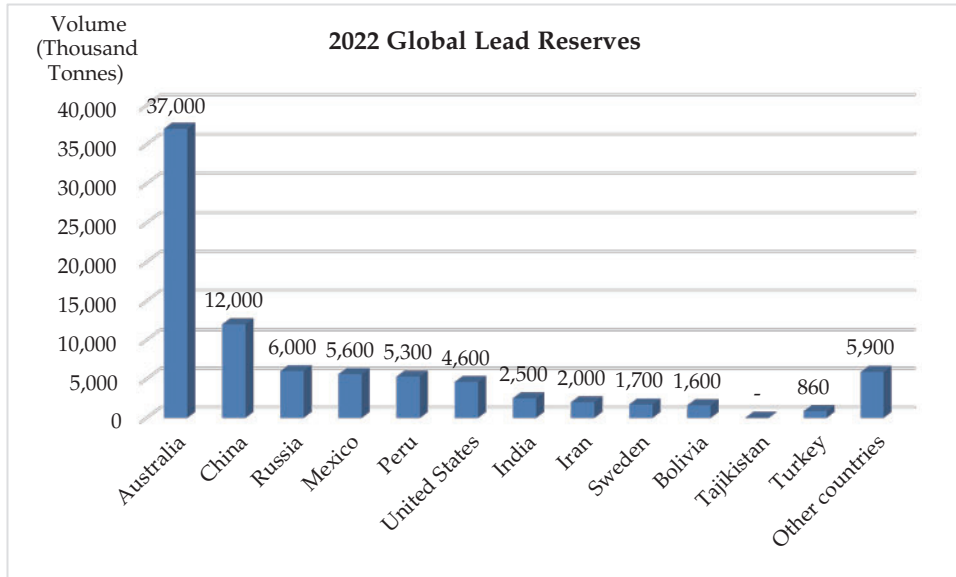


Source: International Lead & Zinc Study Group

7.2.3. *Global Lead Reserves by Country in Year 2022*

In 2022, total global resources and Reserves of lead amounted to 2 billion Tonnes and 85 million Tonnes. Breakdown for global lead Reserves is illustrated in the chart below:

**Table 7-4: 2022 Global Lead Reserves**



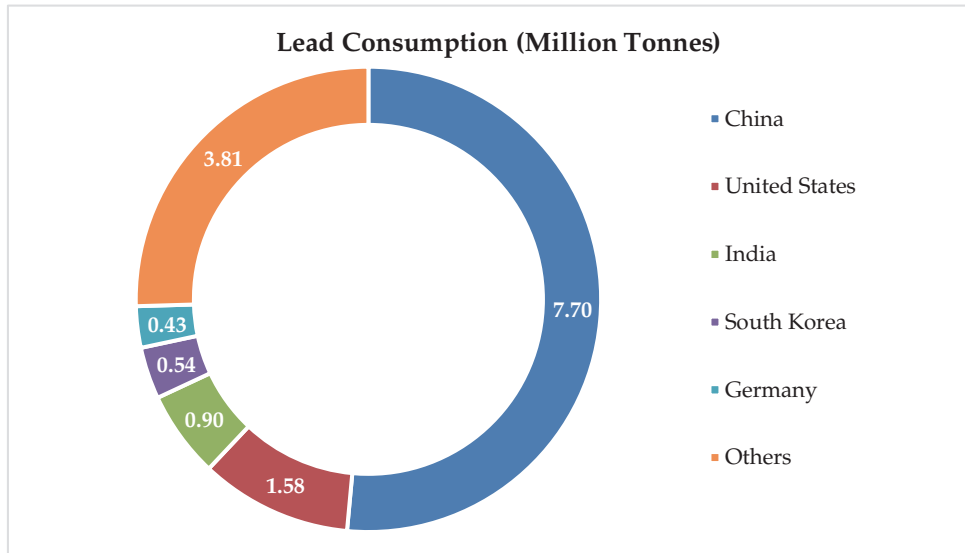
Source: The U.S. Geological Survey, Mineral Commodity Summaries, January 2023

7.2.4. *Global Lead Market in Year 2022*

1. *Global Lead Market*

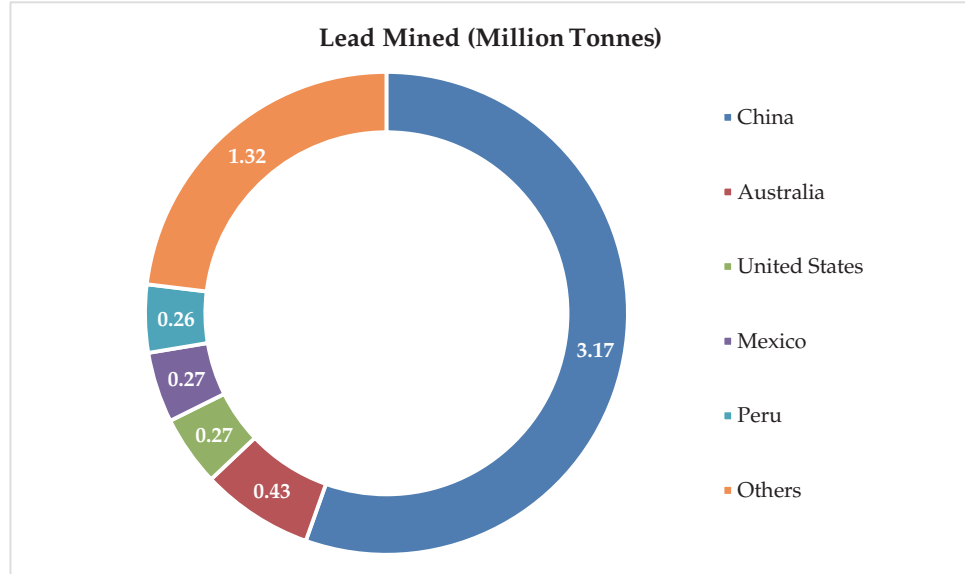
Global Lead Market is valued at USD21.7 Billion in 2022 and is projected to reach a value of USD32.4 Billion by 2029 at a compound annual growth rate of 5.9% over the forecast period. The global lead acid battery market size was valued at USD37.98 billion in 2022 and is expected to grow at a compound annual growth rate (CAGR) of 4.6% from 2023 to 2030.

Table 7-5: 2022 Lead consumption by country



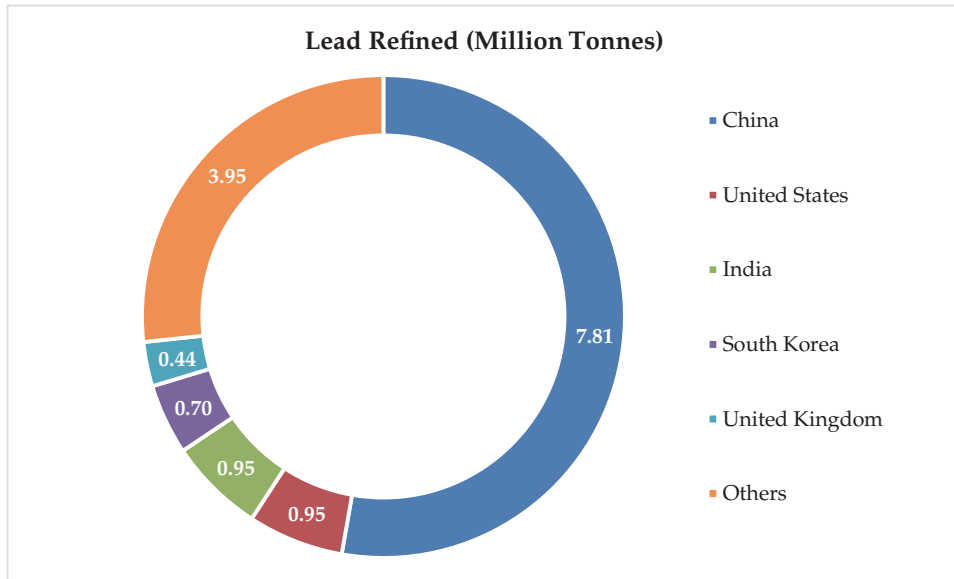
Source: Thomson Reuters Refinitiv

Table 7-6: 2022 Lead Mined by country



Source: Thomson Reuters Refinitiv

Table 7-7: 2022 Lead Refined by country



Source: Thomson Reuters Refinitiv

#### 7.2.5. Annual Global Demand for Lead

The market is estimated to witness growth owing to the growing adoption of lead acid batteries in automobiles and Uninterruptible Power Source (UPS). The increasing demand for lead acid batteries in off-grid power generation is expected to boost the market size. The development in the transportation industry, along with an increase in energy storage applications is projected to drive industry demand in the upcoming future. Growing demand for UPS in various sectors which includes banking, oil & gas, healthcare, and chemicals has propelled industry demand further.

Table 7-8: Global lead demand (From 2013 to 2022)



Source: Thomson Reuters Refinitiv

#### 7.2.6. Annual Global Supply for Lead

Although significant lead resources have been identified in association with zinc and (or) silver or copper deposits in Australia, China, Ireland, Mexico, Peru, Portugal, Russia, and the United States (Alaska) in recent years, the global refined lead market was expected to have a supply shortage of around 20,000 Tonnes in 2023 according to the International Lead and Zinc Study Group (ILZSG).

Table 7-9: Global Lead Supply (from 2013 to 2022)



Source: Thomson Reuters Refinitiv

### 7.3. Global Zinc Industry

#### 7.3.1. General Zinc Description

Silvery blue in appearance, Zinc is a moderately reactive metal that will combine with oxygen and other non-metals and will react with dilute acids to release hydrogen. Zinc is prized for its anti-corrosive properties, its ability to bond well with other metals and its capability of conducting electricity, with following chemical and physical properties:

- Chemical Symbol: Zn
- Atomic Number: 30
- Chemical Series: Transition metals
- Density: 7,140kg/m<sup>3</sup>
- Appearance: Bluish pale grey
- Melting Point: 420°C

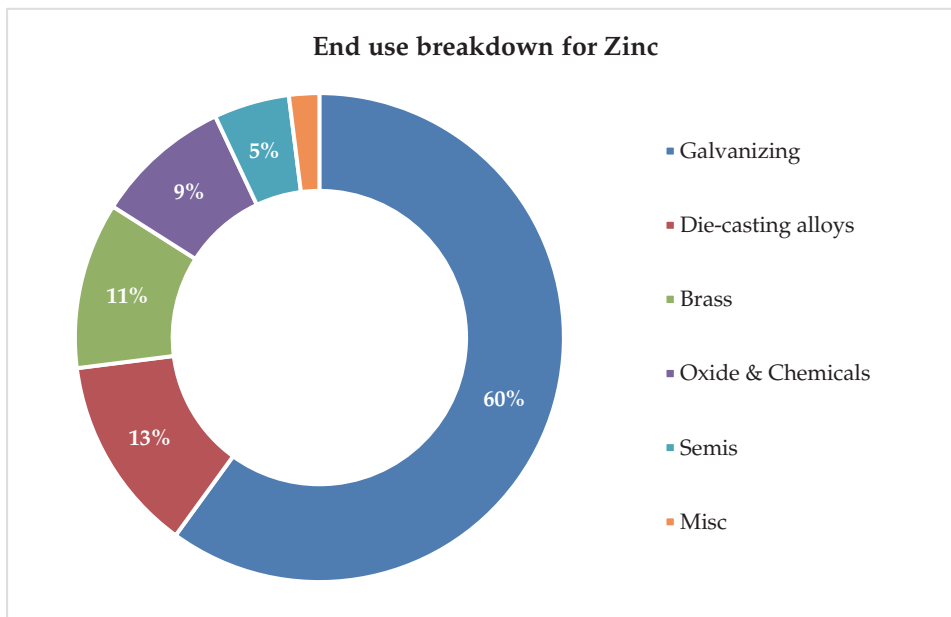


- Boiling Point: 907°C
- Heat of Vaporization: 115.3 kJ/mol
- Heat of Fusion: 7.3 kJ/mol
- Specific Heat Capacity: 390 J/(kg.K)
- Electrical conductivity:  $1.7 \times 10^7$  S/m
- Thermal conductivity: 116 W/(m.K)

### 7.3.2. Global Zinc Usage in Year 2022

Zinc's effectiveness in protecting steel against corrosion by galvanizing is well recognized, while its ability to die cast complicated components makes zinc indispensable in a multitude of industry and household products. It also has important markets in the brass and construction industries and in chemicals and constitutes an essential nutritional element. Zinc's main end uses are shown in the chart below.

**Table 7-10: End use breakdown for Zinc**

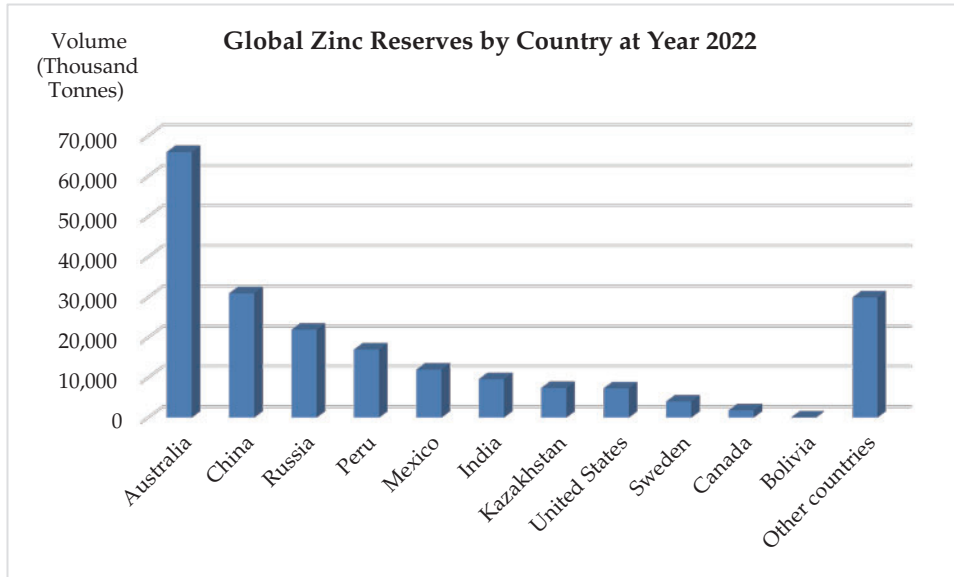


Source: International Lead & Zinc Study Group

### 7.3.3. Global Zinc Reserves by Country in Year 2022

In 2022, total global resources and reserves of Zinc amounted to 1.9 billion Tonnes and 210 million Tonnes. Breakdown for global Zinc reserves is illustrated in the chart below:

**Table 7-11: Global Zinc reserves by country at 2022**

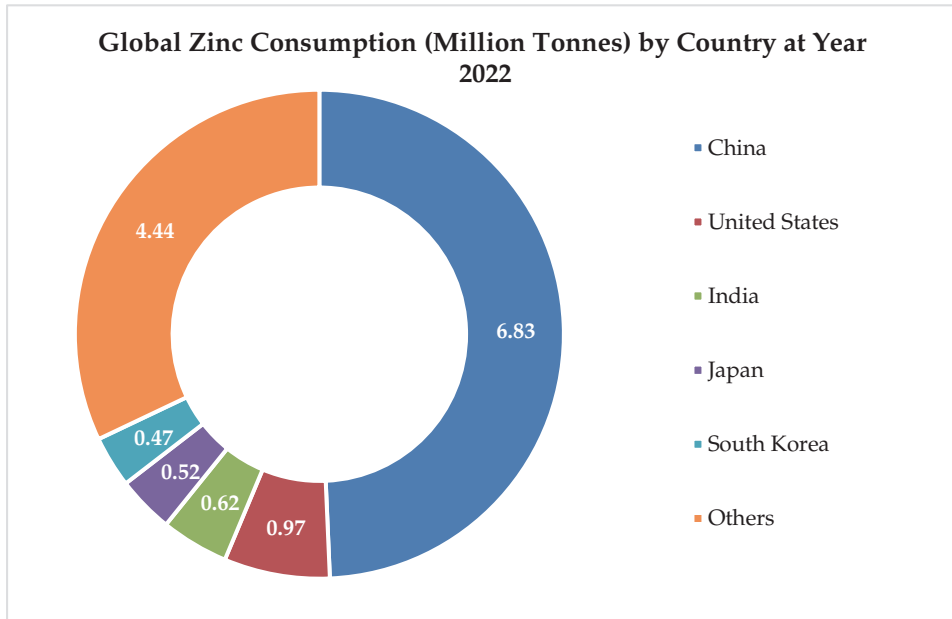


Source: The U.S. Geological Survey

### 7.3.4. Global Zinc Market in Year 2022

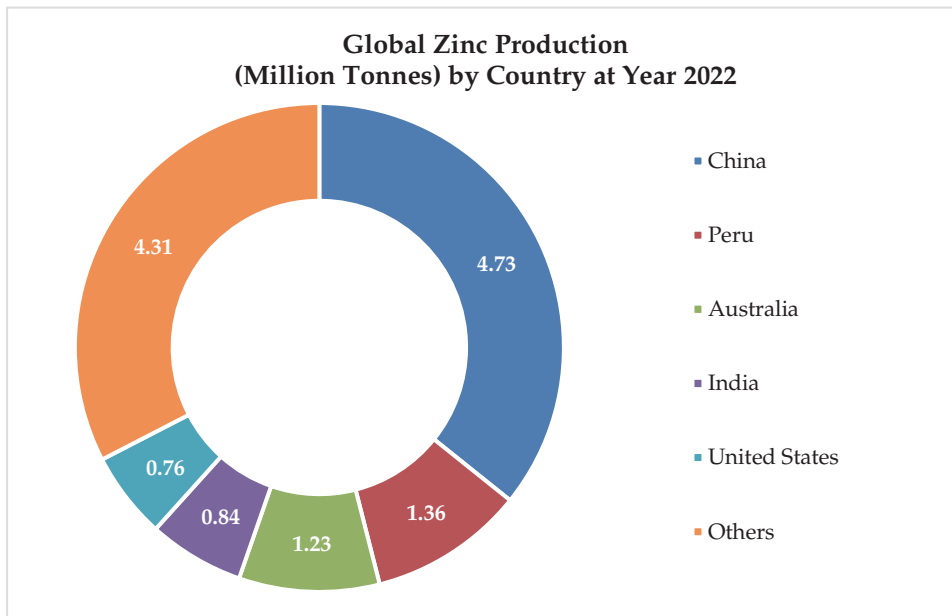
The global market for Zinc estimated at 16.3 million Tonnes in the year 2022, is projected to reach a revised size of 21.7 million Tonnes by 2030, growing at a CAGR of 3.6% over the period 2022-2030. Galvanizing, one of the segments analyzed in the report, is projected to record 3.9% CAGR and reach 10.9 million Tonnes by the end of 2030.

Table 7-12: 2022 Zinc Consumption by Country



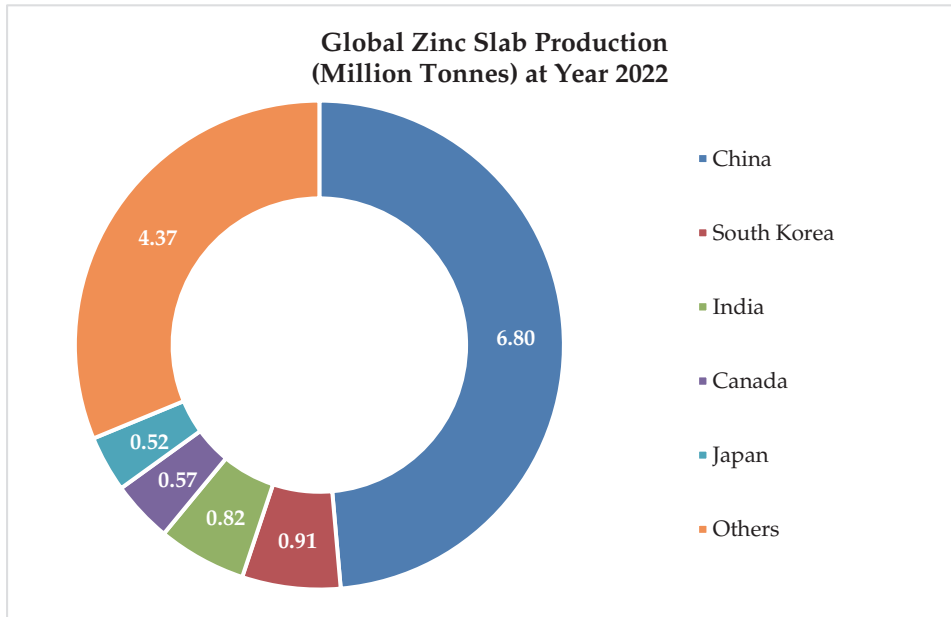
Source: Thomson Reuters Refinitiv

Table 7-13: Global Zinc Production by Country at Year 2022



Source: Thomson Reuters Refinitiv

Table 7-14: Global Zinc Slab Production by Country at Year 2022

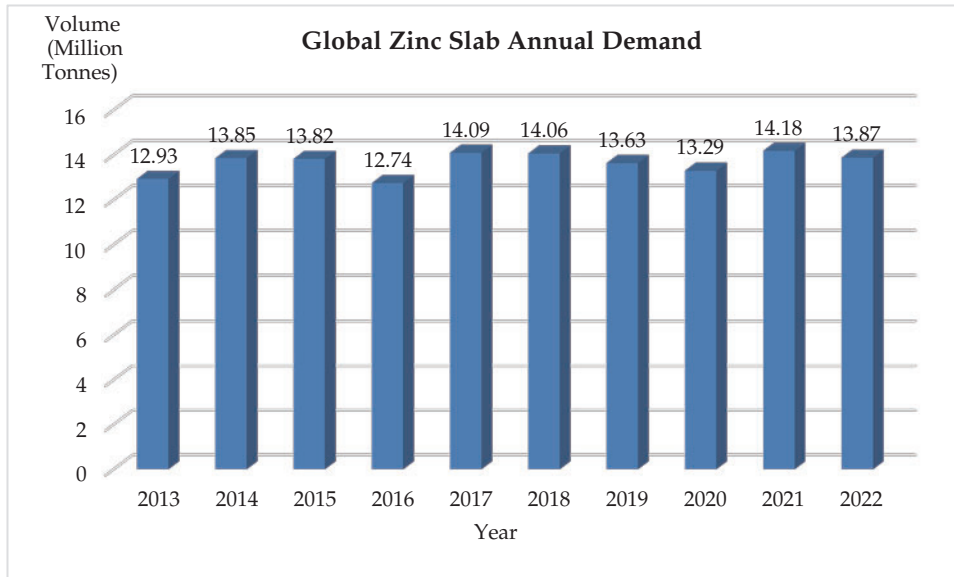


Source: Thomson Reuters Refinitiv

### 7.3.5. Annual Global Demand for Zinc

The primary drivers of this market include rising galvanized steel consumption and infrastructure development in emerging markets such as India, Brazil, and Indonesia. Furthermore, the worldwide zinc market will be driven by rising demand from specialized applications such as smartphones, electric vehicles, mild hybrid engines, and power grid storage.

Table 7-15: Global Zinc Slab Annual Demand

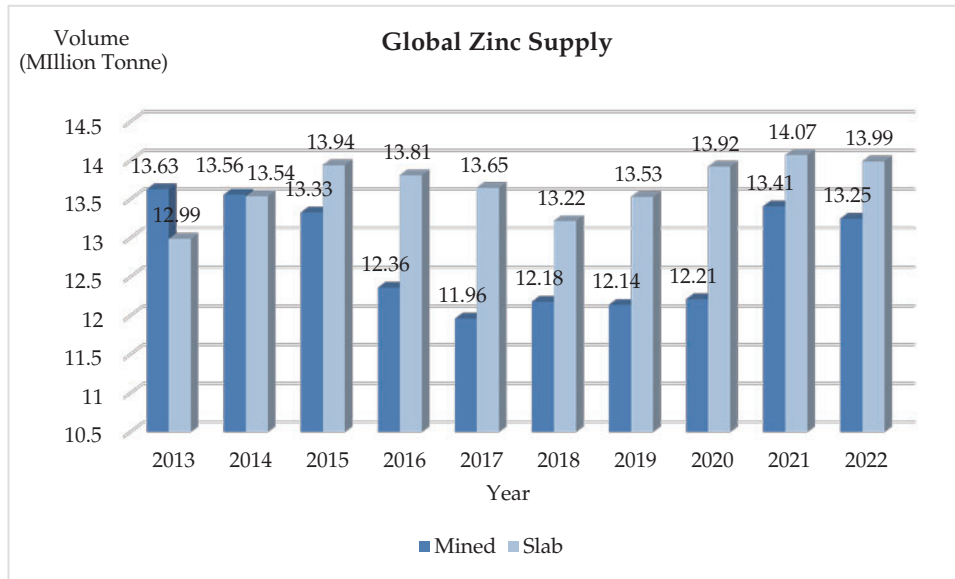


Source: Thomson Reuters Refinitiv

### 7.3.6. Annual Global Supply for Zinc

The North American premium to the LME cash price reached historical highs in 2022 amid decreasing stocks on the London Metal Exchange, reduced production by zinc smelters in Europe because of high energy costs, and the permanent closure of a zinc smelter in Canada. Other zinc smelters in Canada and Mexico reported equipment and operational issues that negatively affected production during the year. The global refined Zinc market was expected to have a supply shortage of around 25,000 Tonnes in 2023 according to the International Lead and Zinc Study Group (ILZSG).

Table 7-16: Global Zinc Annual Supply



Source: Thomson Reuters Refinitiv

## 7.4. Global Copper Industry

### 7.4.1. General Copper Description

Because of its properties, singularly or in combination, of high ductility, malleability, and thermal and electrical conductivity, and its resistance to corrosion, copper has become a major industrial metal, ranking third after iron and aluminum in terms of quantities consumed, with following chemical and physical properties:

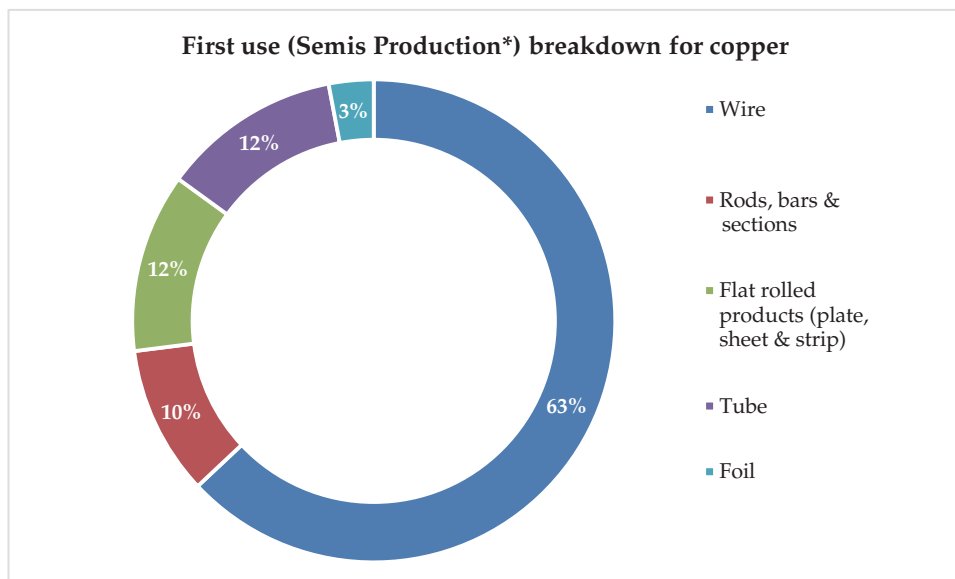
- Chemical Symbol Cu
- Atomic Number 29
- Chemical Series Transition Metal
- Density 8.96g/cm<sup>3</sup>
- Appearance reddish gold
- Melting Point 108.42°C
- Boiling Point 2,562°C

- Heat of Vaporization 300 kJ/mol
- Heat of Fusion 13.1 kJ/mol
- Specific Heat Capacity 384.4 J/(kg.K)
- Electrical conductivity  $5.9 \times 10^7$  S/m
- Thermal conductivity 400W/(m.K)

#### 7.4.2. Global Copper Usage in Year 2022

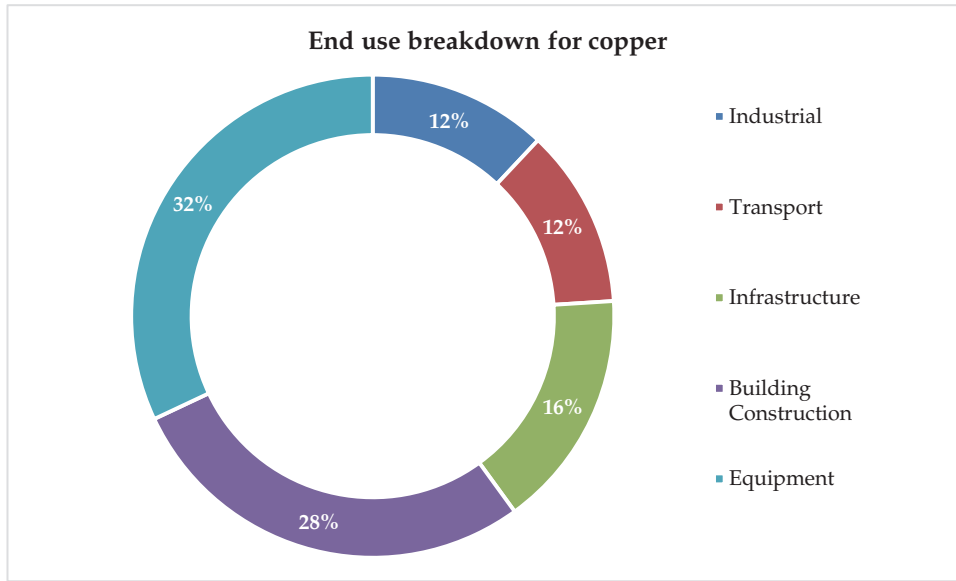
Because of its properties, singularly or in combination, of high ductility, malleability, and thermal and electrical conductivity, and its resistance to corrosion, most copper is used in electrical equipment such as wiring and motors. It also has uses in construction (for example roofing and plumbing), and industrial machinery (such as heat exchangers). Copper sulphate is used widely as an agricultural poison and as an algicide in water purification. Copper compounds, such as Fehling's solution, are used in chemical tests for sugar detection. The end use breakdown for copper is illustrated in the charts below:

**Table 7-17: First use (Semi Production\*) breakdown by copper**



\* copper and copper alloy production

Table 7-18: End use breakdown for copper

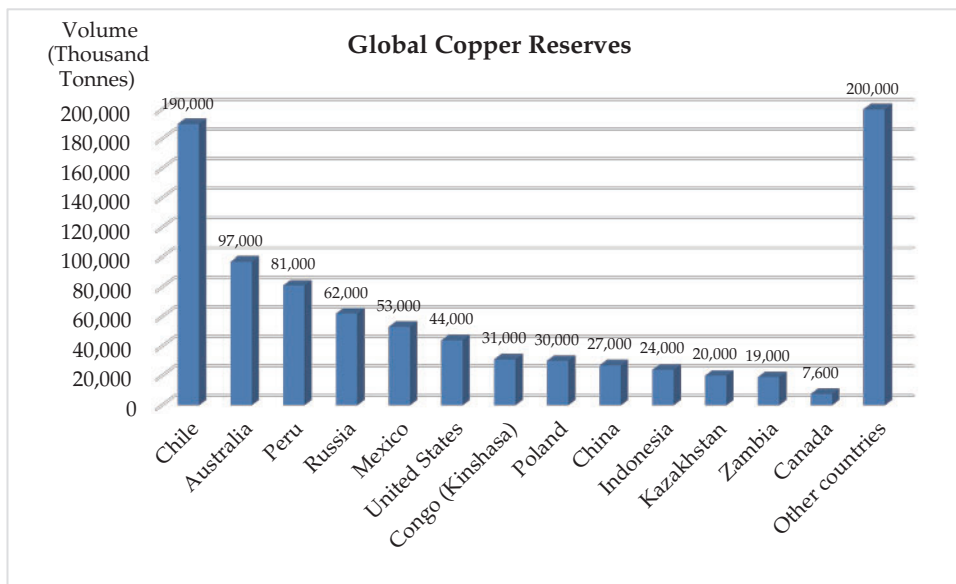


Source: International Copper Study Group

7.4.3. Global Copper Reserves by Country in Year 2022

In 2022, total global resources and Reserves of copper amounted to 2.1 billion tonnes and 890 million tonnes. Breakdown for global copper Reserves is illustrated in the chart below:

Table 7-19: Global copper reserves



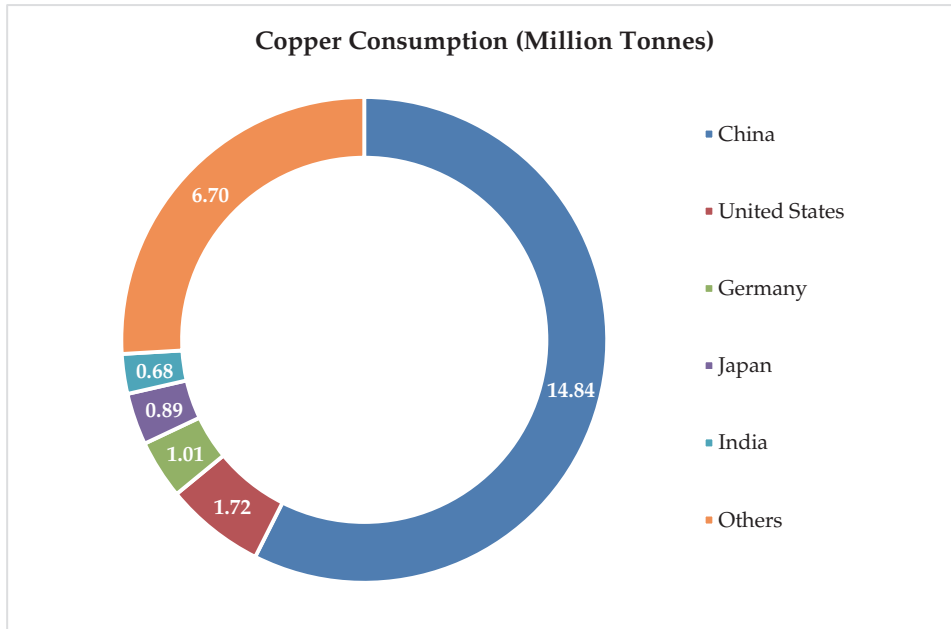
Source: The U.S. Geological Survey, Mineral Commodity Summaries, January 2023



7.4.4. Global Copper Market in Year 2022

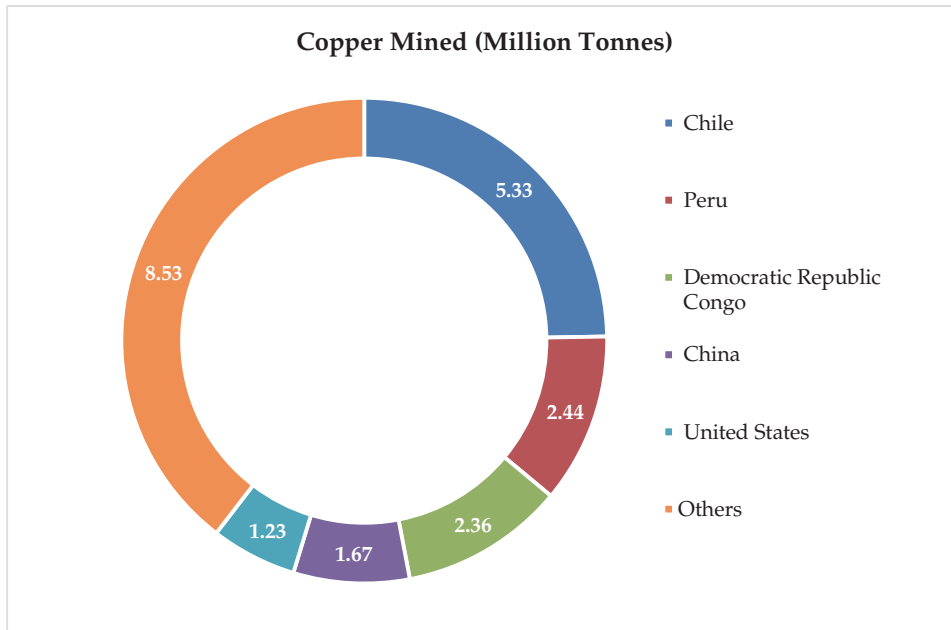
Global Copper Market is valued at USD241 Billion in 2022 and is projected to reach a value of USD343 Billion by 2030 at a compound annual growth rate of 5.1% over the forecast period.

Table 7-20: 2022 Copper consumption by country



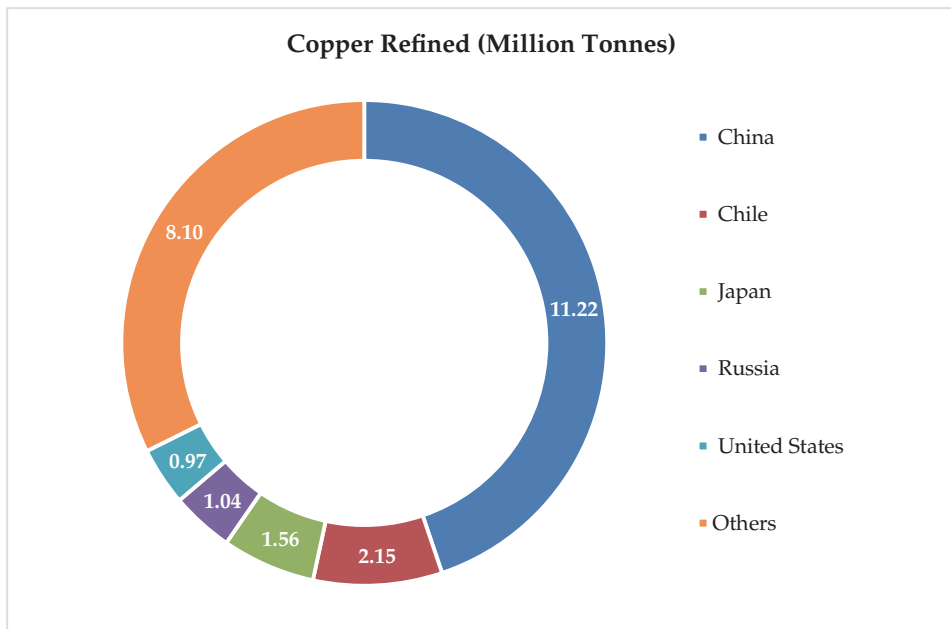
Source: Thomson Reuters Refinitiv

Table 7-21: 2022 Copper mined by country



Source: Thomson Reuters Refinitiv

Table 7-22: 2022 Copper refined by country

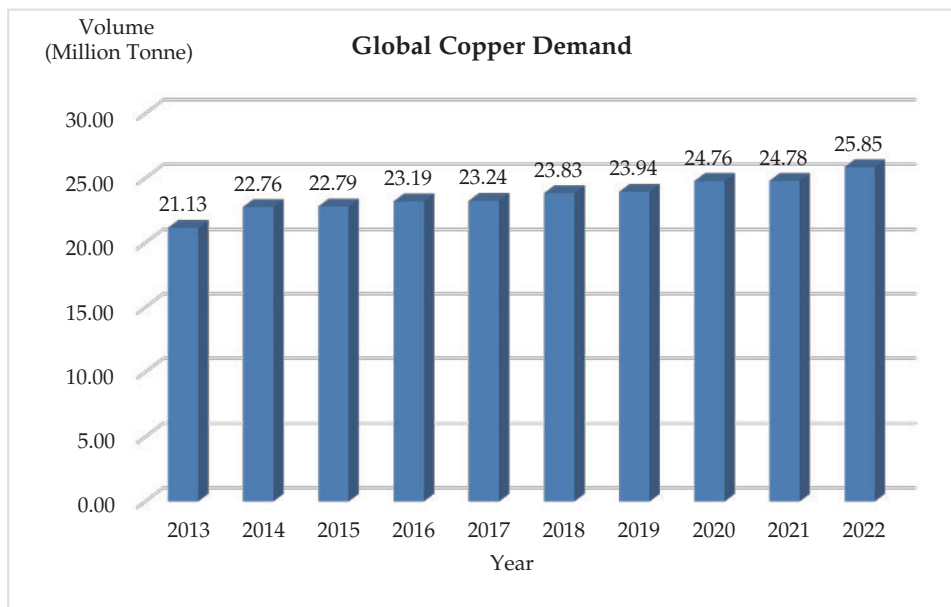


Source: Thomson Reuters Refinitiv

#### 7.4.5. Global Copper Annual Demand

According to the World Bank Group, in China, which accounts for about 60 percent of global copper demand, growth slowed sharply from 6 percent in 2019 to 2 percent in 2020 before rebounding to 8 percent in 2021. As global economic activity shifted online and demand gravitated towards consumer durables, demand for copper, heavily used in consumer electronics, household appliances, and car, increased. According to International Copper Study Group, world refined usage is estimated to have grown by 3% mainly due to strong apparent demand in China in the first four months of 2023. Chinese apparent demand (excluding changes in bonded/unreported stocks) grew by around 7%.

**Table 7-23: Global copper demand**

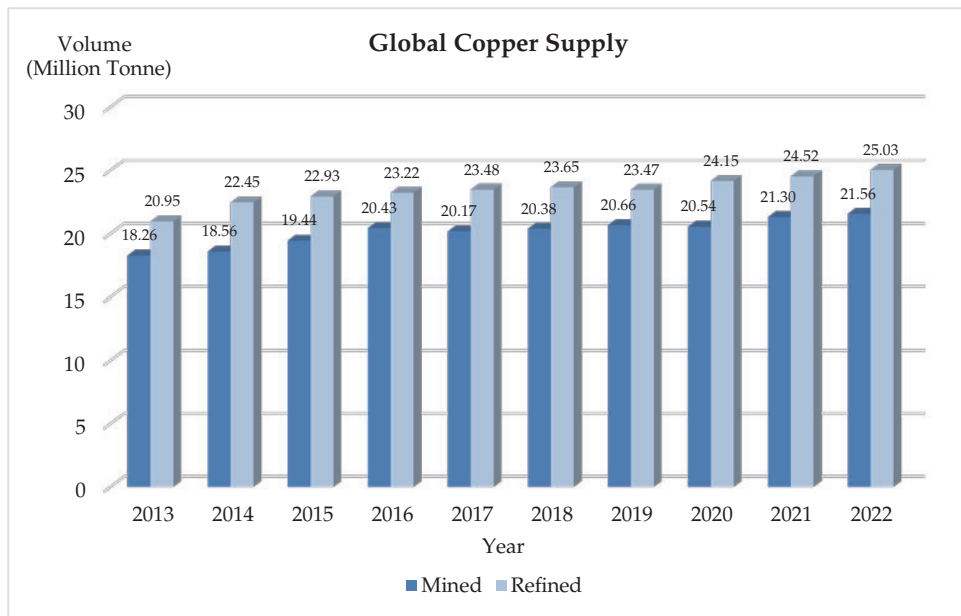


Source: Thomson Reuters Refinitiv

7.4.6. Global Copper Annual Supply

According to the World Bank Group, in the recovery from the pandemic-induced global recession of 2020, supply shocks also contributed. In the subsequent twelve months between May 2020 and May 2021, the rebound in economic activity lifted copper prices by 42 percent. Supply disruptions, such as mine closures, added another 17 percentage points to the increase in copper prices, respectively. According to International Copper Study Group, growth in world refined production in the first four months of 2023 was mainly attributed to strong performances in China and the D.R. Congo, due to expanded capacity. Preliminary official Chinese refined production data indicate a rise of about 15%, with primary production increasing by 13% and secondary production by about 25%. Refined output is estimated to have grown by about 12% in the D.R. Congo due to the continued ramp-up of new or expanded electrowinning plants.

Table 7-24: Global copper supply



Source: Thomson Reuters Refinitiv

## 7.5. Global Silver Industry

### 7.5.1. General Silver Description

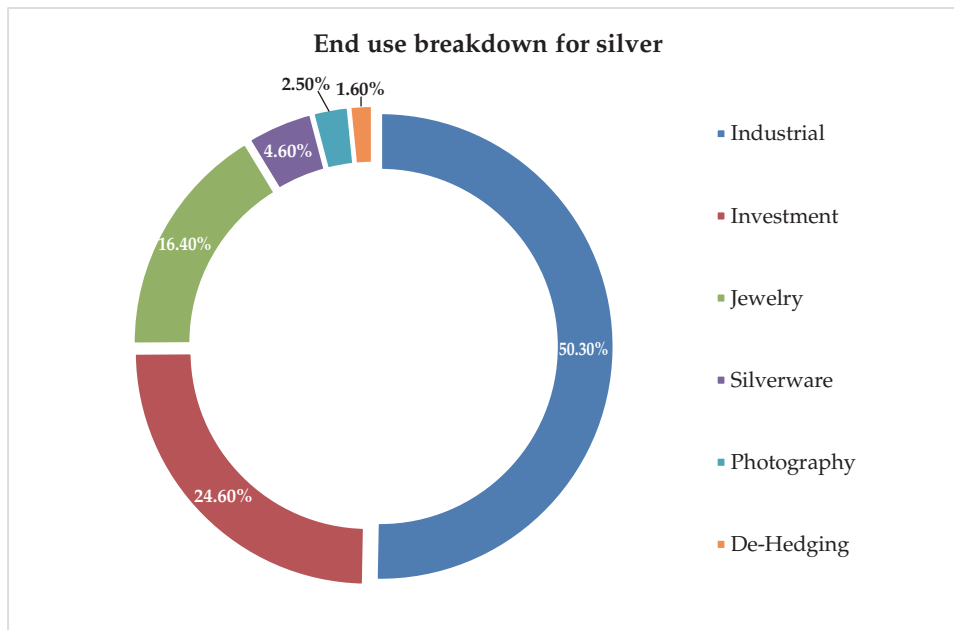
Silver has the highest known electrical and thermal conductivity of all metals and is very useful in electronics, often being used for solder, electrical contacts, and printed circuit boards. Because of its comparative scarcity, brilliant white color, malleability, ductility, and resistance to atmospheric oxidation, silver has long been used in the manufacture of coins, ornaments, and jewelry. Silver is with following properties:

- Chemical Symbol Ag
- Atomic Number 47
- Chemical Series Transition Metal
- Density 10.5 g/cm<sup>3</sup>
- Appearance Lustrous Metallic White
- Melting Point 961°C
- Boiling Point 2,162°C
- Heat of Vaporization 245 kJ/mol
- Heat of Fusion 11.28 kJ/mol
- Specific Heat Capacity 238.6 J/(kg.K)
- Electrical conductivity 6.3×10<sup>7</sup> S/m
- Thermal conductivity 428W/(m.K)

### 7.5.2. Global Silver Usage in Year 2022

Sterling silver, contains 92.5% silver, is used for jewelry and silver tableware, where appearance is important. Silver is used to make mirrors, as it is the best reflector of visible light known, although it does tarnish with time. It is also used in dental alloys, solder and brazing alloys, electrical contacts and batteries. Silver paints are used for making printed circuits. Silver bromide and iodide were important in the history of photography, because of their sensitivity to light. Even with the rise of digital photography, silver salts are still important in producing high-quality images and protecting against illegal copying. Light-sensitive glass (such as photochromic lenses) works on similar principles. It darkens in bright sunlight and becomes transparent in low sunlight. Silver has antibacterial properties and silver nanoparticles are used in clothing to prevent bacteria from digesting sweat and forming unpleasant odors. Silver threads are woven into the fingertips of gloves so that they can be used with touchscreen phones. The end use breakdown for lead is illustrated in the chart below:

**Table 7-25: End use breakdown for silver**

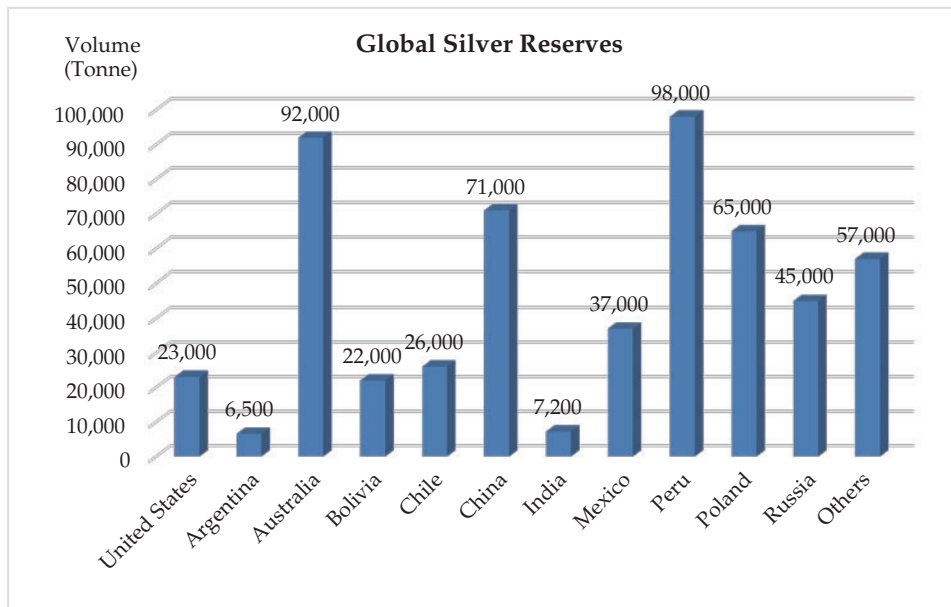


Source: The Silver Institute

### 7.5.3. Global Silver Reserves by Country in Year 2022

In 2022, total global reserves of Silver amounted to 550,000 tonnes. Breakdown for global silver reserves is illustrated in the chart below:

**Table 7-26: Global silver reserves**

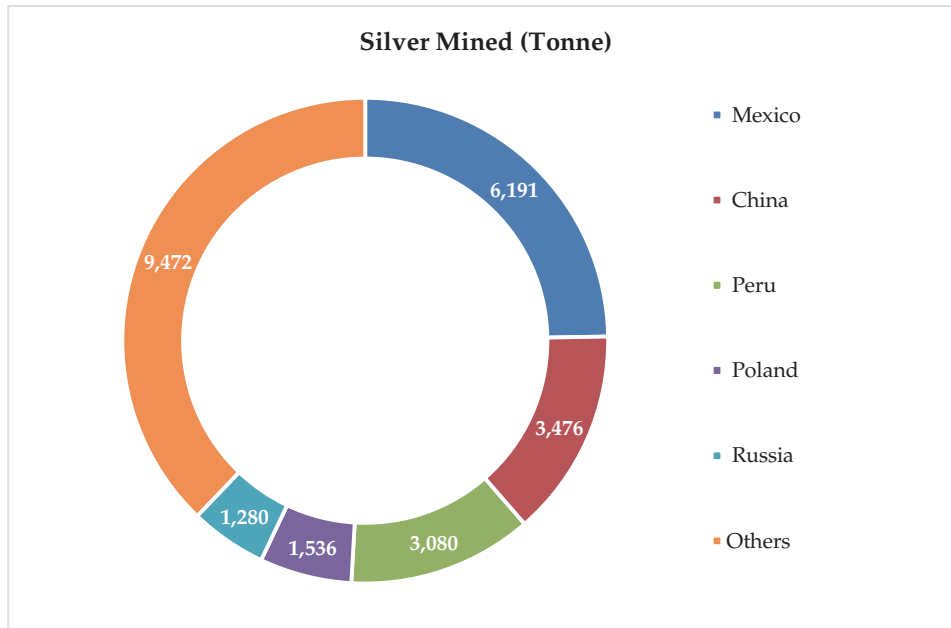


Source: The U.S. Geological Survey, Mineral Commodity Summaries, January 2023

### 7.5.4. Global Silver Market in Year 2022

Global Silver Market is valued at USD110 Billion in 2022 and is projected to reach a value of USD163 Billion by 2030 at a compound annual growth rate of 5% over the forecast period.

Table 7-27: Global silver production



Source: Thomson Reuters Refinitiv

#### *Annual Global Demand for Silver*

Industrial silver demand rose by 5.4% to 556.5Moz (17,309t) in 2022, a new record high. This was partly driven by the structural gains from green economy applications. Improvements in photovoltaics (PV) were particularly noticeable as the increase in cell production was much faster than silver thrifting and this helped drive the 6% rise for electronics & electrical demand.

Investment in power generation and distribution, and a firmer automotive sector also assisted here. Industrial demand is forecast to rise yet again, by 4%, to a new record high this year. The drivers behind these gains include GDP growth, investment in PV, power grids and 5G networks, a return to growth for consumer electronics and rising vehicle output.



Table 7-28: 2022 Global industrial demand for silver

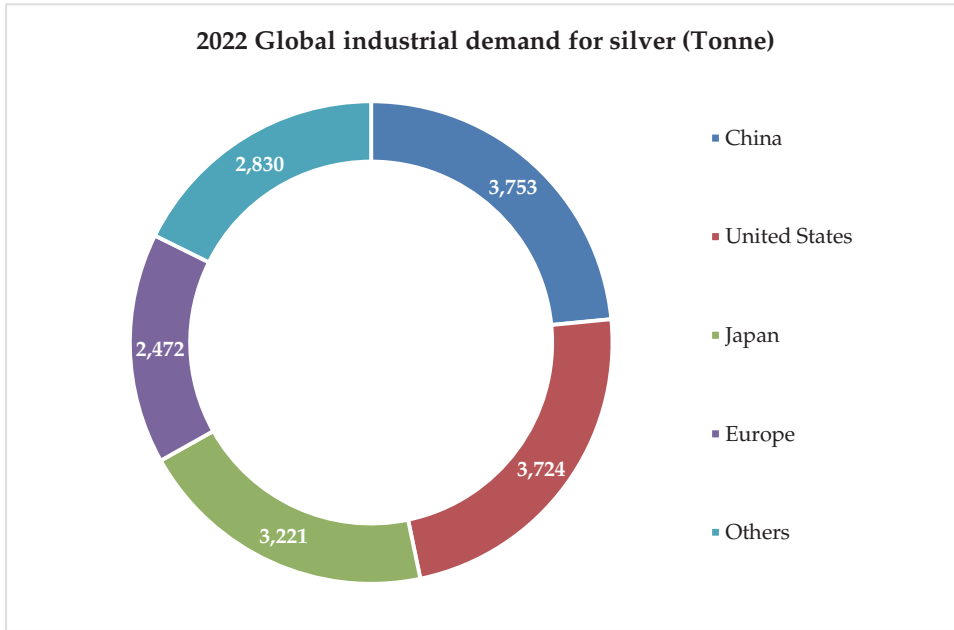


Table 7-29: Global silver demand

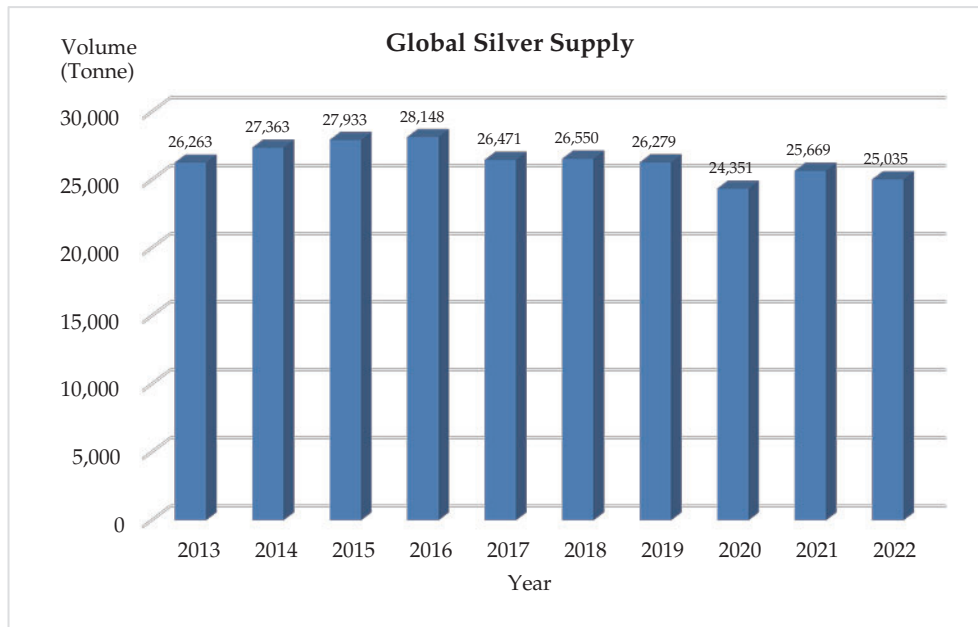


Source: Thomson Reuters Refinitiv

### 7.5.5. Global Silver Annual Supply

China is the second largest silver supply after Mexico in the world. The Silver Institute attributes a large part of China's rise within the bullion market in recent years to the country's development of its mining industry, as most of the Chinese silver production originates as a by-product of other metals. Unexpected disruptions in 2022 impacted mined silver supply and has implications for production in the longer-term. The greatest disruptions to silver producers last year occurred because of Russia's invasion of Ukraine and social unrest in Peru.

**Table 7-30: Global silver supply**



Source: Thomson Reuters Refinitiv

## 7.6. Global Market Forecast

### 7.6.1. Global Lead Market Forecast

According to Commodity Markets Outlook issued by April 2023 by the World Bank Group, lead prices increased by 1 percent in 2023Q1 from the previous quarter, marginally above their 2015-19 average, amid a substantial drawdown of stocks due to reduced primary and secondary (recycled) supply last year. About 85 percent of lead demand is for batteries, with two-thirds for automobiles (of which more than three-quarters is for replacement batteries). Primary lead supply is expected to grow strongly this year, with refineries returning to full capacity following production disruptions last year and the startup of new facilities. Increased production of lead (usually produced jointly with zinc) is expected in Alaska, Australia, Kazakhstan, and Russia.

Lead demand is expected to grow this year, benefiting from China's reopening and the easing of semiconductor shortages that restricted auto production in advanced economies. Lead prices are expected to decline by 2 percent in 2023 and by a further 5 percent in 2024 amid a steady increase in supply. Longer-term, lead faces headwinds from increased production of electric vehicles. These vehicles tend to rely on lithium batteries, rather than lead batteries, because lithium batteries have high energy density, are lightweight, and energy efficient. While lead acid batteries are used for auxiliary functions in electric vehicles, there are indications that some manufacturers are considering phasing these out as well.

By reviewing 60 studies published in academic journals, the World Bank Group forecast the commodity price of the Lead is USD2,100/Tonne and USD2,000/Tonne in 2023 and 2024.

### *7.6.2. Global Zinc Market Forecast*

According to Commodity Markets Outlook issued in April 2023 by the World Bank Group, Zinc prices rose 4 percent between 2022Q4 and 2023Q1 and were 27 percent higher than their 2015-19 average. Price increases mainly reflect optimism early in the year about a strong recovery in China. Stocks have risen recently but are still very low because of a large drawdown last year when several zinc smelters in Europe closed because of high energy costs. Smelter losses have also been observed in Australia, Canada, and Mexico due to plant maintenance and logistical problems. Now that energy prices have fallen, most European smelters have restarted. Zinc prices are forecast to drop by 20 percent in 2023 and 4 percent in 2024.

Although some non-residential construction in China could increase demand for zinc in 2023, demand growth is expected to be modest outside of China due to slowing economic activity. Supply growth is also expected to be moderate this year. In contrast, both demand and supply will increase strongly in 2024 and beyond. Large projects in the Democratic Republic of Congo, Russia, and South Africa will likely dominate potential supply.

By reviewing 60 studies published in academic journals, the World Bank Group forecast the commodity price of Zinc is USD2,800/Tonne and USD2,700/Tonne in year 2023 and year 2024, respectively.

### *7.6.3. Global Copper Market Forecast*

According to Commodity Markets Outlook issued by April 2023 by the World Bank Group, Copper prices jumped 11 percent in 2023Q1 from the previous quarter and were 54 percent above their 2015-19 average. Prices surged at the start of the year on expectations for a robust recovery in China's property sector -China accounts for 57 percent of global copper consumption (figure 15.D). However, prices edged lower during the rest of the quarter as expectations adjusted toward a less metal-intensive recovery in China. A slowdown in real estate sectors in some advanced economies also weighed on copper demand growth -the metal is a key input material for electrical power, plumbing, communications, and appliances.

While these demand-side developments caused prices to edge lower, production disruptions in the world's three largest copper producers – Chile, Peru, and the Democratic Republic of Congo – as well as in Indonesia and Panama, supported prices in the first quarter. For example, mines in Chile continue to face water restrictions and deteriorating ore quality, and mines in Peru have struggled because of social unrest. Copper prices are forecast to fall 4 percent in 2023 compared with 2022, and by a further 6 percent in 2024 as supply conditions improve. Supply growth will be concentrated in the Americas, but also in the Democratic Republic of Congo and Russia. Longer-term, key demand drivers will be from electric vehicles, renewable power, and associated electric grid infrastructure, requiring additional investment to boost supply.

By reviewing 60 studies published in academic journals, the World Bank Group forecast the commodity price of the Copper is USD8,500/Tonne and USD8,000/Tonne in 2023 and 2024.

#### *7.6.4. Global Silver Market Forecast*

According to Commodity Markets Outlook issued in April 2023 by the World Bank Group, Silver prices increased 6 percent in 2023Q1 over the previous quarter, following a 10 percent increase in 2022Q4 (q/q). In March 2013, prices were 34 percent higher than their 2015-19 average (figure 17.A). Prices in the last two quarters were driven by the same factors that were instrumental in pushing up gold prices. Moreover, industrial demand for silver in 2022 reached its highest level in the past decade despite somewhat sluggish global industrial activity. Industrial demand for silver rose by 6 percent last year, reflecting sharp increases in the use for photovoltaics (12 percent) and consumer electronics (7 percent). Demand for silverware was up a remarkable 25 percent, although it is only a small fraction (5 percent) of total demand. On the supply side, high prices have led to larger mine investment and production, despite labor disruptions in South America. Production is expected to increase steadily in the near-to-medium term, notably in the Americas.

Silver prices are projected to increase by 6 percent in 2023, amid continued high precautionary demand, while they are expected to fall 4 percent next year as the global economy recovers, and haven demand subsides. In the longer term, the increase in production of solar photovoltaic products, automotive, and certain electronics components (such as for 5G internet) could lead to greater demand and higher prices.

By reviewing 60 studies published in academic journals, the World Bank Group forecast the commodity price of the Silver is USD23/oz and USD22/oz in 2023 and 2024.

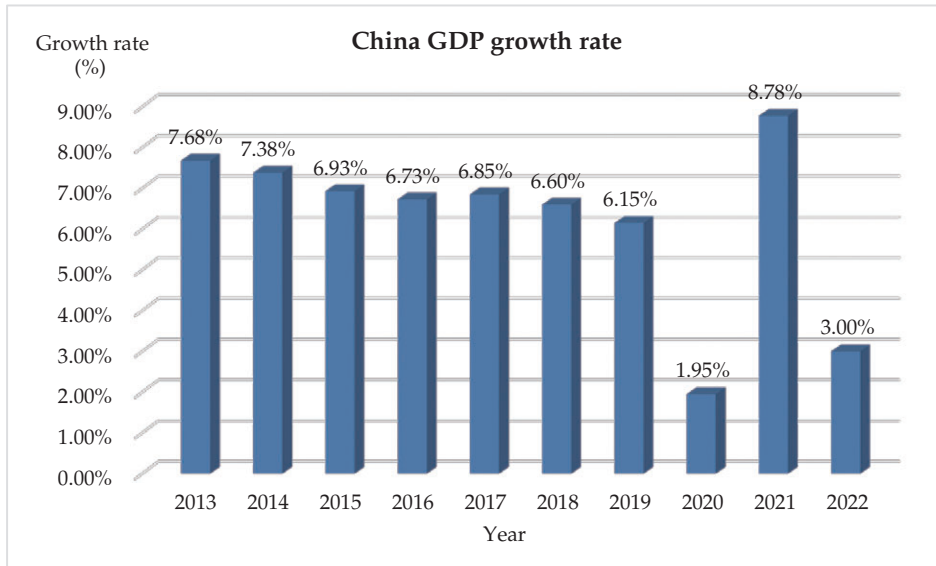
### 7.7. China's Economy

As the impact of COVID-19 subsided significantly, economic stabilization policies were deployed in advance, China's economy continued to recover in the first quarter, and market confidence and expectations improved significantly, according to the Bank of China Research Institute.

According to the National Bureau of Statistics of China, in May, the Index of Services Production increased by 11.7 percent year on year, 1.8 percentage points lower than that of the previous month. In the first five months, the Index of Services Production increased by 9.1 percent year on year, 0.7 percentage point faster than that of the first four months. In May, the total value added of industrial enterprises above the designated size grew by 3.5 percent year on year, 2.1 percentage points lower than that of the previous month, or up by 0.63 percent month on month. In May, the total retail sales of consumer goods reached 3,780.3 billion yuan, up by 12.7 percent year on year, 5.7 percentage points lower than that of the previous month, or up by 0.42 percent month on month. In the first five months, the investment in fixed assets (excluding rural households) reached 18,881.5 billion yuan, up by 4.0 percent year on year, 0.7 percentage point lower than that of the first four months. In May, the total value of imports and exports of goods was 3,446.0 billion yuan, an increase of 0.5 percent year on year. Specifically, the total value of exports was 1,949.2 billion yuan, down by 0.8 percent; the total value of imports was 1,496.8 billion yuan, up by 2.3 percent. The trade balance was 452.3 billion yuan in surplus. In the first five months, the total value of imports and exports of goods was 16,771.4 billion yuan, an increase of 4.7 percent year on year. China's manufacturing activity maintained its expansion for three consecutive months by March, with the purchasing managers' index (PMI) for China's manufacturing sector hitting 51.9, and the PMI for the non-manufacturing sector reached 58.2.

While China aims to expand its economy by around 5 percent in 2023, The World Bank has predicted that China's economy will grow at 5.6 percent this year, up by 1.3 percentage points from its January forecast.

**Table 7-31: China GDP growth (From 2013 to 2022)**



Source: Thomson Reuters Refinitiv

**Table 7-32: China CPI growth (From 2013 to 2022)**

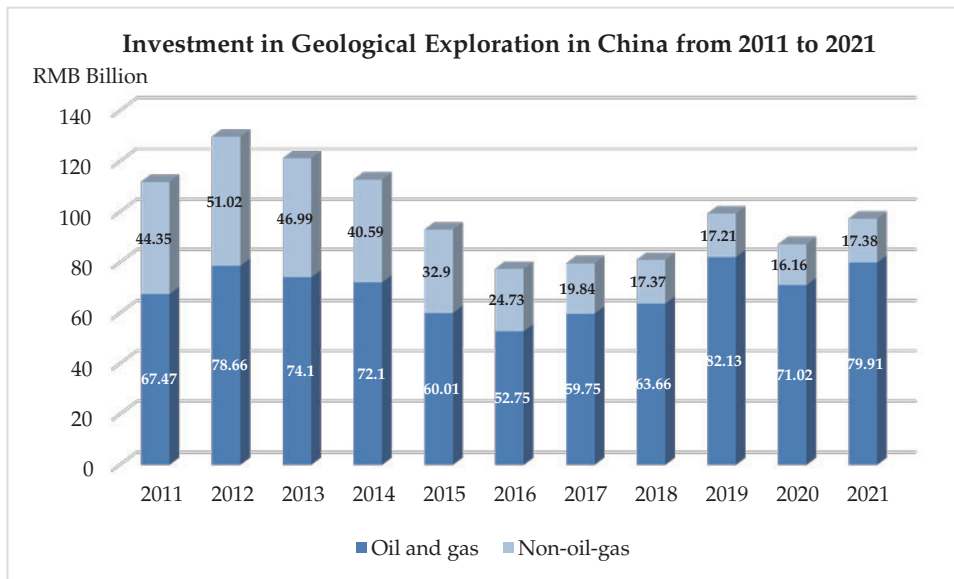


Source: Thomson Reuters Refinitiv

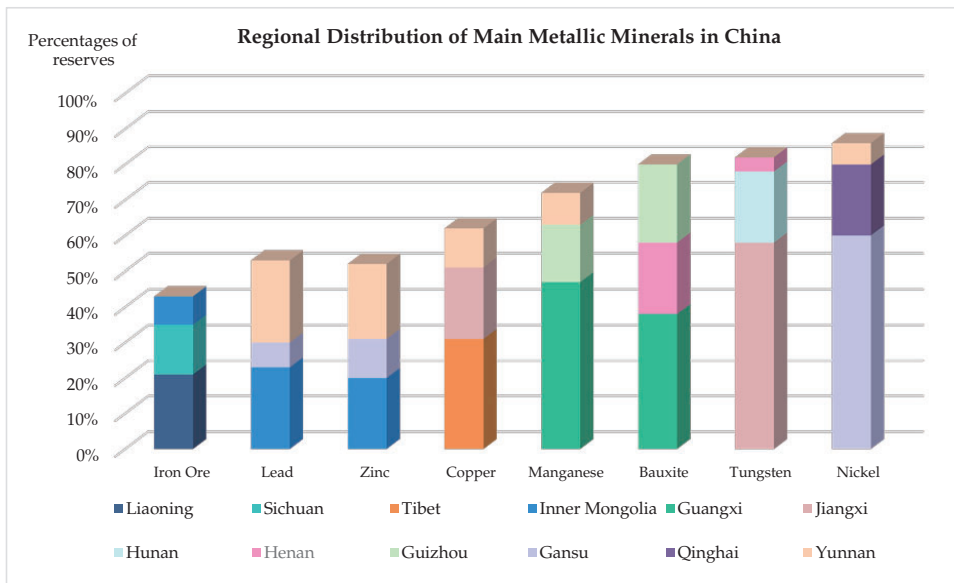
7.8. Mining Industry in China

According to “China Mineral resources 2022” issued by Ministry of Natural Resources, PRC, the year 2021 witnessed the growth of investments in geological exploration by 11.6%, of which the investment in geological exploration of non-oil-gas minerals has achieved growth for the first time since 2013. In 2021, fixed-asset investment in the mining industry increased, from a decline, by 10.9% over the previous year, and fell by 14.1% from the same period in 2020, which was 6.0 percentage points higher than the national growth rate of fixed asset investment.

**Table 7-33: Investment in Geological Exploration in China (From 2011 to 2021)**



**Table 7-34: Regional distribution of main metallic minerals in China**





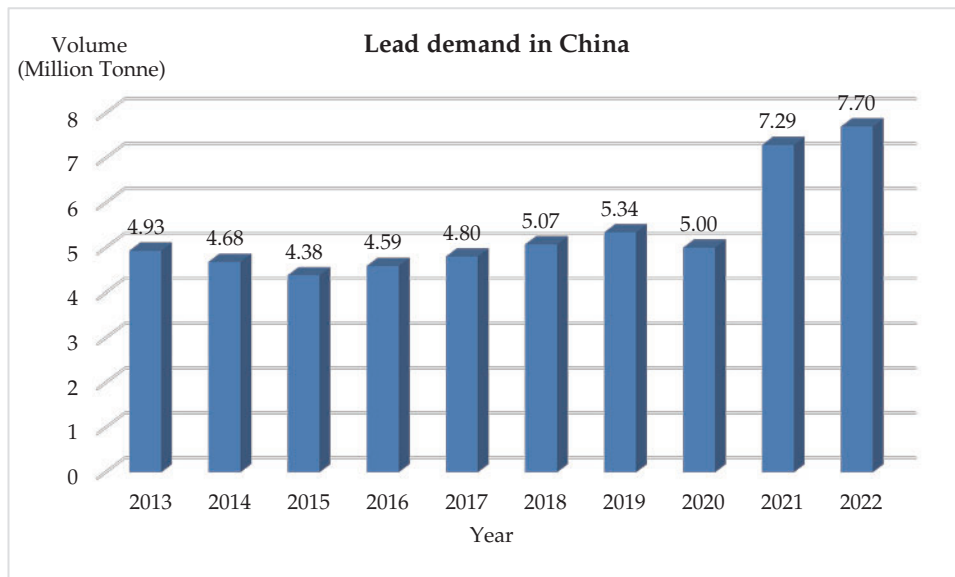
## 7.9. Lead industry in China

China's Lead Market is valued at USD15 billion.

### 7.9.1. Lead Demand in China

The China lead acid battery market size was valued at USD3.4 Billion in 2022 and is expected to expand at a compound annual growth rate (CAGR) of 2.9% from 2023 to 2030. Increasing demand for lead acid batteries in automotive, which are widely used for starting, lighting, and ignition offers an ideal choice for the industry, is one of the largest end users of lead-acid batteries across the country is expected to augment the market growth. China is the world's largest producer, exporter, and consumer of lead-acid batteries. In 2018, China made 27.81 million passenger vehicles. Lead-acid batteries are utilized in electric vehicles to start the motor and light the engine. As per the International Energy Agency, China accounted for the highest sales of 3.3 million for electric vehicle sales in 2021 globally. Due to the rising popularity of electric vehicles, the lead acid battery market is expected to grow quickly in the coming years. In addition, the growth of China's stationary lead acid battery industry is anticipated to be driven by huge demand in telecommunication, grid energy storage systems, and household off-grid electric power systems.

**Table 7-35: Lead demand in China (from 2013 to 2022)**



Source: Thomson Reuters Refinitiv

### 7.9.2. Lead Supply in China

China is the world's largest producer of lead. Lead resources are mainly distributed in Xinjiang, Yunnan, Tibet, Gansu, Qinghai, Shaanxi, etc.

**Table 7-36: Lead supply in China (from 2013 to 2022)**



Source: Thomson Reuters Refinitiv

### 7.10. China's Zinc Industry

China's Zinc Market is valued at USD18 Billion in 2022.

#### 7.10.1. Zinc Demand in China

The China galvanizing market size was valued at USD36 billion in 2022. According to the Director of the International Zinc Association, global average usage in automotive is around 90-to-95 percent for the galvanized steel in bodies. But in China, the use of galvanized steel auto bodies is around 50 percent. So, a huge discrepancy and future for Zinc Market in China.

**Table 7-37: Zinc demand in China (from 2013 to 2022)**



Source: Thomson Reuters Refinitiv

**7.10.2. Zinc Supply in China**

China's Zinc resources are mainly distributed in Xinjiang, Yunnan, Tibet, Gansu, Qinghai, Shaanxi, etc.

*China's Annual Zinc Supply*

**Table 7-38: Zinc supply in China (from 2013 to 2022)**



Source: Thomson Reuters Refinitiv

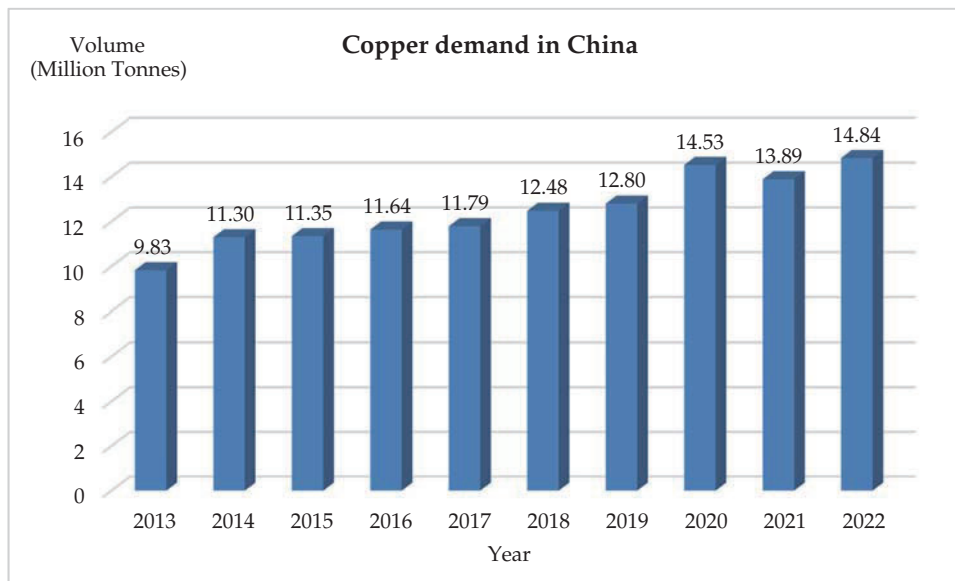
### 7.11. China's Copper Industry

China's Copper Market is valued at USD103 Billion.

#### 7.11.1. China's Copper Demand

Copper prices jumped 11 percent in 2023Q1 from the previous quarter and were 54 percent above their 2015-19 average. Prices surged at the start of the year on expectations for a robust recovery in China's property sector -China accounts for 57 percent of global copper consumption key demand drivers will be from electric vehicles, renewable power, and associated electric grid infrastructure.

**Table 7-39: Copper demand in China (from 2013 to 2022)**

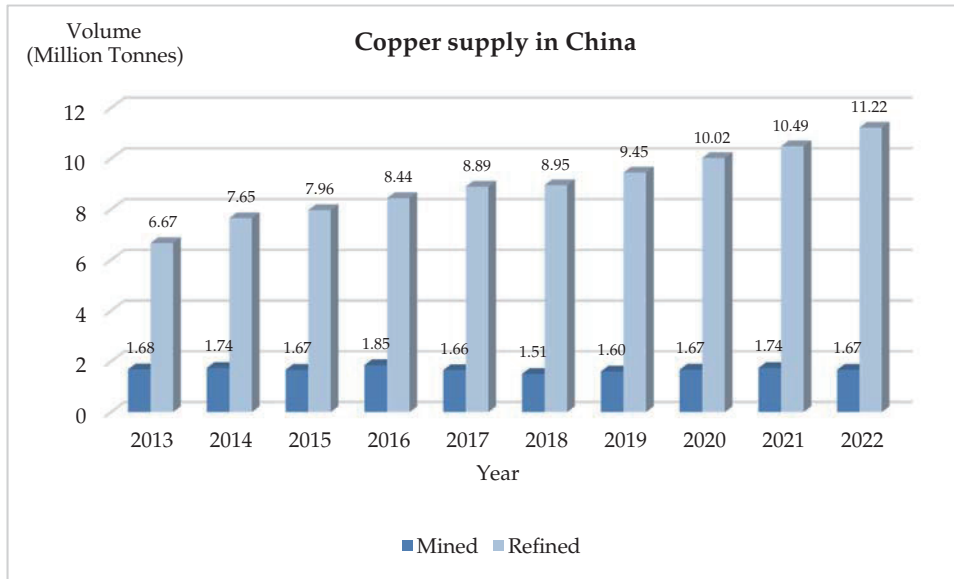


Source: Thomson Reuters Refinitiv

#### 7.11.2. China's Copper Supply

Disruptions in production of the world's three largest copper producers -Chile, Peru, and the Democratic Republic of Congo -as well as in Indonesia and Panama, supported prices in the first quarter. mines in Chile continue to face water restrictions and deteriorating ore quality, and mines in Peru have struggled because of social unrest.

Table 7-40: Copper supply in China (from 2013 to 2022)



Source: Thomson Reuters Refinitiv

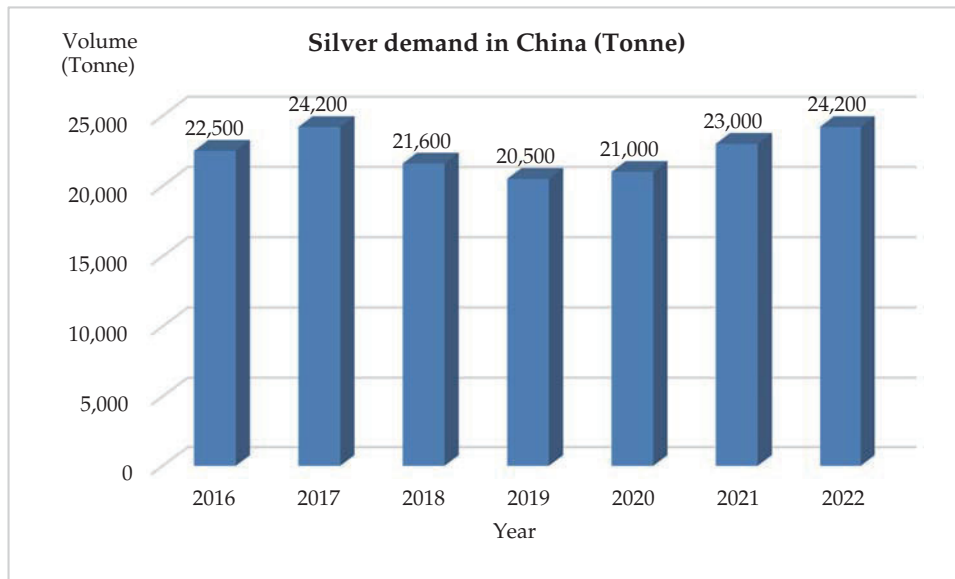
## 7.12. Silver Industry in China

China's Silver Market is valued at USD15 Billion. China's silver production reached 24,600 tons in 2021. The size of China's silver jewelry terminal market in 2021 is about 7 billion yuan. The size of the silver market in 2020 is 92.449 billion yuan.

### 7.12.1. Silver Demand in China

Chinese industrial silver demand rose by 26% y/y to 151.6Moz (4,716t) in 2022. This was partly a result of soaring PV installations at home and globally as the energy crisis triggered by geopolitical tensions has allowed the green economy to perform better than expected. The figures for China were also boosted by accelerated localization policies to protect against possible trade disputes. There was also robust investment in grid construction and rising automotive electronics end-use. Prospects for PV remains bright this year, as global installations may exceed 300GW for the first time. As the largest country in supplying PV silver powders, China will continue to benefit here as it accounts for more than 80% of solar panel output.

Table 7-41: Silver demand in China

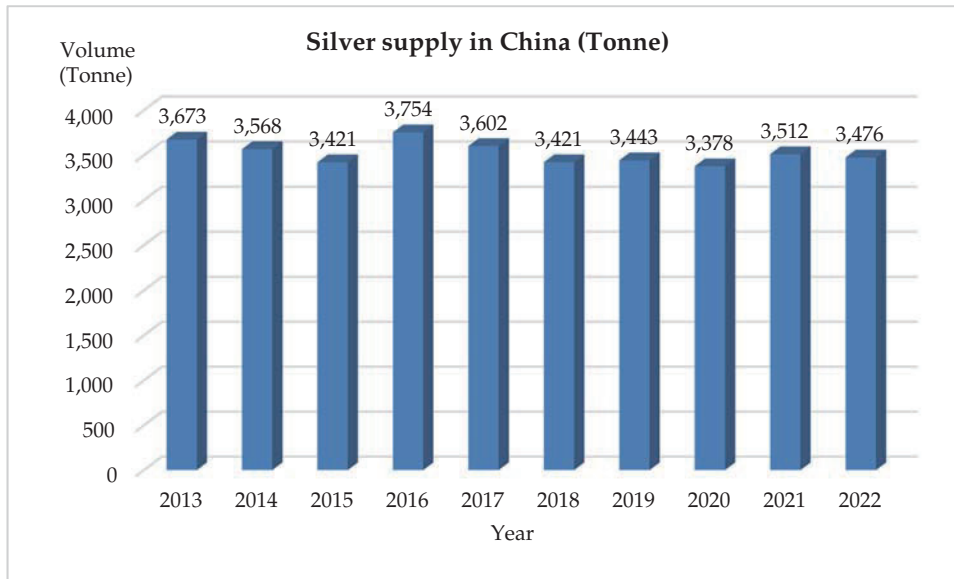


Source: Qianzhan Industry Institute

#### 7.12.2. Silver Supply in China

Unlike its sister metal zinc, where most smelters are owned by the state, a majority of lead smelters are private, so they would face issues with their credit lines if they cannot maintain their operations. Silver production in China fell by 1.0% y/y to 111.8Moz (3,476t). This was primarily driven by lower by-product output from lead/zinc mines in the country. Silver resources in China are mainly distributed in Inner Mongolia, Yunnan, Jiangxi, Guangdong, Tibet, Henan and Hubei.

Table 7-42: Silver supply in China



Source: Thomson Reuters Refinitiv

### 7.13. Taxes in China

The main payments made by permit holders to the government include:

#### 7.13.1. Business Income Tax

The rate is normally 25 percent on taxable income and 20 percent for a non-resident entity whose income has no actual connection with its establishment in China.

#### 7.13.2. Value Added Tax ("VAT")

The tax rate is normally 11 percent or 17 percent depending on the types of mineral resources or mineral products. However, from 1 May 2018, the value added tax rate for mineral resources changed from 11 percent or 17 percent to 10 percent or 16 percent (Notice on Adjustment of VAT Rate issued by the Ministry of Finance and State Administration of Taxation on 4 April 2018). China reduced its standard VAT rate from 16 percent to 13 percent starting on 1 April 2019. This was expected to largely benefit manufactures as well as consumers. The reduced VAT rate on Retail (on entertainment; hotel; restaurants; catering services; real estate and construction, telephony calls; postal; transport and logistics) was also reduced from 10 percent to 9 percent. These measures leave three rates in place: 13 percent; 9 percent; and 6 percent. VAT of 13% is included in the mining cost in Project Evaluation in this CPR.

### *7.13.3. City Maintenance and Construction Tax*

For taxpayers located in cities, the rate is 7 percent. For taxpayers located in counties or towns, the rate is 5 percent. For taxpayers located in other place, the rate is 1 percent. City Maintenance and Construction Tax are included in the mining cost in in Project Evaluation in this CPR.

### *7.13.4. Education Surcharges*

Educational surcharges are collected at a rate of 3 percent, based on the sum of VAT, business tax and consumption tax paid by the companies. Education Surcharges is included in the mining cost in Project Evaluation in this CPR.

### *7.13.5. Resources Tax*

Basic resource tax rates for mineral resources are as follows:

- Copper (ore or concentrate): 2 percent -10 percent of gross sales;
- Lead (ore or concentrate): 2 percent – 10 percent of gross sales;
- Zinc (ore or concentrate): 2 percent – 10 percent of gross sales;
- Silver (ore or concentrate): 2 percent – 6 percent of gross sales;

Chinese legislators approved a new law in August 2019 that will give local governments authority to tax as many as 164 different resources, including fossil fuels, minerals and water. The standing Committee of the National People's Congress, China's parliament, approved the new resource tax law in August 2019 and it went into effect in September 2020. Major resources such as crude oil or rare earths are still subject to a fixed tax rate set by the central government, but local authorities are able to adjust the rates levied on other products, according to the taxation department of the Ministry of Finance. The law will enable governments to provide tax relief for depleted, low-grade projects or regions hit by natural disasters. It also allows tax exemptions to be applied to serve policy strategies like the development of coalbed methane. Local authorities will be granted powers to levy higher rates of tax in regions where water resources are relatively scarce, but it will not raise the overall taxes paid. China's resource tax reforms were first introduced for products like crude oil, natural gas and coal in 2011 and extended to other commodities in 2016. Resource Tax is included in the mining cost in Project Evaluation in this CPR.



#### *7.13.6. Mineral Royalties*

The applicant must pay mineral royalties for any assignment of mining rights by the government, which reflects the ownership of the government ('the Plan for the Reform of the Mineral resources Royalty System' issued on 20 April 2017). Before that, the applicant must pay the prospecting right price or the extraction right price for the assignment of mining rights if state investment is involved in the prospecting or extraction work. The mineral royalties are:

- the price offered by the winning bidder if the mining rights are assigned by auction;
- the price (not necessarily the highest) offered by the winning tenderer if the mining rights are assigned by tender; or
- the valuation of the mining rights or the market benchmark price for mining rights of similar conditions (whichever is higher) if the mining rights are assigned by written agreements between the permit holder and the competent authorities.

The mineral royalties must be paid with cash and payment by instalments is acceptable. Mineral Royalties is included in the mining cost in Project Evaluation in this CPR.

#### *7.13.7. Prospecting Right User Fee*

For the first three years, the permit holder must pay RMB100 per square kilometer each year, increasing by an additional RMB100 per square kilometer each year from the fourth year onwards. The maximum fee is capped at RMB500 per square kilometer each year. Prospecting Right User Fee is included in the mining cost in Project Evaluation in this CPR.

#### *7.13.8. Extraction Right User Fee*

This fee is RMB1,000 per square kilometer per year. However, under the Plan to Reform the Regime of Assignment of Mining Rights, prospecting right user fee and extraction right user fee will be replaced with mining right occupancy fee which will be subject to dynamic adjustment based on the price of relevant mineral resources and economic development needs. The Extraction Right User Fee is included in the mining cost in Project Evaluation in this CPR.

7.14. Commodity Price and Exchange Rate

Table 7-43: Lead Commodity Price (from 2013 to 2022)



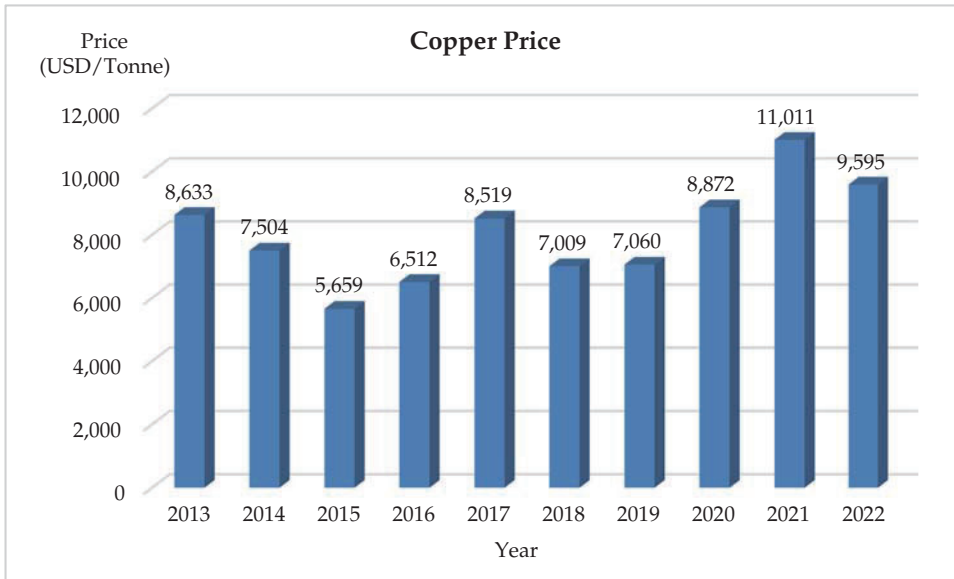
Source: Thomson Reuters Refinitiv

Table 7-44: Zinc Commodity Price (from 2013 to 2022)



Source: Thomson Reuters Refinitiv

**Table 7-45: Copper Commodity Price (from 2013 to 2022)**



Source: Thomson Reuters Refinitiv

**Table 7-46: Silver Commodity Price (from 2013 to 2022)**



Source: Thomson Reuters Refinitiv

#### *7.14.1. Exchange Rate*

For the purposes of this Report, the considered exchange rate is 1.0784 RMB/HKD which is approximately the exchange rate as of the effective date of 30 June 2023.

### **7.15. Project Evaluation**

#### *7.15.1. Assumptions for Valuation*

The factors considered in the valuation included, but were not limited to, the following:

- The nature and history of the Company JiuYuan and Company JinHao;
- The economic condition and the industry outlook in general;
- The specific economic environment and competition which the Company JiuYuan and Company JinHao may face;
- The financial and business risks under Company JiuYuan and Company JinHao including the continuity of income and the projected future results.
- Due to the changing environment in which Company JiuYuan and Company JinHao are being operated, a number of assumptions have to be established in order to sufficiently support our concluded opinion of value of Company JiuYuan and Company JinHao. The major assumptions adopted in our valuations are:
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the jurisdiction where Company JiuYuan and Company JinHao currently operate(s) or will operate which will materially affect the revenues attributable to Company JiuYuan and Company JinHao, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- There is no big difference between adopted mining schedule in valuation and actual schedule;

- The management of the Company JiuYuan and Company JinHao can arrange production in accordance with forecasted time and scale, and there is no big difference between actual and forecast situation;
- Company JiuYuan and Company JinHao provided technical report and related information was accurate and no big mistake;
- Key management, competent personnel, and technical staff will all be retained to support ongoing operations of Company JiuYuan and Company JinHao;
- Interest rates and exchange rates in the localities for the operation of Company JiuYuan and Company JinHao will not differ materially from those presently prevailing;
- Company JiuYuan and Company JinHao can obtain all the necessary permits and licenses, included but not limited to the approval for environmental impact assessment report, pollutant emission permit, mining license, work safety permit, land use right certificate, building ownership certificate, and all these permits and licenses will be applied without substantial cost and issue;
- All equipment for mining, processing & refinery will be ready for the operation of the Company JiuYuan and Company JinHao;
- Assumed all expired and going-to-be expired licenses can be renewed accordingly without substantial costs;
- According to chapter 18.33(2) of the Listing Rules of HKEx, if the net present values attributable to Prove Reserves and Proved plus Probable Reserves are disclosed, they are presented on a post-tax basis at varying discount rates (including a reflection of the weighted average cost of capital or minimum acceptable rate of return that applies to the entity at the time of evaluation) or a fixed discount rate of 10%. The Competent Persons conducted a WACC calculation as of the Valuation Date for cross-checking purpose which proves the 10% discount rate adopted for the Projects is valid. Therefore, the Competent Persons adopted a fixed discount rate of 10% for the valuation of the Projects.

### 7.15.2. Key parameters for Project Evaluation

#### 7.15.2.1. Mineral Resources and Ore Reserves

Mineral Resources and Ore Reserves of Project JiuYuan and Project JinHao as of 30 June 2023 for evaluation use are displayed in the Table 7-47 and Table 7-48 below:

**Table 7-47: Statement of Mineral Resources of Project JiuYuan as of 30 June 2023 for Evaluation use**

Name of Project	Chinese	Quantity (T)	Pb (%)	Zn (%)	Under
	Reserves Category				JORC Category
Project JiuYuan	122	198,000	1.72%	3.90%	Probable

Mineral Resources of Project JinHao as of 30 June 2023 for evaluation use are displayed in the Table 2 below:

**Table 7-48: Statement of Mineral Resources of Project JinHao as of 30 June 2023 for Evaluation use**

Name of Project	Chinese	Quantity (T)	Pb (%)	Cu (%)	Ag (10 <sup>-6</sup> )	Under JORC
	Reserves Category					Category
Project JinHao	331	152,800	4.88%	0.85%	114.67	Measured
	332	466,200	5.75%	1.01%	131.50	Indicated

## 7.15.2.2. Fixed Asset

**Table 7-49: Invested Fixed Assets in Project JiuYuan for the mining scale of 30,000 t/a**

No.	Department	Present Value (RMB)
1	Mine Equipment	25,400,000
2	Factory	3,400,000
3	Laboratory	147,000
4	Other	<u>461,000</u>
<b>Total (rounded)</b>		<b><u><u>29,400,000</u></u></b>

**Table 7-50: Suggested Capital Expenditure in Project JinHao for the mining scale of 90,000 t/a**

No.	Item	Cost (RMB)
1	Mine Equipment	44,100,000
2	Factory	11,000,000
3	Laboratory	1,300,000
4	Other	3,200,000
5	Resource Tax	45,000,000
6	Contingency Expense	<u>1,000,000</u>
<b>Total:</b>		<b><u><u>105,600,000</u></u></b>

## 7.15.2.3. Mining Schedule and Mine Life of the Two Projects

The following table summarizes the mining schedule and annual planned production capacity for the 2 projects for economic evaluation use.

**Table 7-51: Mining Schedule of the Mineral Deposits from the Two Projects for economic analysis**

Project Name	2024	2025	2026	2027	2028	2029	2030	2031	2032
Project JiuYuan	30,000	30,000	30,000	30,000	30,000	30,000	18,000	-	-
Project JinHao	-	45,000	90,000	90,000	90,000	90,000	90,000	90,000	34,000

Based on the Mineral resources and Ore Reserves (mentioned in Chapter 4 of this Report) and the Project Development and Planning (mentioned in Chapter 5 of this Report), APA considers that Economic Evaluation (mentioned in Chapter 7 of this Report) to be reasonable and achievable based on the current mining equipment and future designs. Project JiuYuan is expected to start mining at January 2024, while Project JinHao is expected to start mining at July 2025. The Forecast for Mine Life and Head Grade is shown in Table 7-52.

**Table 7-52: Mine Life and Head Grade of Two Projects as of 30 June 2023**

	Mineral resources (T)	Ores Reserves (T)	Head Grade (Pb)	Head Grade (Zn)	Head Grade (Cu)	Head Grade (10 <sup>-6</sup> Ag)	Mine Life (Years)
Project JiuYuan	-	198,000	1.72%	3.90%	-	-	7
Project JinHao	619,000	-	5.54%	-	0.97%	127.34	7



## 7.15.2.4. Operating Cost

**Table 7-53 Key Operating Cost of the Two Projects as of 30-June 2023**

	Project JiuYuan	Project JinHao
Mining Cost (RMB/T)	190	330
Processing Cost (RMB/T)	45	80
Contingency Cost (% of Revenue)	3%	3%
Value-Added-Tax (% of Revenue, incorporated into Mining Cost)	13%	13%
Profit Tax	25%	25%
Capital Expenditure (RMB)	–	105,600,000

**Table 7-54: Project Cost Estimation Summary of the Two Projects as of 30 June 2023**

Name of Project	Mineral	Product Type	Unit Price (RMB/tonne)	Mining	Processing	Contingency	Profit Tax (RMB/tonne)	Total Cost (RMB/tonne)
				Cost (RMB/tonne)	Cost (RMB/tonne)	Cost (RMB/tonne)		
Project JiuYuan	Pb	99.99%	15,100	190	45	453	3,603	4,291
	Zn	99.99%	21,300	190	45	639	5,107	5,981
Project JinHao	Pb	99.99%	15,100	330	80	453	3,559	4,422
	Cu	99.99%	60,200	330	80	1,806	14,496	16,712
	Ag	99.99%	5,500	330	80	165,000	1,333,648	1,499,058

\* Value Added Tax of 13% and other tax are included in Mining Cost

\* For the silver mineral (Ag) in Project JinHao, the unit price is RMB/kg.

*7.15.2.5. Weighted Average Cost of Capital ("WACC")*

The discount rate for the Fair Value of Project JiuYuan and Project JinHao is the weight average cost of capital (the "WACC"). WACC comprises two components: cost of equity and cost of debt. The cost of equity was developed using Capital Asset Pricing Model (the "CAPM"). The CAPM states that an investor requires excess returns to compensate systematic risks and an efficient market provides no excess return for other risks.

$$\text{WACC} = W_e \times R_e + W_d \times R_d \times (1 - T)$$

Where:

$R_e$  = Cost of Equity

$R_d$  = Cost of Debt

$W_e$  = Weighting of Equity

$W_d$  = Weighting of Debt

T = Tax

In determining the proper rate to discount the forecasted cash flows, we have identified relevant peer companies for the Company which are listed in the Hong Kong and China Stock Exchange.

Our selection criteria are:

1. Engages in non-ferrous metal, precious metal mining or refining business
2. Positive net profit in the latest reporting period
3. Market Capitalization less than or equal to USD7 billion
4. Shares listed on Hong Kong Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock Exchange
5. Shares actively traded in the Stock Exchange and information from a reliable source

## Rationale of the selection criteria

1. It is fair and reasonable to select peer companies which has similar/same business activities with the Target Companies. As the main business activity of the Target Companies is mining and selling of mineral resources, it is fair and reasonable to select peer companies which has 70% or above of business activities in mining and selling of mineral resources in term of revenue.

The respective percentage of similar business and same business of the peers are displayed per table below.

#	Name of peer company	Ticker	Currency	Turnover	Total Turnover	Mining
				from mining related segment		related segment
				(Million)	(Million)	(% to total Turnover)
				(Approx.)	(Approx.)	(Approx.)
1	Chongyi Zhangyuan Tungsten Co Ltd	002378 SZ	RMB	3,007	3,203	93.88%
2	Tibet Huayu Mining Co Ltd	601020 SS	RMB	563	563	100.00%
3	YanTai Yuancheng Gold Co Ltd	600766 SS	RMB	91	94	96.28%
4	MMG Ltd	1208 HK	USD	3,253	3,254	99.95%
5	Wanguo International Mining Group Ltd	3939 HK	RMB	632	681	92.74%
6	Xinjiang Xinxin Mining Industry Co Ltd	3833 HK	RMB	2,700	2,716	99.39%
7	Brockman Mining Ltd	0159 HK	HKD	18	18	100.00%
8	South Manganese Investment Ltd	1091 HK	HKD	11,406	13,108	87.02%
9	China Hanking Holdings Ltd	3788 HK	RMB	2,598	2,602	99.86%
10	Aowei Holding Ltd	1370 HK	RMB	938	938	100.00%
11	China Daye Non-Ferrous Metals Mining Ltd	0661 HK	RMB	32,110	33,621	95.50%
12	Jinchuan Group International Resources Co Ltd	2362 HK	USD	649	882	73.60%
13	Greentech Technology International Ltd	0195 HK	HKD	931	931	100.00%
14	China Nonferrous Mining Corp Ltd	1258 HK	USD	4,051	4,098	98.85%
15	Add New Energy Investment Holdings Group Ltd	2623 HK	RMB	1,866	1,866	100.00%
16	Timeless Software Ltd	8028 HK	HKD	80	80	99.46%

Note: Financial figures are extracted from the latest annual reports of the peers as of the Valuation Date.

2. As our valuation is based on the going concern basis of the company, it is fair and reasonable to exclude company with net loss which uncertainty of the going concern exist. Net loss refers to the profit or loss after corporate tax extracted from the audited financial statements or annual reports of the comparable peers. For this financial figure, we have referenced to the peers' publicly disclosed reports of the latest fiscal year. Those with net loss after tax are excluded from the selection, even if they are appropriate candidates originally using the adopted selection criteria.
3. Valuer had tried and obtained that there is no material effect and change to the discount rate by changing higher or lower market cap requirement. However, valuer has to select companies with market up to USD7 billion in order to have sufficient peer companies to represent the fairness. We noted that even if the market capitalisation is narrowed down to below USD1 billion or even USD300 million, the result of the discount rate will still be 10%, the same with the current adopted discount rate. However, the number of peers will drop significantly to only 10 and 3, which is relatively not comprehensive nor representable. Therefore, we have to increase the market capitalisation of the peers to exclude potential outliers.
4. As the operation of the company are in Mainland China (or the "PRC"), it is fair and reasonable to include peers which have business activities and listed on main stock exchange in the same region, which are the Hong Kong Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange.
5. The search and data extraction of the peer companies are sourced from Refinitiv of London Stock Exchange Group, which is a renowned and commonly used financial database around the globe. We believe the data from this source is reliable and accurate which facilitates us in the valuation.

## Comparable Companies used in this valuation

No.	Ticker	Listing Location	Name of company	Business Description
1	002378.SZ	China	Chongyi Zhangyuan Tungsten Co Ltd	CHONGYI ZHANGYUAN TUNGSTEN CO., LTD. is a China-based company, principally engaged in the mining, smelting and deep processing of non-ferrous metals. The Company's main products include ammonium paratungstate (APT), tungsten oxide, tungsten powder, tungsten carbide powder and tungsten carbide, among others. It owns right of exploring and mining mines, as well as tungsten smelting and deep processing factories. The Company distributes its products in domestic and overseas markets.
2	601020.SS	China	Tibet Huayu Mining Co Ltd	Tibet Huayu Mining Co., Ltd. is principally engaged in mining, ore dressing, geological survey and trading businesses of nonferrous metal. The Company's major products include zinc concentrate, lead antimony concentrate (silver-bearing) and copper concentrate, among others. In addition to the core business of mining production, the Company operates non-ferrous metals trading business.
3	600766.SS	China	YanTai Yuancheng Gold Co Ltd	YanTai Yuancheng Gold Co., Ltd. is a China-based company principally engaged in the gold mining and gold mining hosting business. The Company is also engaged in the sales of real estate business. The Company mainly operates its business in domestic market.

No.	Ticker	Listing Location	Name of company	Business Description
4	1208.HK	Hong Kong	MMG Ltd	<p>MMG Limited is an Australia-based mining company. The principal activities of the Company include exploration, development and mining of copper, zinc, cobalt, gold, silver, and lead deposits around the world. Its segment includes Las Bambas, Kinsevere, Dugald River, Rosebery, and Other. Las Bambas is an open-pit, scalable, long-life copper and molybdenum mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru. Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the Democratic Republic of Congo (DRC). The Dugald River mine is an underground zinc mining operation located near Cloncurry in Northwest Queensland. The Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast. Its subsidiaries include MMG Australia Limited, MMG Dugald River Pty Ltd, MMG Exploration Pty Ltd, MMG Management Pty Ltd, and Topstart Limited.</p>

No.	Ticker	Listing Location	Name of company	Business Description
5	3939.HK	Hong Kong	Wanguo International Mining Group Ltd	Wanguo International Mining Group Limited is an investment holding company principally engaged in mining, ore processing and the sale of the concentrates products in China. The concentrates products include copper concentrates, iron concentrates, zinc concentrates, sulfur concentrates, gold in copper concentrates, silver in copper and zinc concentrates and indium in zinc concentrates. Through its subsidiaries, the Company is also engaged in the exploration of mineral resources.
6	3833.HK	Hong Kong	Xinjiang Xinxin Mining Industry Co Ltd	Xinjiang Xinxin Mining Industry Co., Ltd. is principally engaged in the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products. The major product of the Company is nickel cathode. The other major product includes copper cathode. The Company's subsidiaries include Mengxi Mining, Wuxin Copper and Kalatongke Mining. Through its subsidiaries, the Company is also engaged in the investment in phosphate fertilizer, compound fertilizer and other chemical products.
7	0159.HK	Hong Kong	Brockman Mining Ltd	Brockman Mining Limited is a Hong Kong-based investment holding company principally engaged in mining businesses. The Company's Mineral Tenements in Australia business is tenement acquisition, exploration and towards future development of iron ore projects in Western Australia.

No.	Ticker	Listing Location	Name of company	Business Description
8	1091.HK	Hong Kong	South Manganese Investment Ltd	<p>South Manganese Investment Ltd, formerly CITIC Dameng Holdings Ltd, is an investment holding company mainly engaged in the mining and trading business of manganese. The Company operates through four business segments. Electrolytic Manganese Metal (EMM) and Alloying Materials Production segment engages in the mining and processing of EMM, manganese briquette, silicomanganese alloys, and other products. Manganese Mining segment engages in the mining and production of concentrates, natural discharging manganese powder and sand, among other manganese products. Battery Materials Production segment engages in the production and sale of electrolytic manganese dioxide (EMD), manganese sulfate, lithium manganese oxide, lithium nickel cobalt manganese oxide, and other battery materials products. Others segment engages in the trading of commodities including manganese ore, EMM and scraps, and the rental of investment properties and machinery.</p>



No.	Ticker	Listing Location	Name of company	Business Description
9	3788.HK	Hong Kong	China Hanking Holdings Ltd	China Hanking Holdings Limited is principally engaged in the exploration, mining, processing and sale of mineral resources. The Company operates its business through three segments. The Gold Business segment is engaged in the exploration, mining, processing, smelting and marketing of gold ore. The Iron ore Business segment is engaged in the exploration, mining, processing, smelting and marketing of iron ore. The Nickel Business segment is engaged in the exploration, mining, processing, smelting and marketing of nickel ore.
10	1370.HK	Hong Kong	Aowei Holding Ltd	Aowei Holding Limited, formerly Hengshi Mining Investments Limited, is principally engaged in the exploration, mining, processing and trading of iron ore products. The Company's primary products include iron ores, preliminary concentrates and iron ore concentrates. The iron ore mines owned and operated by the Company mainly include Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine. They are all located in Laiyuan County, Hebei Province. The Company is also involved in the investment holding business through its subsidiaries.

No.	Ticker	Listing Location	Name of company	Business Description
11	0661.HK	Hong Kong	China Daye Non-Ferrous Metals Mining Ltd	China Daye Non-Ferrous Metals Mining Ltd is a Hong Kong-based investment holding company principally engaged in the sales of metal products. The Company mainly sells copper cathodes, copper products, gold and gold products, silver and silver products, sulphuric acid, sulphuric concentrate and iron ores, among others. It also provides copper processing services. The Company operates its business in China, Hong Kong and Mongolia markets.
12	2362.HK	Hong Kong	Jinchuan Group International Resources Co Ltd	Jinchuan Group International Resources Co. Ltd. is an investment holding company principally engaged in the mining operations and the trading of mineral and metal products. The Company operates its business through two segments: Trading of Mineral and Metal Products segment and Mining Operations, Primarily Copper and Cobalt Production segment. The Company's subsidiaries include Golden Grand Investment Limited, Golden Harbour International Trading Limited and Jin Rui Mining Investment Limited.

No.	Ticker	Listing Location	Name of company	Business Description
13	0195.HK	Hong Kong	Greentech Technology International Ltd	Greentech Technology International Limited, formerly L'sea Resources International Holdings Limited is a Hong Kong-based investment holding company principally engaged in mining businesses. The main businesses of the Company include the exploration, development and mining of tin and copper bearing ores in Australia. Its main projects include Renison Bell underground mine, Mount Bischoff open cut mine and Rentails tailings.
14	1258.HK	Hong Kong	China Nonferrous Mining Corp Ltd	China Nonferrous Mining Corp Ltd is a China-based company principally engaged in the processing of non-ferrous metals. The Company operates in two segments. Leaching segment is mainly engaged in the production and sales of cathode copper and cobalt hydroxide, as well as the exploration and mining of copper oxide ore. Smelting segment is mainly engaged in the smelting of blister copper and anode copper, and the production of chemical products such as sulfuric acid and sulfur dioxide. The Company is also engaged in the outsourced processing of copper products. The Company mainly conducts its business in the domestic market.

No.	Ticker	Listing Location	Name of company	Business Description
15	2623.HK	Hong Kong	Add New Energy Investment Holdings Group Ltd	ADD NEW ENERGY INVESTMENT HOLDINGS GROUP LIMITED, formerly China Zhongsheng Resources Holdings Limited, is an investment holding company principally engaged in the exploration and mining of iron and ilmenite ore, the processing and trading of iron concentrates in Shandong Province, the People's Republic of China (the PRC). The Company operates its business through three segments. The Shandong Ishine and Luxing Titanium segment is engaged in iron ore mining and processing, ilmenite ore mining and processing and the sales of iron concentrates and titanium concentrate. The Ever Grand segment is engaged in finance lease business. The Ishine International segment is engaged in the exploration of metal reserves in Australia.
16	8028.HK	Hong Kong	Timeless Software Ltd	Timeless Software Ltd is an investment holding company principally engaged in the mining business. The Company operates its business through two segments. The Mining Business segment is engaged in the exploration and exploitation of a nickel-copper mine. The products it sells including nickel-copper ores, nickel concentrate and copper concentrates. The Other Business segment is engaged in the provision of research, development (R&D) and sale agency of bio and nano materials products as well as software maintenance and development services.

Source: Refinitiv from Thomson Reuters

Below is the summary of the key parameters of the WACC of the Company adopted as of the Valuation Date:

	<b>Key Parameters as of 30 June 2023</b>
(a) Risk-free Rate	2.64%
(b) Market Return	9.74%
(c) Beta Coefficient	0.994
(d) Size Premium	3.58%
(e) Company Specific Risk Premium	0.00%
(f) Cost of Equity	13.28%
(g) Cost of Debt	4.20%
(h) Weight of Equity Value to Enterprise Value	66.48%
(i) Weight of Debt Value to Enterprise Value	33.52%
(j) Corporate Tax Rate	25.00%
	<hr/>
WACC (Rounded)	<u>10.00%</u>

*Notes:*

- (a) The risk-free rate adopted was the yield rate of China's 10-year government bond as of the Valuation Date;
- (b) The market return adopted was based on the equity risk premium data for China on Damodaran Online;
- (c) The beta coefficient adopted was the average adjusted beta of the abovementioned comparable companies as extracted from Refinitiv of Thomson Reuters;
- (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) Company Specific Risk Premium (CSRP) is an unsystematic risk including 1) competition; 2) financial strength; 3) management ability and depth; 4) profitability and stability of earnings; 5) national economic effects; and 6) local economic effects. Competent Person found no such deficiency or unsystematic risk in the company and therefore adopted zero CSRP according to professional judgment;

- (f) The cost of equity was determined based on CAPM;
- (g) The cost of debt adopted was bank's lending prime rate in China;
- (h) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the abovementioned comparable companies as of the Valuation Date;
- (i) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the abovementioned comparable companies as of the Valuation Date;
- (j) The corporate tax rate adopted was the 2023 corporate tax rate in China.

The comparable and the percentage of the debt-to-equity ratio (the "D/E" or "D/E ratio") of the comparables are displayed as table shown below:

No.	Company	Debt to Equity (D/E)	Selected D/E
1	Chongyi Zhangyuan Tungsten Co Ltd	25.09%	25.09%
2	Tibet Huayu Mining Co Ltd	14.54%	14.54%
3	YanTai Yuancheng Gold Co Ltd	3.38%	3.38%
4	MMG Ltd	280.98%	280.98%
5	Wanguo International Mining Group Ltd	5.66%	5.66%
6	Xinjiang Xinxin Mining Industry Co Ltd	95.83%	95.83%
7	Brockman Mining Ltd	2.45%	2.45%
8	South Manganese Investment Ltd	274.89%	274.89%
9	China Hanking Holdings Ltd	60.87%	60.87%
10	Aowei Holding Ltd	44.03%	44.03%
11	China Daye Non-Ferrous Metals Mining Ltd	1,107.45%	1,107.45%
12	Jinchuan Group International Resources Co Ltd	56.84%	56.84%
13	Greentech Technology International Ltd	19.03%	19.03%
14	China Nonferrous Mining Corp Ltd	355.33%	355.33%
15	Add New Energy Investment Holdings Group Ltd	72.60%	72.60%
16	Timeless Software Ltd	21.79%	21.79%
	Median D/E		50.43%
	Weight of Equity Value to Enterprise Value (1/(1+D/E))(a)		66.48%
	Weight of Debt Value to Enterprise Value (1-a)		33.52%

The figures were extracted from Refinitiv from London Stock Exchange Group, a well-known financial database widely endorsed in the industry. The weight of equity value to Enterprise Value is derived by using the formula:  $1/(1+D/E)$ . The weight of debt value to Enterprise Value is derived by using the formula:  $1-1/(1+D/E)$ .

We adopted the WACC of 10.00% as the discount rate of the Company for the valuation as of the Valuation Date.

*7.15.2.6. Discount for Lack of Marketability (“DLOM”)*

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The discount for lack of marketability reflects that fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies.

Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. The marketability discount is estimated with reference to the “Median DLOM of 16% from Stout Restricted Stock Study Companion Guide 2023 Edition, P.17 (the “Study”). With reference to the Study, we considered a discount of lack of marketability of 16.0% is fair and reasonable for the valuation of the Fair Value of Project JiuYuan and Project JinHao in this particular case.

7.15.2.7. *Key Parameters for Evaluation of Two Projects as of 30 June 2023*

Key Parameters for Evaluation	Project JiuYuan	Project JinHao
Unit Price of 99.99% of Lead (RMB/tonne)	15,100	15,100
Unit Price of 99.99% of Zinc (RMB/tonne)	21,300	–
Unit Price of 99.99% of Copper (RMB/tonne)	–	60,200
Unit Price of 99.99% of Silver (RMB/kg)	–	5,500
Mining Recovery Rate	90%	90%
Mining Dilution Rate	10%	10%
Processing recovery rate (Lead)	89%	89%
Processing recovery rate (Zinc)	81%	–
Processing recovery rate (Copper)	–	90%
Processing recovery rate (Silver)	–	85%
Mining Cost:	RMB190/T	RMB330/T
Processing Cost	RMB 45/T	RMB 80/T
Contingency Cost	3% of revenue	3% of revenue
Value-added Tax (incorporated in mining cost)	13% of revenue	13% of revenue
Profit Tax	25% of profit	25% of profit

7.15.3. *Conclusion for Project Evaluation*

Table 7-55 and Table 7-56 shows that the Fair Value of the Project JiuYuan and Project JinHao are **RMB34 million and RMB207 million, or HKD37 million and HKD223 million** as of 30 June 2023. Table 7-57 to Table 7-65 shows the sensitivity analysis for the Fair Value of Two Projects regarding the commodity unit price and discount rate.



**Table 7-55: Discounted Cashflow Summary for Project JiuYuan as of 30 June 2023**

Project JiuYuan									
Valuation Date		30.6.2023							
Period Start		1.7.2023	1.1.2024	1.1.2025	1.1.2026	1.1.2027	1.1.2028	1.1.2029	1.1.2030
Period End		31.12.2023	31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028	31.12.2029	31.12.2030
<b>MAJOR PARAMETERS</b>									
Ore Mined (ROM)	T		30,000	30,000	30,000	30,000	30,000	30,000	18,000
Annual Growth Rate	%		2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Head Grade (Pb)	%		1.72%	1.72%	1.72%	1.72%	1.72%	1.72%	1.72%
Head Grade (Zn)	%		3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%
Mining Dilution Rate	%		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Mining Recovery Rate	%		90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%
Processing Recovery rate (Pb)	%		89.00%	89.00%	89.00%	89.00%	89.00%	89.00%	89.00%
Processing Recovery rate (Zn)	%		81.00%	81.00%	81.00%	81.00%	81.00%	81.00%	81.00%
Mining Cost	RMB/T	190	195	200	205	210	215	220	226
Processing Cost	RMB/T	45	46	47	48	50	51	52	53
Contingency Cost	% of Rev		3%	3%	3%	3%	3%	3%	3%
Unit Price (RMB/t)	Pb	15,100	15,478	15,864	16,261	16,668	17,084	17,511	17,949
Unit Price (RMB/t)	Zn	21,300	21,833	22,378	22,938	23,511	24,099	24,701	25,319
<b>DISCOUNTED CASH FLOW</b>									
Revenue (Pb)	RMB		6,393,379	6,553,214	6,717,044	6,884,970	7,057,094	7,233,522	4,448,616
Revenue (Zn)	RMB		18,607,270	19,072,452	19,549,263	20,037,995	20,538,944	21,052,418	12,947,237
<b>Total Revenue</b>	<b>RMB</b>		<b>25,000,649</b>	<b>25,625,665</b>	<b>26,266,307</b>	<b>26,922,965</b>	<b>27,596,039</b>	<b>28,285,940</b>	<b>17,395,853</b>
Mining Cost	RMB		(5,842,500)	(5,988,563)	(6,138,277)	(6,291,733)	(6,449,027)	(6,610,252)	(4,065,305)
Processing Cost	RMB		(1,383,750)	(1,418,344)	(1,453,802)	(1,490,147)	(1,527,401)	(1,565,586)	(962,835)
Contingency Cost	RMB		(750,019)	(768,770)	(787,989)	(807,689)	(827,881)	(848,578)	(521,876)
Depreciation	RMB		(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)
NPBT	RMB		12,824,380	13,249,989	13,686,239	14,133,395	14,591,730	15,061,523	7,645,837
tax	25%		(3,206,095)	(3,312,497)	(3,421,560)	(3,533,349)	(3,647,932)	(3,765,381)	(1,911,459)
<b>NPAT</b>	<b>RMB</b>		<b>9,618,285</b>	<b>9,937,492</b>	<b>10,264,679</b>	<b>10,600,046</b>	<b>10,943,797</b>	<b>11,296,142</b>	<b>5,734,377</b>
<b>NPM</b>			<b>38%</b>	<b>39%</b>	<b>39%</b>	<b>39%</b>	<b>40%</b>	<b>40%</b>	<b>33%</b>
Cashflow	RMB		9,618,285	9,937,492	10,264,679	10,600,046	10,943,797	11,296,142	5,734,377
Add: depre	RMB		4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
CAPEX*	RMB								
NCF	RMB		13,818,285	14,137,492	14,464,679	14,800,046	15,143,797	15,496,142	9,934,377
DR	10%	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14
<b>DCF</b>	<b>RMB</b>		<b>11,420,070</b>	<b>10,621,707</b>	<b>9,879,570</b>	<b>9,189,664</b>	<b>8,548,279</b>	<b>7,951,971</b>	<b>4,634,460</b>
NPV	RMB	62,245,722							
DLOM	-16%	(9,959,315)							
NPV (after DLOM)	RMB	52,286,406							
Less: Debt	RMB	(18,000,000)							
FV (RMB)		34,000,000							
FV (HKD)		36,665,600							
<b>FV (HKD rounded)</b>		<b>37,000,000</b>							

\* No CAPEX need as the current infrastructures and machineries are sufficient for the planned production of 30,000 tonnes ore per year.

**Table 7-56: Discounted Cashflow Summary for Project JinHao as of 30 June 2023**

Valuation Date	30.6.2023									
Period Start	1.7.2023	1.7.2024	1.7.2025	1.7.2026	1.7.2027	1.7.2028	1.7.2029	1.7.2030	1.7.2031	
Period End	30.6.2024	30.6.2025	30.6.2026	30.6.2027	30.6.2028	30.6.2029	30.6.2030	30.6.2031	30.6.2032	
<b>MAJOR PARAMETERS</b>										
Ore Mined (ROM)	T			90,000	90,000	90,000	90,000	90,000	90,000	79,000
Annual Growth Rate	%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Head Grade (Pb)	%			5.54%	5.54%	5.54%	5.54%	5.54%	5.54%	5.54%
Head Grade (Cu)	%			0.97%	0.97%	0.97%	0.97%	0.97%	0.97%	0.97%
Head Grade (Ag)	10 <sup>-6</sup>			127.34	127.34	127.34	127.34	127.34	127.34	127.34
Mining Dilution Rate	%			10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Mining Recovery Rate	%			90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%
Processing Recovery rate (Pb)	%			89.00%	89.00%	89.00%	89.00%	89.00%	89.00%	89.00%
Processing Recovery rate (Cu)	%			90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%
Processing Recovery rate (Ag)	%			85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%
Mining Cost	RMB/T	330	338	347	355	364	373	383	392	402
Processing Cost	RMB/T	80	82	84	86	88	91	93	95	97
Contingency Cost	% of Rev			3%	3%	3%	3%	3%	3%	3%
Unit Price (RMB/t)	Pb	15,100	15,478	15,864	16,261	16,668	17,084	17,511	17,949	18,398
Unit Price (RMB/t)	Cu	60,200	61,705	63,248	64,829	66,450	68,111	69,814	71,559	73,348
Unit Price (RMB/Kg)	Ag	5,500	5,638	5,778	5,923	6,071	6,223	6,378	6,538	6,701
<b>DISCOUNTED CASH FLOW</b>										
Revenue (Pb)	RMB			63,307,705	64,890,398	66,512,658	68,175,474	69,879,861	71,626,858	64,444,275
Revenue (Cu)	RMB			44,632,555	45,748,369	46,892,078	48,064,380	49,265,989	50,497,639	45,433,848
Revenue (Ag)	RMB			50,663,434	51,930,020	53,228,270	54,558,977	55,922,951	57,321,025	51,573,000
<b>Total Revenue</b>	RMB			<b>158,603,694</b>	<b>162,568,786</b>	<b>166,633,006</b>	<b>170,798,831</b>	<b>175,068,802</b>	<b>179,445,522</b>	<b>161,451,123</b>
Mining Cost	RMB			(31,203,563)	(31,983,652)	(32,783,243)	(33,602,824)	(34,442,895)	(35,303,967)	(31,763,764)
Processing Cost	RMB			(7,564,500)	(7,753,613)	(7,947,453)	(8,146,139)	(8,349,793)	(8,558,537)	(7,700,306)
Contingency Cost	RMB			(4,758,111)	(4,877,064)	(4,998,990)	(5,123,965)	(5,252,064)	(5,383,366)	(4,843,534)
Depreciation	RMB			(15,085,714)	(15,085,714)	(15,085,714)	(15,085,714)	(15,085,714)	(15,085,714)	(15,085,714)
NPBT	RMB			99,991,806	102,868,744	105,817,606	108,840,189	111,938,336	115,113,937	102,057,806
tax	25%			(24,997,952)	(25,717,186)	(26,454,401)	(27,210,047)	(27,984,584)	(28,778,484)	(25,514,451)
<b>NPAT</b>	RMB			<b>74,993,855</b>	<b>77,151,558</b>	<b>79,363,204</b>	<b>81,630,141</b>	<b>83,953,752</b>	<b>86,335,453</b>	<b>76,543,354</b>
NPM				47%	47%	48%	48%	48%	48%	47%
Cashflow	RMB			74,993,855	77,151,558	79,363,204	81,630,141	83,953,752	86,335,453	76,543,354
Add: depre	RMB			15,085,714	15,085,714	15,085,714	15,085,714	15,085,714	15,085,714	15,085,714
CAPEX	RMB	(52,800,000)	(52,800,000)							
NCF	RMB	(52,800,000)	(52,800,000)	90,079,569	92,237,272	94,448,918	96,715,856	99,039,466	101,421,167	91,629,069
DR	10%	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36
<b>DCF</b>	RMB	<b>(48,000,000)</b>	<b>(43,636,364)</b>	<b>67,678,113</b>	<b>62,999,298</b>	<b>58,645,347</b>	<b>54,593,579</b>	<b>50,822,906</b>	<b>47,313,723</b>	<b>38,859,670</b>
NPV	RMB	289,276,273								
DLOM	-16%	(46,284,204)								
NPV (after DLOM)	RMB	242,000,000								
Less: Debt	RMB	-35,000,000								
FV (RMB)		207,000,000								
FV (HKD)		223,228,800								
<b>FV (HKD rounded)</b>		<b>223,000,000</b>								

Among the parameters in the discount cash flow model for the Project JiuYuan, (1) Unit Sales Price of Commodities and (2) Discount Rate contribute the most influence on the Fair Value of the Project. Therefore, the sensitivity analysis adopted these two inputs in the base case. The base case is based on the actual market figures as of 30 June 2023. While it is the industry practice to adopt the gap of 10% for the discount rate in the sensitivity analysis, the gap of 10% is also adopted for the unit price in the sensitivity analysis as the annual growth rate of consumer price index is within 10% in the past 10 years in the market.

Among the parameters in the discount cash flow model for the Project JinHao, (1) Unit Sales Price of Commodities, (2) Discount Rate and (3) Capital Expenditure contribute the most influence on the Fair Value of the Project. Therefore, the sensitivity analysis adopted these three inputs in the base case. The base case is based on the actual market figures as of 30 June 2023. While it is the industry practice to adopt the gap of 10% for the discount rate in the sensitivity analysis, the gap of 10% is also adopted for both the unit price and the CAPEX in the sensitivity analysis as the annual growth rate of consumer price index is within 10% in the past 10 years in the market.

**Table 7-57: Sensitivity Analysis for Fair Value (HKD) of Project JiuYuan (Lead Price vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Unit Price (RMB/ton) (rounded to hundreds)				
	12,200	13,600	15,100	16,600	18,300
8.00%	38,000,000	39,000,000	41,000,000	43,000,000	45,000,000
9.00%	35,000,000	37,000,000	39,000,000	41,000,000	43,000,000
<b>10.00%</b>	32,000,000	35,000,000	<b>37,000,000</b>	39,000,000	41,000,000
11.00%	30,000,000	32,000,000	35,000,000	36,000,000	38,000,000
12.00%	29,000,000	30,000,000	32,000,000	33,000,000	36,000,000

**Table 7-58: Sensitivity Analysis for Fair Value (HKD) of Project JiuYuan (Zinc Price vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Unit Price (RMB/ton) (rounded to hundreds)				
	17,300	19,200	<b>21,300</b>	23,400	25,700
8.00%	30,000,000	36,000,000	41,000,000	47,000,000	54,000,000
9.00%	28,000,000	33,000,000	39,000,000	44,000,000	51,000,000
<b>10.00%</b>	26,000,000	31,000,000	<b>37,000,000</b>	42,000,000	47,000,000
11.00%	24,000,000	29,000,000	35,000,000	40,000,000	45,000,000
12.00%	23,000,000	27,000,000	32,000,000	37,000,000	42,000,000

**Table 7-59: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Lead Price vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Unit Price (RMB/ton) (rounded to hundreds)				
	12,200	13,600	<b>15,100</b>	16,600	18,300
8.00%	222,000,000	240,000,000	260,000,000	279,000,000	301,000,000
9.00%	205,000,000	222,000,000	242,000,000	260,000,000	280,000,000
<b>10.00%</b>	190,000,000	206,000,000	<b>223,000,000</b>	242,000,000	261,000,000
11.00%	176,000,000	191,000,000	208,000,000	224,000,000	244,000,000
12.00%	162,000,000	177,000,000	193,000,000	208,000,000	226,000,000

**Table 7-60: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Copper Price vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Unit Price (RMB/ton)(rounded to hundreds)				
	48,800	54,200	<b>60,200</b>	66,200	72,800
8.00%	233,000,000	246,000,000	260,000,000	273,000,000	289,000,000
9.00%	216,000,000	228,000,000	242,000,000	255,000,000	269,000,000
<b>10.00%</b>	201,000,000	211,000,000	<b>223,000,000</b>	236,000,000	250,000,000
11.00%	185,000,000	196,000,000	208,000,000	220,000,000	233,000,000
12.00%	171,000,000	181,000,000	193,000,000	204,000,000	216,000,000

**Table 7-61: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Silver Price vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Unit Price (RMB/kg) (rounded to hundreds)				
	4,500	5,000	<b>5,500</b>	6,100	6,700
8.00%	231,000,000	245,000,000	260,000,000	277,000,000	293,000,000
9.00%	214,000,000	228,000,000	242,000,000	258,000,000	274,000,000
<b>10.00%</b>	198,000,000	211,000,000	<b>223,000,000</b>	239,000,000	255,000,000
11.00%	183,000,000	195,000,000	208,000,000	222,000,000	237,000,000
12.00%	169,000,000	181,000,000	193,000,000	207,000,000	220,000,000

**Table 7-62: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (CAPEX vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Capex in first year (RMB, rounded to thousands)				
	(42,768,000)	(47,520,000)	<b>(52,800,000)</b>	(58,080,000)	(63,888,000)
8.00%	273,000,000	266,000,000	260,000,000	252,000,000	245,000,000
9.00%	255,000,000	248,000,000	242,000,000	234,000,000	226,000,000
<b>10.00%</b>	237,000,000	231,000,000	<b>223,000,000</b>	217,000,000	209,000,000
11.00%	221,000,000	215,000,000	208,000,000	201,000,000	193,000,000
12.00%	206,000,000	200,000,000	193,000,000	185,000,000	178,000,000

**Table 7-63: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Lead Price vs CAPEX)**

Unit Price (RMB/ton) (rounded to hundreds)	Capex in first year (RMB, rounded to thousands)				
	(42,768,000)	(47,520,000)	<b>(52,800,000)</b>	(58,080,000)	(63,888,000)
12,200	203,000,000	196,000,000	190,000,000	183,000,000	176,000,000
13,600	219,000,000	214,000,000	206,000,000	200,000,000	192,000,000
<b>15,100</b>	237,000,000	231,000,000	<b>223,000,000</b>	217,000,000	209,000,000
16,600	255,000,000	248,000,000	242,000,000	234,000,000	226,000,000
18,300	274,000,000	269,000,000	261,000,000	255,000,000	247,000,000

**Table 7-64: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Copper Price vs CAPEX)**

Unit Price (RMB/ton) (rounded to hundreds)	Capex in first year (RMB, rounded to thousands)				
	(42,768,000)	(47,520,000)	<b>(52,800,000)</b>	(58,080,000)	(63,888,000)
48,800	214,000,000	207,000,000	201,000,000	193,000,000	185,000,000
54,200	224,000,000	218,000,000	211,000,000	205,000,000	196,000,000
<b>60,200</b>	237,000,000	231,000,000	<b>223,000,000</b>	217,000,000	209,000,000
66,200	249,000,000	243,000,000	236,000,000	230,000,000	222,000,000
72,800	263,000,000	257,000,000	250,000,000	243,000,000	235,000,000

**Table 7-65: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Silver Price vs CAPEX)**

Unit Price (RMB/kg) (rounded to hundreds)	Capex in first year (RMB, rounded to thousands)				
	(42,768,000)	(47,520,000)	<b>(52,800,000)</b>	(58,080,000)	(63,888,000)
4,500	211,000,000	205,000,000	198,000,000	191,000,000	183,000,000
5,000	224,000,000	218,000,000	211,000,000	204,000,000	196,000,000
<b>5,500</b>	237,000,000	231,000,000	<b>223,000,000</b>	217,000,000	209,000,000
6,100	252,000,000	246,000,000	239,000,000	232,000,000	224,000,000
6,700	267,000,000	262,000,000	255,000,000	248,000,000	240,000,000

**Table 7-66: Capital Analysis of the Discounted Cashflow**

Project	Stage	Unit	Target
Project JiuYuan	Self-sufficient in terms of working capital and funding	Year	1st quarter of 2024
	Amount of additional funding (daily working capital) required to reach such level of self-sufficiency	RMB (in million)	7.22
Project JinHao	Self-sufficient in terms of working capital and funding	Year	3rd quarter of 2025
	Amount of additional funding (for capital investment) required to reach such level of self-sufficiency	RMB (in million)	105.6

Based on the above analysis, it is estimated that there is net profit after tax for each period under the discounted cashflow calculation, hence, the project development plan of the Group for Project JiuYuan and Project JinHao is profitable and economically viable. Besides the abovementioned probable ore reserves, measured mineral resources and indicated mineral resources under the JORC Category, there are still 178,000T and 360,000T of inferred mineral resources under the JORC Category in Project JiuYuan and Project JinHao. As valuation for Inferred Mineral resources are not permitted under Chapter 18 of the Listing Rules, we advise that Company JiuYuan and Company JinHao can initiate an intensive exploration program to investigate and upgrade its current and potential mineral resources from inferred resources to indicated or measured resources. As such, the mine life and the value of the Project JiuYuan could be increased.



## 8. OCCUPATIONAL HEALTH AND SAFETY

### 8.1. Project Safety Assessment and Approvals

Mine safety management is a critical important task for mining enterprises. Better safety management is directly related to the economic benefits of mines and plays an important role in promoting normal production. To implement the safety production policy and ensure the normal operations, as well as the safety and health of all the employees, the management of the mine must conscientiously implement various laws and regulations related to safety production issued by the state.

Project JiuYuan currently has an approved production capacity of 30 ktpa as defined in the mining license certificate. However, except for the mining license, there are additional operational licenses required for the mining operations carried out within the mining license areas, such as a Safe Production Certificate must be issued by the counterpart bureau or department of the government.

#### *Safe Production Certificate*

The Safe Production Certificate was issued to Project JiuYuan on November 2, 2023, for its operations by the Emergency Management Bureau of Pu'er City and it is valid to November 1, 2023. Table 8-1 and Appendix A-2 list the details.

**Table 8-1: Project JiuYuan – Safe Production Certificate**

Project	Name of the Report	Prepared by	Approved by	Date of Approval	Reference No.
Project JiuYuan	Safe Production Certificate	Environmental Science Institute of SiMao City	Emergency Management Bureau of Pu'er City	November 2, 2020	FM05308252020-110200000019

#### *Blasting Operation Permit*

APA has sighted that there has been a Blasting Operation Permit issued to Project JiuYuan. Public Security Bureau to legally use blast related materials for the mining operations. China has very strict controls for using the explosives that company must obtain a blasting operation permit before getting any explosive materials.

## 8.2. Occupational Health and Safety Management and Observations

During APA's site visit, APA observed that in Project JiuYuan and Project JinHao, safety signs were in place, safety provisions and rules were also displayed within the work areas, moving machinery parts were appropriately guarded and covered, guard railings were installed on all gantries, and proper Personal Protection Equipment ("PPE") was provided and was being used by the workers, such as hardhats, traffic vests, and steel toed shoes. APA has sighted the OHS management system and procedures, which provide the following summary in respect to the proposed OHS management measures for the Project:

- Mining, crushing, blasting and explosives handling;
- Side slope failure prevention;
- Waste rock disposal;
- Environmental dust and noise suppression;
- Emergency response;
- Fire protection and fire extinguishment;
- Sanitary provision;
- Power provision;
- Labour and supervision; and
- Safety administration.

APA notes that the above site occupational health and safety ("OHS") management measures in Project JiuYuan and Project JinHao are generally in line with recognized Chinese industry practices and Chinese safety regulations.

### **8.3. Historical Occupational Health and Safety Records**

Company JiuYuan's safety records indicate that there were fewer than 10 minor injuries (mainly from the underground contractors) but no serious injuries or fatalities in the past three years. Incident analysis reports for the injuries were provided to APA for review. The reports analyzed the cause of injuries and identified measures to prevent a recurrence, which are in line with internationally recognized OHS accident monitoring practice.

## **9. ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT**

### **9.1. Environmental and Social Review Objective**

The objective of this environmental review is to identify any existing and potential environmental liabilities and risks, and to assess and comment on any associated proposed remediation measures for the Project JiuYuan and Project JinHao.

### **9.2. Environmental and Social Review Process, Scope and Standards**

The process for the verification of the environmental compliance and conformance for the Project comprised a review and inspection of the project's environmental management performance against:

- Chinese National environmental regulatory requirements.
- Equator Principles requirements/International Finance Corporation (IFC) environmental and social standards and guidelines, and internationally recognized environmental management practices.

### 9.3. Status of Environmental Approvals

The details of the Environmental Impact Assessment (EIA) reports and approvals for the Project JiuYuan are presented in Table 9-1 and Appendix A-3

**Table 9-1: Project JiuYuan – EIA Report and Approvals**

Project	Name of the Report	Prepared by	Approved by	Date of Approval	Reference No.
Project JiuYuan	Environmental Impact Assessment Report	Environmental Science Institute of SiMao City	Environmental Science Bureau of SiMao City	December 20, 2004	B3425

APA also sighted the Mine Geological Environmental Restoration and Land Rehabilitation Reports prepared by relevant qualified design or engineering and research institutes. Table 9-2 and Appendix A-4 list the details.

**Table 9-2: Project JiuYuan – Mine Geological Environmental Restoration and Land Rehabilitation**

Project	Name of the Report	Prepared by	Approved by	Date of Approval	Reference No.
Project JiuYuan	Mine Geological Environmental Restoration and Land Rehabilitation	DeYang JinYang Geotechnical Engineering Limited	Land and Resource Bureau of Yunnan Province	May 21, 2018	201805

APA notes that the sighted EIA reports have been compiled in accordance with relevant Chinese laws and regulations. APA has reviewed these EIA reports and approvals against recognized international industry environmental management standards, guidelines, and practices when carrying out a site visit between May 2023 and June 2023. Project JinHao will submit the EIA report by 1-Oct-2024 in accordance with same regulations, standards, and practices, and expect to obtain the approval of the report by 31-Dec-2024 before it can start the operation.

### 9.4. Pollution Sources and Mitigation Measures

APA makes assessments of Pollution sources of the Project JiuYuan and Project JinHao and provides comments in respect to the mitigation measures that Company JiuYuan and Company JinHao planned to act.

### *Air pollution*

During the underground production process of Project JiuYuan and Project JinHao, the air pollution sources include the exhaust gas generated during underground drilling, dusts from fixed pollution sources such as temporary ore storage yard, and the dust during loading, unloading and transportation of ores.

Project Jiuyuan and Project Jinhao are designed to adopt wet drilling technology. Before drilling and after mining, water and dust suppression measures are applied to the mining area.

Spraying water for all kinds of operation points and materials that are easy to generate dust and reduce dust emissions. A contract worker is required to spray water regularly on the waste rock and ore pills, approximately 3-5 times a day, and 2-3 minutes each time to keep certain moisture on the surface of the yard to control wind erosion and dust flying.

To reduce the dust pollution of vehicles, Company JiuYuan and Company Jinhao require that the transportation road should be cleaned and watered regularly, the ore loading should not be higher than the carriage, and the transported ore should be covered to effectively reduce the dust pollution to the surrounding residents.

### *Water Pollution and Management*

The main sources of mine wastewater from the existing mining operations (underground) of Project Jiuyuan and Project Jinhao are the fissure water inflows in underground tunnels and mining blocks, as well as the domestic sewage from the industrial site at the entrance of the tunnel. The underground wastewater flows to water collecting ponds for treatment or reuse after treatment.

During the peak operation season, there will be about 50 and 150 workers working for Project JiuYuan and Project JinHao, respectively. The domestic water source is from a spring or DingKang river near the project and is distributed to the industrial square of each mining area by water pipeline. Domestic water is mainly used for kitchen, and workers' washing and showering, and the usage is about 50 L/d per person making the total water usage of around 2,500 L/d and 7,500 L/d for Project JiuYuan and Project JinHao, respectively. As stated in EPA of the project, all the domestic water in each industrial site is comprehensively utilized and not discharged. Part of the underground inflow water is used for underground dust suppression, and the surplus water is discharged to the nearby streams. Domestic sewage is strictly prohibited to be discharged into the nearby river. The fecal water from the dry toilet is used to fertilize the surrounding forest.

APA suggests that the domestic wastewater from different mining areas should be collected and piped together to a treatment station and pumped to a water reuse storage for reusing, and there will be no domestic wastewater is allowed to be discharged into nearby streams.

APA recommends that quality monitoring of the groundwater and surface water resources within the project area (including upstream and downstream of the project area) should be carried out. This water quality monitoring should form part of a broader site environmental monitoring program.

#### *Solid Wastes and Management*

The solid waste generating from the Project JiuYuan and Project JinHao are from two sources, one is the waste rocks from underground tunneling and mining operations, and the other is the domestic waste of mining workers.

APA noted from the EIA report of the Project JiuYuan, the analysis of waste rock leaching experiment results shown that the waste rock belongs to "Class I" general industrial solid waste. The waste rock from the underground is transported to waste rock yard, and a slag retaining wall is set at the downstream of the waste rock yard before a rehabilitation and vegetation measures to be taken to restore the piles. Project JinHao will follow the same solid waste management.

#### *Hazardous Materials Management*

Hazardous materials have the characteristics of corrosive, reactive, explosive, toxic, flammable, and potentially biologically infectious, which pose a potential risk to human and/or environmental health. The hazardous materials will be generated mainly by the project's construction, mining, and processing operations and include of hydrocarbons (i.e., fuels, waste oils, and lubricants), processing reagents, chemical and oil containers, batteries, medical waste, and paint. At the time of the site visit, both Company JiuYuan and Company JinHao stated that the waste oil generated on site was very limited. APA recommends that the collected waste oil, fuel tanks and dangerous chemicals should be stored in secondary containment which is in line with the recognized international industry management practices.

#### *Site Ecological Environmental Assessment*

The total area of Project JiuYuan and Project JinHao are about 0.9844 sq.km and 7.31 sq.km as stated in the EIA report, mainly woodland. The land used by the two projects will change its the original statuses, damage to vegetation, and cause soil erosion, and further to change the local surface ecological landscape and ecological environment. APA noted that it is required by the Company JiuYuan to strengthen green concepts and practices in the industrial sites and mining areas, and to spray water on temporary ore piles and waste rocks at the mining site on surface and in underground.

The EIA report also suggested Company JiuYuan to follow the guidelines stated in the Development and Utilization Plan to operate within the designed mining areas and production schedules. For the undeveloped mining areas, the existing ecological environment should be maintained, the management of waste rock yards in each mining area should be strengthened, the geological disasters should be prevented, and the green practices should be carried out. APA noted that Company JiuYuan and Company JinHao have been following the principles of mitigating disturbance and pollution in the mining license and its surrounding areas. Project JinHao will follow the same principle in the mining license and its surrounding areas, and will submit the EIA report by 1-Oct-2024 and expect to obtain the approval of the report by 31-Dec-2024 before it can start the operation.

#### *Noise Emissions and Mitigation Measures*

The main sources of noise emissions from the Two Projects are those generated from the mining and processing plant operations, including drilling, blasting, loading, haulage, crushers, ball mills, draught fans, pumps and other processing equipment, and movement of vehicles/mobile equipment.

The EIA report stated that the high intensity noises (such as drilling, blasting, etc.) are mostly from underground. The drilling underground is intermittent noise, which mainly affects the underground operation environment. Since the noise source is far away from the ground, it has little impact on the surface environment. The blasting noise occurs underground, so it is necessary to implement the regular operation system of prior notification, and to improve the process for reducing the explosive quantity. On surface high-capacity noises are from air compressors, fans, transport vehicles and pumps, etc., low noise equipment is selected in the design, axial flow fans are selected for ventilation, and turning the air outflow mouth away from the direction of the protection targets, and noise reduction measures such as setting damping foundation and keeping indoor are taken to effectively reduce noise level. These measures can reduce the noise intensity by 20-30 dba. The transportation noise can be reduced by lowering the driving speed, such as 20 km/hour in the field and 40 km/hour outside the field. As site visited by APA, it is believed the noise emissions from the Two Projects are normal and easily managed to meet the industrial standards.

#### *Site Closure Planning and Rehabilitation*

The national requirements of the PRC for mine closure are covered under Article 21 of the Mineral resources Law of People's Republic of China (1996), the Rules for Implementation of the Mineral resources Law of the People's Republic of China (2006), the Mine Site Geological Environment Protection Regulations (2015), and the Land Rehabilitation Regulation (2011) issued by the State Council. In summary, these legislative requirements cover the need to conduct land rehabilitation, to prepare a site closure report, and to submit a site closure application for assessment and approval.

APA sighted the Mine Geological Environmental Restoration and Land Rehabilitation Reports prepared by relevant qualified design or engineering and research institutes or companies as listed in Table 7.3 of this report and believes that Company JiuYuan has been taking measures for the rehabilitation of disturbed land within the mining operation areas. APA also noted that Company JiuYuan signed an agreement with the Bureau of Land and Mineral resources of Zhengyuan County for the rehabilitation duties and made deposits of RMB 3.19 million into the fund account of Project JiuYuan between April 2018 and April 2027. The receipts of the deposits were sighted by APA. Project JinHao will take the same measures, and submit the Mine Geological Environmental Restoration and Land Rehabilitation Report by 1-Oct-2024 and expect to obtain the approval of the report by 31-Dec-2024 before it can start the operation.

#### *Social Aspects*

The land used by the Project JiuYuan and the Project JinHao are about 0.9844 sq.km and 7.31 sq.km in total for temporary use. There is no cultivated land that has been acquired, so that the land acquisition of the project has a slight impact on regional agricultural production pattern.

For the local economy development, more than 50 jobs and 100 jobs are directly created by the Project JiuYuan and the Project JinHao, and Company JiuYuan promises to give priority to hire local workers relying on the land for living. The average monthly wage of the front-line workers are RMB3,500, and approximately RMB42,000 annual income, which is far more than that of an average annual net income of a local farmer.

After the implementation of the Two Projects, the transportation industry, processing industry, repair industry, raw material trading industry and other enterprises related to the production of the mining area around the mining area have been growing rapidly. At the same time, the business volume of the local industry and commerce, taxation, communication, and administration are increasing too. The operations of Project JiuYuan have changed the original unitary economy into diversification, the secondary and tertiary industries have developed rapidly, which has effectively promoted the development of the local economy.



## 10. RISKS AND OPPORTUNITIES

### 10.1. Risks

The following are the potential risks that the Competent Persons believe may impact the economic or safety potential for the mining operations:

**Table 10-1: Summary of Project Risk Assessment regarding the 2 Projects**

#	Issues	Likelihood	Consequence	Overall	Suggested solutions	Target Date
<b>Geology and Resource</b>						
1	Lack of Significant Resources	Unlikely	Minor	Low	N/A	N/A
2	Lack of Significant Reserves	Unlikely	Minor	Low	N/A	N/A
3	Significant Unexpected Faulting or Other Structure	Unlikely	Minor	Low	N/A	N/A
<b>Mining &amp; Mineral Processing</b>						
4	Production Shortfall	Unlikely	Minor	Low	N/A	N/A
5	Geotechnical or Hydrogeological Issues	Unlikely	Minor	Low	N/A	N/A
6	Production Pumping System Adequacy	Unlikely	Minor	Low	N/A	N/A
7	Underground Support and Development	Unlikely	Minor	Low	N/A	N/A
8	Project Plan Failure	Unlikely	Minor	Low	N/A	N/A
9	Power Yields	Unlikely	Minor	Low	N/A	N/A
10	Lower Recovery	Unlikely	Minor	Low	N/A	N/A
11	Higher Production Cost	Unlikely	Minor	Low	N/A	N/A
12	Poor Plant Design	Unlikely	Minor	Low	N/A	N/A
<b>Capital and Operating Costs</b>						
13	Project Timing Delays	Unlikely	Minor	Low	N/A	N/A
14	Capital Cost increase	Unlikely	Minor	Low	N/A	N/A
15	Capital Cost Ongoing	Unlikely	Minor	Low	N/A	N/A
16	Capital and Operating Costs	Unlikely	Minor	Low	N/A	N/A
17	Surface water management and discharges (i.e., stormwater runoff, erosion control measures)	Unlikely	Minor	Low	N/A	N/A
18	Groundwater management and discharges (i.e., project dewatering and seepage from the WRD)	Unlikely	Minor	Low	N/A	N/A

#	Issues	Likelihood	Consequence	Overall	Suggested solutions	Target Date
19	Dust generating and gas emissions management and monitoring	Unlikely	Minor	Low	N/A	N/A
20	Storage and handling of hazardous materials	Unlikely	Minor	Low	N/A	N/A
21	Waste generation and management (industrial and domestic wastes)	Unlikely	Minor	Low	N/A	N/A
22	Rehabilitation of waste rock stockpiles and other disturbed areas	Unlikely	Minor	Low	N/A	N/A
23	Potential and current contaminated sites	Unlikely	Minor	Low	N/A	N/A
24	Site erosion controls, sediment entrainment and deposition	Unlikely	Minor	Low	N/A	N/A
25	Lack of geochemical characterization/ARD assessment of waste rock	Unlikely	Minor	Low	N/A	N/A
26	Impact to ecological system	Unlikely	Minor	Low	N/A	N/A

To ensure the technical integrity of the risk analysis process as applied in the project technical review process, the following Australian Standards for risk analysis and risk management have been utilized for overall guidance:

- AS/NZS 3931: 1998 Risk Analysis of Technological Systems – Application Guide;
- AS/NZS 4360: 1999 Risk Management; and
- HB 203: 2004 Environmental Risk Management – Principles and Process.

These Australian Standards have been developed in line with comparable international standards. A risk is generally described in terms of the severity/consequence and likelihood of an undesirable occurrence or incident. The greater the potential severity and likelihood of an undesirable occurrence, the higher the level of risk associated with the related activity.

The generic approach for this project technical review qualitative risk analysis has the following three steps:

- Establish the context/define the scope of the analysis – goals/objectives, the analysis strategy and evaluation criteria;

- Identify and analyze the risks in terms of consequence and likelihood; and
- Evaluate and rank the risks.

#### *Qualitative Risk Analysis – Scope*

The scope definition and context for the qualitative risk analysis can be summarized as follows:

- Goals/Objectives – The primary objective is to analyze the qualitative risks associated with the project's development, operational and closure aspects.
- Strategy – The strategy employed comprises the application of a qualitative risk analysis where the 'relative magnitude' of risks associated with the project are estimated. Inclusive within this process are also the concepts of inherent and residual risks. Inherent risks being those hazards that are present within the project without any remedial management, and residual risks are defined as those hazards remaining after the application of remedial risk management measures. The risks analyzed are those considered as the 'inherent risks' for the project at the time of the technical review.

This qualitative risk analysis strategy has the following key steps:

Step 1 – Develop a qualitative risk matrix. This has relative significance rankings for the potential consequences/impacts, levels of event likelihood and the corresponding risk rankings from negligible to extreme.

Step 2 – Define the inherent risks (i.e., at the time of the technical review). List the sources of risks and apply the qualitative risk analysis to define the level of risk.

*Qualitative Risk Analysis Matrix*

The proposed qualitative risk matrix uses the following definitions for consequence and likelihood:

*Consequence*

- Catastrophic: Disaster with potential to lead to business failure;
- Major: Critical event/impact, which with proper remedial management, will be endured;
- Moderate: Significant event/impact, which may be managed under normal procedures;
- Minor: Consequences/impacts that may be readily absorbed, but some remedial management effort is still required;
- Insignificant: No additional/remedial management required.

*Likelihood:*

- Certain: The event is expected to occur in most circumstances;
- Likely: The event probably will occur in most circumstances (i.e., also could be on a regular basis such as weekly or monthly);
- Possible: The event should occur at some time (i.e., once in a while);
- Unlikely: The event could occur at some time;
- Rarely: The event may occur only in exceptional circumstances.

Based on these definitions the Qualitative Risk Matrix, as Table 10-2, is presented below.

**Table 10-2: Summary of Qualitative Risk Matrix**

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
Certain	Low	Moderate	Moderate	High	Extreme
Likely	Low	Moderate	Moderate	High	High
Possible	Negligible	Low	Moderate	Moderate	High
Unlikely	Negligible	Low	Low	Moderate	Moderate
Rarely	Negligible	Negligible	Negligible	Low	Moderate

The risk definitions from this risk matrix can be further grouped into risk evaluation categories that are based on regulatory compliance and the ability for the risk to be managed to a level that conforms to industry standards, guidelines and/or codes of practice. These are:

*Category 1 – Unacceptable Inherent Risks (Extreme/High risks): can be defined as those sources of risk that are essentially unacceptable, which if uncorrected, may result in business failure or critical impacts to business;*

*Category 2 – Tolerable Inherent Risks (Moderate risks): can be defined as those sources of risk that are tolerable and while, at the time of the technical review, they are non-compliant/non-conforming they can made to be compliant/conforming (acceptable risks) through the application of risk management measures;*

*Category 3 – Acceptable Inherent Risks (Low/Negligible risks): can be defined as those sources of risk that are acceptable and are compliant with legal requirements and conform to recognized industry standards, guidelines and codes of practice.*

## 10.2. Opportunities

The following are areas where the Competent Persons believe that the operations have opportunities for improvements that will increase the safety and or profitability of the Projects.

- Competent Persons believe that all Two Projects can produce at the projected levels or higher, based on the way the Projects are constructed, combined with the operating experience from the managing and operating teams. Company JiuYuan and Company JinHao control the portfolio of mineral assets that is diversified in the type of minerals it holds, and on the geographic location of these Projects.

- The regional geology of the areas where the Two Projects are located is well known. The fact that the continuity of the mineralized bodies beyond the boundaries of the subject properties has been well established is an encouraging factor to proceed with the expansion of the existing operations. The existence of other mineable areas that have not been explored yet offers the opportunity to add Resources and Reserves by obtaining the necessary mining licenses. These additional resources could be significant, based on the current knowledge of the region's geology and the extensive exploration carried out by the owners.
- Good infrastructure in place is fundamental for the success of a mining operation in Project JiuYuan. Most of the operations are in well-established mining districts with good access roads, particularly suitable for small-to-medium size operations.
- Lead, Zinc, Copper and Silver, as explained in this Report, are 'fundamental' commodities, particularly thanks to their wide and multiple applications. Lead, Zinc, Copper and Silver remain the dominant in both our light and heavy industries, including telecommunication, motor, computer, battery, electronic appliances, construction, infrastructure...etc.
- Besides the abovementioned probable ore reserves, measured mineral resources and indicated mineral resources under the JORC Category, there are still 178,000T and 360,000T of inferred mineral resources under the JORC Category in Project JiuYuan and Project JinHao. As valuation for Inferred Mineral resources are not permitted under Chapter 18 of the Listing Rules, we advise that Company JiuYuan and Company JinHao can initiate an intensive exploration program to investigate and upgrade its current and potential mineral resources from inferred resources to indicated or measured resources. As such, the mine life and the value of the Project JiuYuan could be increased.

## 11. PARTICIPATING ENGINEERS AND GEOLOGISTS STATEMENT

The Competent Persons hereby certify that it and the staff members who participated in this assignment have no present or prospective interest in the properties that are the subject of this Report and have no personal interest or bias with APA to the parties involved. The Competent Persons' compensation is strictly fee-based and has not been rendered on a commission basis. Furthermore, the Competent Persons' compensation is not contingent on the reporting of a predetermined result or direction in results that favors the cause of parties associated with developing and using the subject properties.

The analyzes, opinions, and conclusions that were developed and are presented in this Report have been prepared in conformity with internationally accepted engineering and geologic practices.

Competent Persons reserves the right to reconsider its opinions and conclusions upon receipt of any additional information, including clarification of the existing databases.

## 12. DATA SOURCE AND REFERENCES

- Code for Geological Exploration of Copper, Lead, Zinc, Silver, Nickel, Vehicle Ores (DZ/T02 14 -2002);
- Code for Hydrogeology and Engineering Geological Exploration in Mines (GB/T 12719 -1991);
- Technical Requirements for Comprehensive Research on Geological Data of Solid Mineral Exploration (DZ/T 0079 -2015);
- Notice of the Ministry of Land and Resources on Issuing the Regulations on the Preparation of the Verification Report on Solid Mineral resources Reserves (Guo Tu Zi Fa (2007) No. 26);
- Regarding the issuance of the "The PRC Association of Mining Rights Appraisers Mining Rights Appraisal Guidelines I Guidance CMV 13015 -2007 Determination of Solid Mineral resources Reserve Types";
- "Reference Materials for Mineral resources Reserve Review" (Mineral resources Reserve Evaluation Center of Yunnan Provincial Land and Resources Department) and Provincial Land and Resources Department of Yunnan and related documents in relation to Mineral resources Reserve Review.

## APPENDIX A — COPY OF MINING LICENSES &amp; SAFE PRODUCTION CERTIFICATES

## Appendix A-1: Photocopy of the Mining License for Project JiuYuan



中华人民共和国自然资源部印制

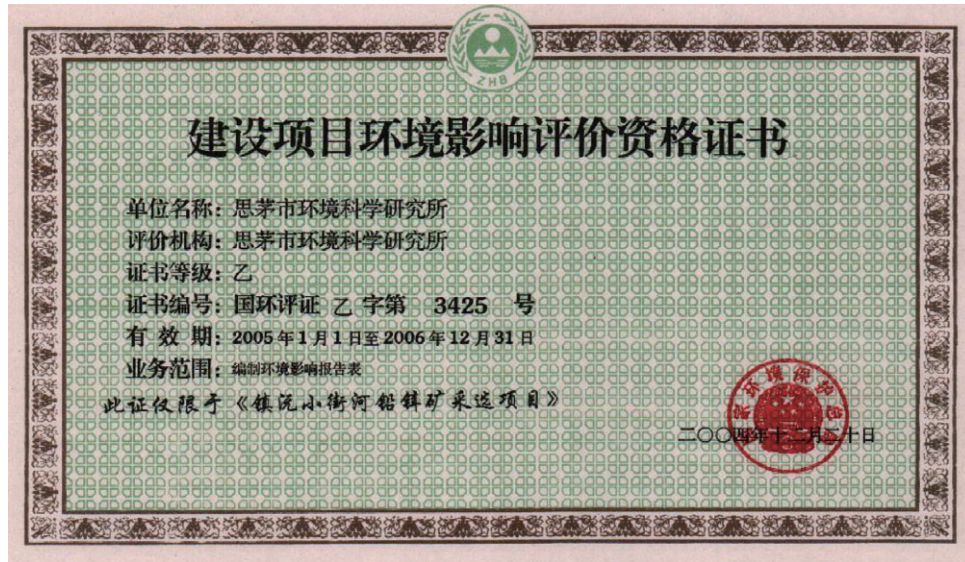
## Appendix A-2: Photocopy of the Safe Production Certificate of Project JiuYuan



国家应急管理部 监制



Appendix A-3: Photocopy of the Environmental Impact Assessment Certificate for Project JiuYuan



Appendix A-4: Photocopy of the Mine Geological Environmental Restoration and Land Rehabilitation Reports for Project JiuYuan

**《镇沅县九源矿业有限责任公司小街铅锌矿矿山地质环境保护与土地复垦方案》专家组评审意见**  
2018015

生产（建设）项目名称	镇沅县九源矿业有限责任公司小街铅锌矿		
生产（建设）单位名称	镇沅县九源矿业有限责任公司		
方案编制单位名称	核工业德阳金阳岩土工程有限公司		
项目用地面积	永久性建设用地	-	
	损毁土地面积	11.5472 公顷	
生产规模（或投资规模）	3 万吨/年		
服务年限（或建设期限）	矿山剩余生产年限 10 年零 8 个月（2018 年 7 月至 2028 年 12 月） 方案服务年限 5 年（2018 年 4 月至 2023 年 4 月）		
专家 评 审 结 论	2018 年 3 月 29 日，受省国土资源厅委托，云南省地质环境监测院在昆明组织水文地质、土地复垦、采矿、林业、经济等 5 方面 7 个专家，对核工业德阳金阳岩土工程有限公司编制的“镇沅县九源矿业有限责任公司小街铅锌矿矿山地质环境保护与土地复垦方案”进行了评审，与会专家在会前审阅报告、会上听取介绍和讨论的基础上，给出了个人书面意见；2018 年 4 月 11 日提交的修订稿经专家组组长（恢复治理方案主审专家）和专家组副组长（土地复垦方案主审专家）复核，形成以下专家组评审意见：		
	<p>一、项目基本情况</p> <p>镇沅县九源矿业有限责任公司小街铅锌矿位于镇沅县城 43° 方向，平距约 18km。行政区划属云南省镇沅县九甲镇所辖。矿区地理坐标为（1980 年西安坐标）：东经 101°13'57"~101°15'13"；北纬 24°09'09"~24°10'14"，矿区面积 0.9844 平方公里，开采方式：地下开采，开采标高为 1590—1200m，生产规模：3.0 万 t/a。</p> <p>二、矿山地质环境保护与恢复治理部分</p> <p>（一）该矿属小型矿山，评估区地质环境条件复杂，评估区重要程度为重要区，按一级精度开展矿山地质环境保护与治理恢复方案编制符合现行规定，方案适用年限设定为 5 年是合理的。</p> <p>（二）编制单位对区内地质环境条件进行了详细调查，对矿山地质环境问题阐述较清楚，附图比例尺 1:5000，评估面积 2.8306km<sup>2</sup>，满足评估工作的需要。编制单位开展了野外验收工作，野外成果资料基本满足方案编制的需要。</p> <p>（三）据调查，现状地质灾害较发育，发育 3 处潜在不稳定斜坡 BW<sub>1</sub>、BW<sub>2</sub>、BW<sub>3</sub>，现状危害程度及危险性小-中等，矿山开采对含水层结构破坏较严重；矿</p>		

姓名	职务	职称	联系电话	签名
郭运明		高级工程师	13099969677	
彭跃祥		高级工程师	13700643586	
卢景丽		高级工程师	13888557229	
李俊文		高级工程师	13708889810	
张 强		高级工程师	13888593576	
刘江华		副教授	15812063735	
许 彬		注册造价工程师	13888213371	

2018015

国土资源管理部门备案意见

2018 年 3 月 29 日，受省国土资源厅委托，我院组织相关专家对“镇沅县九源矿业有限责任公司小街铅锌矿矿山地质环境保护与土地复垦方案”进行了评审，该项目土地复垦方案已原则通过，编制单位已按专家意见对报告进行了修改完善，专家组于 2018 年 5 月 10 日出具了评审意见，评审程序符合有关规定。

2018 年 3 月 29 日，省地质环境监测院按程序组织专家对核工业德阳金阳岩土工程有限公司编制的“镇沅县九源矿业有限责任公司小街铅锌矿矿山地质环境保护与土地复垦方案”进行了评审，专家组于 2018 年 5 月 10 日出具了评审意见，现予以备案。请镇沅县九源矿业有限责任公司严格按照报告和专家评审意见认真组织落实。

备案的国土资源管理部门（专用章）  
2018 年 5 月 10 日

## Appendix A-5: Photocopy of the Exploration License for Project JinHao

## 说 明

《矿产资源勘查许可证》是取得探矿权的合法凭证，探矿权申请人经发证机关审查合格，领取《矿产资源勘查许可证》即取得探矿权资格。根据《矿产资源勘查区块登记管理办法》的规定，探矿权人应遵守下列规定：

- 一、探矿权人应在批准的勘查范围内依法进行勘查活动。
- 二、《矿产资源勘查许可证》不得转借、转让、买卖；《矿产资源勘查许可证》遗失后必须到原发证机关补办。
- 三、探矿权人在《矿产资源勘查许可证》有效期内，扩大或缩小勘查区块范围、改变勘查工作对象、转让探矿权或探矿权人改变名称或者地址的，应按规定进行变更登记。
- 四、《矿产资源勘查许可证》有效期满，需要延长勘查工作时间的，探矿权人应当在勘查许可证有效期届满的30日前，到登记管理机关办理延续登记手续。逾期不办理延续登记手续的，勘查许可证自行废止。
- 五、探矿权人在勘查许可证有效期内探明可供开采的矿体后，经登记管理机关批准，可以在勘查许可证有效期届满的30日前，申请保留探矿权。
- 六、申请采矿权的；因故需要撤销勘查项目的；勘查许可证有效期届满，不办理延续登记或者不申请保留探矿权的，探矿权人应当在勘查许可证有效期内，向登记管理机关申请办理勘查许可证注销登记手续。
- 七、探矿权人每年应当在规定的时间内交纳矿业权占用费、国家规定的税费，按要求填报、公示矿产资源勘查年度信息。

中华人民共和国

## 矿产资源勘查许可证



中华人民共和国自然资源部印制

根据国家法律、法规规定，经审查合格，授予探矿权，特发此证。

证 号 F5308002008013010003569

探 矿 权 人 云南彝族自治州会泽县会泽县金鑫矿业有限公司

探矿权人地址 云南省普洱市镇沅彝族自治县恩水路

勘查项目名称 云南省镇沅县登高铅铜矿勘探

地 理 位 置 云南省普洱市镇沅县

图 幅 号 47E024021

勘 查 面 积 7.3100 平方公里

有 效 期 限 2022年07月25日 至 2027年07月25日

发 证 机 关

(勘查登记专用章)

2022 年 07 月 25 日

中华人民共和国自然资源部印制

勘查范围拐点坐标或区块范围图：

序号	各点序	经度	纬度	序号	各点序	经度	纬度
范围由 12 个拐点测定							
001	001	101° 19' 011"	24° 09' 47.433"				
002	002	101° 21' 155"	24° 09' 47.726"				
003	003	101° 21' 423"	24° 09' 03.706"				
004	004	101° 35' 910"	24° 07' 58.252"				
005	005	101° 44' 58.911"	24° 07' 58.252"				
006	006	101° 44' 38.910"	24° 07' 04.252"				
007	007	101° 35' 51.913"	24° 07' 10.252"				
008	008	101° 35' 35.910"	24° 07' 52.252"				
009	009	101° 35' 19.819"	24° 08' 01.718"				
010	010	101° 35' 01.336"	24° 08' 31.663"				
011	011	101° 37' 290"	24° 09' 03.851"				
012	012	101° 19' 021"	24° 09' 03.801"				

## APPENDIX B — CHINESE RESOURCE AND RESERVES STANDARDS

## Categorization of Mineral resources and Ore Reserves

The system for the categorization of mineral resources and ore reserves in China is in a period of transition which commenced in 1999. The traditional system, which is derived from the former Soviet system, uses five categories based on decreasing levels of geological confidence – Categories A, B, C, D and E. The new system (Rule 66) promulgated by the Ministry of Land and Resources (MLR) in 1999 uses three-dimensional matrices, based on economic, feasibility/project design and geological degrees of confidence. These are Categorized by a three-number code of the form “123”. This new system is derived from the UN Framework Classification proposed for international use. All new Projects in China must comply with the new system, however, estimates and feasibility studies carried out before 1999 will have used the old system.

Definition of the new Chinese resource and reserves category scheme and a general comparison guide between the Chinese classification scheme and the JORC Code is presented in the following tables.

**Appendix B-1: Definition of the New Chinese Resource and Reserves Category Scheme**

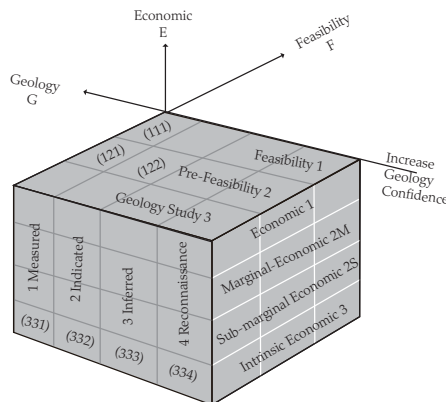
Category	Denoted	Comments
Economic	1	A full feasibility study considering economic factors has been conducted
	2	Pre-feasibility to scoping study which generally considers economic factors have been conducted
	3	No pre-feasibility or scoping study conducted to consider economic analysis
Feasibility	1	Further analysis of data collected in “2” by an external technical department
	2	More detailed feasibility work including more trenches, tunnels, drilling, detailed mapping
	3	Preliminary evaluation of feasibility with some mapping and trenches
Geologically controlled	1	Strong geological control
	2	Moderate geological control via closely spaced data points (e.g., small-scale mapping)
	3	Minor work which is projected throughout the area
	4	Review stage

In China, the methods used to estimate the resources and reserves are generally prescribed by the relevant Government authority and are based on the level of knowledge for that geological style of deposit. The parameters and computational methods prescribed by the relevant authority include cut-off grades, minimum thickness of Mineralization, maximum thickness of internal waste, and average minimum ‘industrial’ or “economic” grades required. The resource classification categories are assigned largely based on the spacing of sampling, trenching, underground tunnels and drill holes.

In the pre-1999 system, Category A generally included the highest level of detail possible, such as grade control information. However, the content of each category B, C and D may vary from deposit to deposit in China, and therefore must be carefully reviewed before assigning to an equivalent “JORC Code type” category. The traditional Categories B, C and D are broadly equivalent to the “Measured,” “Indicated,” and “Inferred” categories that are provided by the JORC Code and USBM/USGS systems used widely elsewhere in the world. In the JORC Code system, the “Measured Resource” category has the most confidence and the “Inferred” category has the least confidence, based on the increasing levels of geological knowledge and continuity of Mineralization.

The new code (see Appendix Fig. B-I) attempts to address this by using a three-component system (EFG) that considers the deposit economics (E), the level of mining feasibility studies that have been carried out (F) and the level of geological confidence (G) using a numerical ranking. The New Chinese Classification comparison to the JORC Classification is detailed in the following table, Appendix Table B-III.

**Appendix B-2: New Chinese Resource/Reserves Classification Matrix (1999)**



In the new Chinese Category Scheme, as shown in the following table, the three numbers refer to economic, feasibility/project design and geological degrees of confidence.

## Appendix B-3: New Chinese Classification Scheme in Comparison to JORC

Old Chinese Classification		A & B		C		D	E & F
<b>New Chinese Classification</b>							
<b>“E” Economic Evaluation (100)</b>	<b>Designed mining loss accounted</b>	Recoverable Reserve (111)	Probable Recoverable Reserve (121)		Probable Recoverable Reserve (122)		
	<b>Designed mining loss not accounted (b)</b>	Basic Reserve (111b)	Basic Reserve (121b)		Basic Reserve (122b)		
<b>Marginal Economic (2M00)</b>		Basic Reserve (2M11)	Basic Reserve (2M21)		Basic Reserve (2M22)		
<b>Sub-Economic (2S00)</b>		Resource (2S11)	Resource (2S21)		Resource (2S22)		
<b>Intrinsically Economic (300)</b>		–	–	Resource (331)		Resource (332)	Resource (333)
<b>“F” Feasibility Evaluation</b>		<b>Feasibility (010)</b>	<b>Pre- Feasibility (020)</b>	<b>Scoping (030)</b>	<b>Pre- Feasibility (020)</b>	<b>Scoping (030)</b>	<b>Scoping (030)</b>
<b>“G” Geological Evaluation</b>		<b>Measured (001)</b>		<b>Indicated (002)</b>		<b>Inferred (003)</b>	<b>Predicted (004)</b>
<b>JORC</b>						<i>Unclassified or</i>	
						<i>Exploration Potential</i>	
						<i>Inferred</i>	
			<i>Probable Reserve or Indicated Resource</i>				
		<i>Proved/Probable Reserve or Measured Resource</i>					

**International Standards and the JORC Code for Resources**

Two main styles of resource reporting codes exist internationally. These are the American style (USA and much of South America) and the JORC style (Australia, South Africa, Canada, and UK). This is further complicated by the listing and reporting requirements of different stock exchanges. It is generally true that a resource estimation that complies with the JORC code (or one of its sister codes) will meet the standards of most international investors.

The new Chinese code is a blend of the old Chinese Code and the codes in current use today, including JORC and the current United Nations (UN) standard, with some additional local components added. JORC is a non-prescriptive code, in that it does not lay out specific limits for resource classification in terms of such things as borehole spacing. Instead, it emphasizes the principles of transparency, materiality and the role of the Competent Persons. Whilst some guidelines do exist (e.g., the Australian Guidelines for the Estimation of Coal Resources and Reserves) they are not mandatory, and classification is left in the hands of the Competent Persons. When combined with its Professional Standards (which are effectively mandatory), the Chinese code is much more prescriptive but does not include the role of the Competent Persons.

An examination of the details of the Chinese code suggests that in terms of broad categorization, the levels of geological confidence ascribed to Measured and Indicated resources are quite similar in both the codes. The ranges of borehole spacings, thickness cut-offs and quality limitations that are enforced by the Chinese system would generally result in the same resource classification under the JORC Code.

The JORC Code uses the following definitions for Mineral resources and Ore Reserves:

Measured Mineral resources is that part of Mineral resources for which tonnage, densities, shape, physical characteristics, grade, and mineral content can be estimated with a prominent level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Indicated Mineral resources is that part of Mineral resources for which tonnage, densities, shape, physical characteristics, grade, and mineral content can be estimated with a reasonable level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Mineral resources is that part of Mineral resources for which tonnage, densities, shape, physical characteristics, grade, and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes which may be limited or of uncertain quality and reliability.

Exploration Target/Results includes data and information generated by exploration programs that may be of use to investors. The reporting of such information is common in the preliminary stages of exploration and is usually based on limited surface chip sampling, geochemical and geophysical surveys. Discussion of target size and type must be expressed so that it cannot be misrepresented as an estimate of Mineral resources or Ore Reserves.

A "Proved Ore Reserves" is the economically mineable part of a Measured Mineral resources. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social, and governmental factors. These assessments demonstrate at the time of Reporting that extraction could reasonably be justified. A Proved Ore Reserves represents the highest confidence category of Ore Reserves estimates. This requires detailed exploration and quality data – points of observation to provide high geological confidence.

A "Probable Ore Reserves" is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral resources. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social, and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserves has a lower level of confidence than a Proved Ore Reserves but has adequate reliability as the basis of mining studies.

#### **APPENDIX C — CHINESE ENVIRONMENTAL LEGISLATIVE BACKGROUND**

The Mineral resources Law of the People's Republic of China (Amended in 2009), Rules for Implementation of the Mineral resources Law of the People's Republic of China (1994) and Environmental Protection Law of the People's Republic of China (Amended in 2014) provide the main legislative framework for the regulation and administration of mineral resources projects within China. The Environmental Protection Law of the People's Republic of China (Amended in 2014) provides the main legislative framework for the regulation and administration of mineral resources projects environmental impacts.

The following articles of the Mineral resources Law of the People's Republic of China (Amended in 2009) summarize the specific provisions in relation to environmental protection.

**Article 15 Qualification & Approval**

Anyone who wishes to establish a mining enterprise must meet the qualifications prescribed by the State, and the department in charge of examination and approval shall, in accordance with law and relevant State regulations, examine the enterprise's mining area, its mining design or mining plan, production and technological conditions and safety and environmental protection measures. Only those that pass the examination shall be granted approval.

**Article 21 Closure Requirements**

If a mine is to be closed down, a report must be prepared with information about the mining operations, hidden dangers, land reclamation and utilization, and environmental protection, and an application for examination and approval must be filed in accordance with relevant State regulations.

**Article 32 Environmental Protection Obligations of Mining License Holders**

In mining mineral resources, a mining enterprise must observe the legal provisions on environmental protection to prevent pollution of the environment. In mining mineral resources, land must be used economically. In case that cultivated land, grassland or forest land is damaged due to mining, the mining enterprise concerned shall take measures to restore the land affected, such as by reclamation, tree and grass planting or other measures to make the damaged land useable. Anyone who, in mining mineral resources, causes losses to the production and livelihood of other persons shall be liable for compensation and shall adopt necessary remedial measures.

The following articles of the Environmental Protection Law of the People's Republic of China (Amended in 2014) summarize the specific provisions for environmental protection in relation to mining.

**Article 19 Environmental Impact Assessment**

Environmental impact assessment shall be carried out pursuant to the law in the formulation of the relevant development and utilization plans and construction of projects which have an impact on the environment. Development and utilization plans which have not carried out environmental impact assessment pursuant to the law shall not be organized and implemented; construction projects which have not carried out environmental impact assessment shall not commence construction.



**Article 41 Pollution Prevention Facilities**

Pollution prevention facilities in construction projects shall be designed, constructed, and put into use simultaneously with the main project. Pollution prevention facilities shall comply with the requirements of the approved environmental impact assessment document and shall not be arbitrarily removed or left idle.

**Article 59 Violation Consequences**

Enterprises, institutions, and other manufacturing operation guilty of illegal discharge of pollutants shall be subject to a fine and ordered to make correction; where an offender refuses to make correction, the administrative authorities which made the punishment decision pursuant to the law may, with effect from the date of order for correction, impose consecutive daily fines based on the original punishment amount. The fines stipulated in the preceding paragraphs shall comply with the provisions determined in accordance with the factors such as operation costs of pollution prevent facilities, direct losses caused by the illegal actor and illegal income derived from the illegal act etc. Local regulations may, in accordance with the actual need of environmental protection, include additional types of illegal acts for which daily consecutive fines stipulated in the first paragraph are applicable.

The following articles of the Regulations on the Administration of Construction Project Environmental Protection (Amended in 2017) summarize the specific provisions for undertaking a project's Final Checking and Acceptance process.

Article 17 – Upon completion of construction of a construction project for which an environmental impact report or environment impact statement is formulated, the builder shall conduct acceptance inspection of the complementary environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council and formulate the acceptance inspection report. The builder shall, in the acceptance inspection process of the environment protection facilities, inspect, monitor, and record the construction and testing status of the construction project's environmental protection facilities truthfully, and shall not commit any fraud. Except for circumstances when there is a need to keep confidentiality pursuant to the provision of the state, the builder shall announce the acceptance inspection report pursuant to the Law.

Article 18 – For construction projects that are built in phases, go into production, or are delivered for use in phases, acceptance checks for their corresponding environmental protection facilities should be conducted in phases.

Article 20 – The environmental protection administrative authorities shall supervise and inspect the status of design, construction, acceptance inspection and putting into production or use of a construction project's environmental protection facilities, as well as implementation of other environmental protection measures determined in the relevant environmental impact assessment document. The environmental protection administrative authorities shall record the relevant information of environment violations by construction projects into the social creditworthiness files, and promptly announce the list of offenders to the public.

The following article of the Water & Soil Conservancy Law of the People's Republic of China (Amended in 2010) summarizes the provisions for the preparation and approval of Water and Soil Conservation Plans.

Article 15 – For any plan on infrastructure construction, exploitation of mineral resources, urban construction or construction of public science facilities that may cause soil erosion during its implementation, the formulating agency shall include preventive and rehabilitative strategies and measures in the plan and consult with the water administrative department of the people's government at the corresponding level prior to submitting it for approval.

The following are other Chinese laws that provide environmental legislative support to the Minerals Resources Law of the People's Republic of China (Amended in 2009) and the Environmental Protection Law of the People's Republic of China (Amended in 2014):

- Environmental Impact Assessment (EIA) Law of the People's Republic of China (Amended in 2018);
- Law of the People's Republic of China on Prevention & Control of Atmospheric Pollution (Amended in 2018);
- Law of the People's Republic of China on Prevention & Control of Noise Pollution (Amended in 2018);
- Law of the People's Republic of China on Prevention & Control of Water Pollution (Amended in 2017);
- Law of the People's Republic of China on Prevention & Control Environmental Pollution by Solid Waste (revised 2020);
- Law of the People's Republic of China on the Forestry Law (revised 2019);
- Law of the People's Republic of China on Water Law (revised 2016);

- Law of the People's Republic of China on Water Conservancy Industrial Policy (1997);
- Law of the People's Republic of China on Land Administration Law (2019);
- Law of the People's Republic of China on Protection of Wildlife Law (1989);
- Law of the People's Republic of China on Energy Conservation Law (2018);
- Law of the People's Republic of China on Electric Power Law (2018);
- Regulation on prevention and control of tailings pollution (1999);
- Management Regulations of Dangerous Chemical Materials (2013);
- The relevant environmental protection related Chinese legislation that are required to be utilized for project's design are a combination of the following National design regulations and emissions standards:
  - Regulations on the Administration of Construction Project Environmental Protection (2017);
  - Regulations for Quality Control of Construction Projects (2019);
  - Regulations on Nature Reserves (2017);
  - Regulations on Management of Chemicals Subject to Supervision & Control (2011);
  - Environment Protection Design Regulations of Metallurgical Industry (YB9066-55);
  - Comprehensive Emission Standard of Wastewater (GB8978-1996);
  - Environmental Quality Standard for Surface Water (GB3838-2002);
  - Environmental Quality Standard for Groundwater (GB/T14848-1993);
  - Ambient Air Quality Standard (GB3095-2012);

- Comprehensive Emission Standard of Atmospheric Pollutants (GB16297-1996);
- Emission Standard of Atmospheric Pollutants from Industrial Kiln (GB9078-1996);
- Emission Standard of Atmospheric Pollutants from Boiler (GB13271-2014)-II-stage coal-fired boiler;
- Environmental Quality Standard for Soils (GB15618-1995);
- Standard of Boundary Noise of Industrial Enterprise (GB12348-90);
- Emissions Standard for Pollution from Heavy Industry; Non-Ferrous Metals (GB4913-1985);
- Control Standard on PCBs for Wastes (GB13015-2017);
- Control Standard on Cyanide for Waste Slugs (GB12502-1990);
- Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001);
- Identification Standard for Hazardous Wastes-Identification for Extraction Procedure Toxicity (GB5085.3-2007);
- Standard of Landfill and Pollution Control of Hazardous Waste (GB 18598-2019)

#### **APPENDIX D — EQUATOR PRINCIPLES AND INTERNATIONALLY RECOGNIZED ENVIRONMENTAL MANAGEMENT PRACTICES**

In seeking to obtain project financing or to list on a stock exchange, these institutions themselves require the proponent to comply with such documents as the Equator Principles and the IFC Performance Standards and Guidelines. This is exemplified by the following preamble from the Equator Principles (July 2006).

Project financing, a method of funding in which the lender looks primarily to the revenues generated by a single project both as the source of repayment and as security for the exposure, plays a significant role in financing development throughout the world. Project financiers may encounter social and environmental issues that are both complex and challenging, particularly with APA to Projects in the emerging markets.

The Equator Principles Financial Institutions (EPFIs) have consequently adopted these Principles to ensure that the Projects the Company finance are developed in a manner that is socially responsible and reflects sound environmental management practices. By doing so, negative impacts on project-affected ecosystems and communities should be avoided where possible, and if these impacts are unavoidable, they should be reduced, mitigated and/or compensated for appropriately. Company JiuYuan and Company JinHao believes that adoption of and adherence to these Principles offers significant benefits to themselves. Company JiuYuan and Company JinHao therefore recognizes that its role as financiers affords the opportunities to promote responsible environmental stewardship and socially responsible development. As such, EPFIs will consider reviewing these Principles from time-to-time based on implementation experience, and to reflect ongoing learning and emerging good practice.

These Principles are intended to serve as a common baseline and framework for the implementation by each EPFI of its own internal social and environmental policies, procedures and standards related to its project financing activities. Company JiuYuan and Company JinHao will not provide loans to Projects where the borrower will not or is unable to comply with its Adaptive social and environmental policies and procedures that implement the Equator Principles.

The following tables Appendix Table D-I and Appendix Table D-II provide a summary of the Equator Principles and IFC performance standards, respectively. These documents are used by the EPFI's and stock exchanges in their review of social and environmental performance of proponent companies.

**Appendix D-1: Summary of the Equator Principles**

Equator Principles	Title	Key Aspects (Summary)
1	Review and Categorization	Categorize such Projects based on the magnitude of its potential impacts and risks.
2	Social and Environmental Assessment	Conduct a Social and Environmental Assessment ("Assessment"). The Assessment should also propose mitigation and management measures appropriate to the nature and scale of the proposed project.
3	Applicable Social & Environmental Standards	The Assessment will refer to the applicable IFC Performance Standards, and applicable industry Specific EHS Guidelines ("EHS Guidelines") and overall compliance with same.
4	Action Plan & Management System	Prepare an Action Plan (AP) which addresses relevant findings of the Assessment. The AP will describe and prioritize actions, mitigation measures, corrective actions and monitoring to manage impacts and risks identified in the Assessment. Maintain a Social and Environmental Management System that addresses management of these impacts, risks, and corrective actions required to comply with host country laws and regulations, and requirements of the applicable Standards and Guidelines, as defined in the AP.
5	Consultation & Database	Consult with project affected communities. Adequately incorporate affected communities' concerns.
6	Grievance Mechanism	Establish a grievance mechanism as part of the management system to receive and resolve concerns about the project by individuals or groups from among project-affected communities. Inform affected communities about the grievance mechanism during the community engagement process and ensure that the mechanism addresses concern promptly, transparently and is readily accessible to all segments of the affected communities.

Equator Principles	Title	Key Aspects (Summary)
7	Independent Review	Independent social or environmental expert will review the Assessment, AP and consultation process to assess Equator Principles compliance.
8	Covenants	<p>Covenant in financing documentation:</p> <ul style="list-style-type: none"> <li>a) to comply with all relevant host country social and environmental laws, regulations and permits;</li> <li>b) to comply with the AP during the construction and operation of the project;</li> <li>c) to provide periodic reports not less than annually, prepared by in house staff or third-party experts, that (i) document compliance with the AP, and (ii) provide compliance with relevant local, state and host country social and environmental laws, regulations and permits; and</li> <li>d) decommission facilities, where applicable and appropriate, in accordance with an agreed decommissioning plan.</li> </ul>
9	Independent Monitoring and Reporting	Appoint an independent environmental and/or social expert or require that the borrower retain qualified and experienced external experts to verify its monitoring information.
10	EPFI Reporting	Each EPFI adopting the Equator Principles commits to report publicly at least annually about its Equator Principles implementation processes and experience, considering appropriate confidentiality considerations.

## Appendix D-2: IFC Performance Standards

IFC			
Performance Standard	Title	Objective (Summary)	Key Aspects (Summary)
1	Social, Environmental Assessment & Management Systems	Social and EIA and improved performance through use of management systems	Social & Environmental Management System (S&EMS). Social & Environmental Impact Assessment (S&EIA). Risks and impacts. Management Plans. Monitoring. Reporting. Training. Community Consultation.
2	Labour and Working Condition	EEO. Safety and health	Implement through the S&EMS. HR policy. Working conditions. EEO. Forced and child labor. OH&S.
3	Pollution Prevention and Abatement	Avoid pollution. Reduce emissions	Prevent pollution. Conserve resources. Energy efficiency. Reduce waste. Hazardous materials. EPR. Greenhouse.
4	Community Health, Safety and Security	Avoid or minimize risks to community	Implement through the S&EMS. Do risk assessment. Hazardous materials safety. Community exposure. ERP.
5	Land Acquisition and Involuntary Resettlement	Avoid or minimize resettlement. Mitigate adverse social impacts	Implement through the S&EMS. Consultation. Compensation. Resettlement planning. Economic displacement.
6	Biodiversity Conservation & Sustainable Natural Resource Management	Protect and conserve biodiversity	Implement through the S&EMS. Assessment. Habitat. Protected areas. Invasive species.



Indigenous People	Avoid and minimize impacts. Foster good faith, Avoid adverse impacts
Consultation	Development benefit.
Relocation	Impacts to traditional land use
Cultural Heritage	Protect cultural heritage survey. Site avoidances. Consultation.

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Our Ref: AP230801/0899/ARHL/Rpt(i)

9 November 2023

**Asia Resources Holdings Limited**

Room 2601, 26/F  
West Tower, Shun Tak Centre  
168-200 Connaught Road Central  
Sheung Wan, Hong Kong

Dear Sir or Madam,

**RE: Valuation of 100% Equity Interests of ZhenYuan County JiuYuan Mining Co., Ltd as of 30 June 2023**

We, AP Appraisal Limited (“APAL”), refer to the instructions from Asia Resources Holdings Limited (the “**Instructing Party**”) to conduct a valuation of the fair value of 100% equity interests (the “**Equity Interests**”) of ZhenYuan County JiuYuan Mining Co., Ltd. (the “**Company**” or “**Project JiuYuan**”) as of 30 June 2023 (the “**Valuation Date**”).

**PURPOSE OF VALUATION**

For the purpose of preparing the valuation of the Fair Value of Project JiuYuan for circular purpose of the Hong Kong Stock Exchange (the “**HKEx Circular**”) only, we observe and follow the definitions and standards laid down by the Hong Kong Financial Reporting Standards, the RICS Valuation Standards, and the International Valuation Standards, JORC Code, VALMIN Code, and Chapter 18 of Hong Kong Stock Exchange Listing Rules.

**PREMISE OF VALUATION & BASIS OF VALUATION**

Our valuation is based on going concern premise and conducted on a fair value basis. According to section 90 of IVS 104 of the International Valuation Standards published by the International Valuation Standards Council, Fair value is defined as “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”.

## BACKGROUND OF THE COMPANY

ZhenYuan County JiuYuan Mining Co., Ltd. (the “**Company**”) was incorporated on 22 September 2005. It is principally engaged in mineral exploration and mining activities in the People’s Republic of China (the “**PRC**”). The Company recognized the opportunities of the broad applications of lead (“**Pb**”) and zinc (“**Zn**”) minerals and acquired Project JiuYuan (the “**Project JiuYuan**”) located in ZhenYuan County of Pu’er City in Yunnan Province.

The Company wholly owns Project JiuYuan as of the Valuation Date. Its business license number is 915308257785843852, and mining license no. is C53000002008093220000808, which is valid for 7 years, starting from 25 July 2019 to 25 July 2026. Please refer to Appendix III for the photocopy of the business and mining license of the Company.

## BACKGROUND OF PROJECT JIUYUAN

Project JiuYuan is located at 38° in ZhenYuan County, Pu’er City, Yunnan Province, the PRC, with a straight-line distance of 22 km. The administrative division belongs to XiaoJie Village, ZhenYuan County, Yunnan Province, the PRC. The Project JiuYuan has a mining license of an area of 0.9844 sq. km, with mineral resources of lead and zinc.

## EXPLORATION HISTORY OF PROJECT JIUYUAN

- i. From 1966 to 1968, the Geological Survey (Second Region) Bureau of Yunnan Province carried out 1:200,000 regional geological survey in the area and submitted the “1:200,000 Regional Geological Survey Report” in 1976.
- ii. In October 2001, the Mineral Resources Management Committee in SiMao City approved the “YunSi Reserve Verification (2001) No. 22”, which verified 2,000 tons of class 333 Lead and Zinc Metal.
- iii. In 2005, the Land and Resources Bureau of SiMao City approved the “Verification Report on XiaoJie Lead and Zinc Mineral Resources and Reserves in ZhenYuan Hani Autonomous County in Yunnan Province”, which verified 142,739 tons of class 332 mineral resources, with 3,252 tons of Lead metal and 2,169 tons of Zinc metal, and with grades of 2.28 % and 1.52% for Pb and Zn.

- iv. In June 2008, the Geology and Mineral Resources Exploration and Development Bureau of Yunnan Province approved the “Verification Report on XiaoJie Lead and Zinc Mineral Resources and Reserves in ZhenYuan County in Yunnan Province”, which verified 214,100 tons of indicated and inferred ore resources, with 9,926 tons of Lead and Zinc metal, and with grades of 1.47% and 3.2% for Pb and Zn. There were 87,000 tons of class 332 mineral resources, with 4,016 tons of Lead and Zinc metal, and with grades of 1.61% and 3.01% for Pb and Zn. There were 127,100 tons of class 333 mineral resources, with 5,910 tons of Lead and Zinc metal, and with grades of 1.37% and 3.23% for Pb and Zn.
- v. On May 12, 2013, Kunming LongYuDa Mineral Resources Co., Ltd. submitted the “Verification Report on XiaoJie Lead and Zinc Mineral Resources and Reserves in ZhenYuan County in Yunnan Province”, which was approved by Land and Resources Bureau in Pu’er City in 2008.
- vi. In 2017, the Land and Resources Bureau of Pu’er City approved “Verification Report on XiaoJie Lead and Zinc Mineral Resources and Reserves in ZhenYuan County in Yunnan Province”, which verified 198,500 tons of class 122b ore reserve, with 3,799 tons of Lead and 8,592 tons of Zinc metal, and with grades of 1.91% and 4.33% for Pb and Zn. It also verified 178,000 tons of class 333 mineral resource, with 3,539 tons of Lead and 9,973 tons of Zinc metal, and with grades of 1.99% and 5.6% for Pb and Zn.

#### MINING HISTORY OF PROJECT JIUYUAN

Project JiuYuan began infrastructure construction back in 2003 and carried out small-scale mining activities till 2013. From 2014 to 2016, due to the shrinkage of international and domestic metal markets, the mine did not carry out normal mining activities. The Project JiuYuan mined 45,330 tons of ores during 2017-2021. There was no mining activity during 2022 and 2023 since strict pandemic control started in China in 2022.

## MINERAL RESOURCES OF PROJECT JIUYUAN

Per Competent Person's Report (the "CPR") of Project JiuYuan compiled by Dr. Mark Osterberg, Mr. Baolong Zhao and reviewed by Mr. Paul Hung from AP Appraisal Limited, the Ore Reserves of Project JiuYuan as of 30 June 2023 and for valuation use are displayed in the Table 1, Table 2 and Table 3 below.

**Table 1: Statement of Ore Reserves of Project JiuYuan as of 30 June 2023**

Name of Project	Chinese Reserves Category	Quantity (T)	Pb (%)	Zn (%)	Under JORC Category
Project JiuYuan	122	198,000	1.91%	4.33%	Probable

**Table 2: Statement of Mineral Resources of Project JiuYuan as of 30 June 2023**

Name of Project	Chinese Reserves Category	Quantity (T)	Pb (%)	Zn (%)	Under JORC Category
Project JiuYuan	333	178,000	1.99%	5.60%	Inferred

**Table 3: Statement of Ore Reserves of Project JiuYuan as of 30 June 2023 (for valuation use)**

Name of Project	Chinese Reserves Category	Quantity (T)	Pb (%) Head Grade	Zn (%) Head Grade	Under JORC Category
Project JiuYuan	122	198,000	1.72%	3.90%	Probable

## MINING SCHEDULE OF PROJECT JIUYUAN

Project Name	2024	2025	2026	2027	2028	2029	2030
Project JiuYuan	30,000	30,000	30,000	30,000	30,000	30,000	18,000

## INVESTED FIXED ASSETS IN PROJECT JIUYUAN

No.	Department	Present Value (RMB)
1	Mine Equipment	25,400,000
2	Factory	3,400,000
3	Laboratory	147,000
4	Other	461,000
	Total (rounded)	<u>29,400,000</u>

*For details of the Breakdown of Mine Equipment and Factory in Invested Fixed Assets, please refer to Appendix VII of this Report.*

## VALUATION METHODOLOGIES

There are three generally accepted valuation approaches in business valuation.

**Asset Approach**

The asset approach determines a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

**Market Approach**

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

**Income Approach**

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

### **Selection of Valuation Methodology**

We considered that the asset approach is not an adequate approach for the valuation, as this approach does not take future growth potential into consideration. Besides, we also considered that the market approach not applicable for the valuation, as there are insufficient comparable transactions in the market. Thus, we determined that the income approach was the most appropriate valuation approach to value the Fair Value of Project JiuYuan.

### **Discounted Cash-flow Method**

For the valuation of the Fair Value of Project JiuYuan, we have adopted the Discounted Cash-Flow Method. The discounted cash-flow method is premised on the concept that the value is based on the present value of all future benefits that flow to the shareholder by applying an appropriate discount rate. These future benefits consist of current income distributions, appreciation in the property, or a combination of both. In essence, this valuation method requires a forecast to be made of cash-flow, going out far enough into the future until an assumed stabilization occurs for the assets being appraised. This methodology assumes that the forecasted income/cash-flow will not necessarily be stable in the near term but will stabilize in the future.

### **Cash-flow Forecast**

We have performed our valuation based on the financial forecast of the Company provided by the management of the Company (the “**Management**”). We discussed with the Management regarding the relevant assumptions. The cash flow forecast and calculation can be found in Appendix I of this Report. The following assumptions were considered and adopted in the forecast, including but not limited to:

- The sales growth was estimated based on the Company’s experience and future business plan;
- The operating expenses were estimated based on the Company’s business plan; and
- The level of capital expenditure and working capital were determined with reference to estimations based on the Company’s business plan

**Key Parameters for the Cash-flow Forecast**

The key parameters and assumptions for the Evaluation of the Project is displayed in section 7.15.2.7 of the Competent Person's Report (the "CPR") and is shown per table below:

	<b>Parameter</b>	<b>Value</b>	<b>Source</b>
(a)	Annual Production Volume	30,000 T/Year	Per p.127 of the CPR
(b)	Annual Growth Rate	2.50%	10 year average of World GDP growth (World Bank), 10 year average of World CPI growth rate (IMF)
(c)	Ore Grade of Lead	1.91%	p.11 of Mineral resources reserves review record certificate, review opinions
(d)	Head Grade of Lead	1.72%	Equivalent to ore grade x (1-Dilution rate)
(e)	Ore Grade of Zinc	4.33%	p.11 of Mineral resources reserves review record certificate, review opinions
(f)	Head Grade of Zinc	3.90%	Equivalent to ore grade x (1-Dilution rate)
(g)	Mining Recovery Rate of Lead and Zinc	90%	p.133 of the Exploration report of Denggao lead-copper deposit
(h)	Mining Dilution Rate of Lead and Zinc	10%	p.133 of the Exploration report of Denggao lead-copper deposit
(i)	Processing Recovery Rate of Lead	89%	p.6 of Mineral resources reserves review record certificate, review opinions
(j)	Processing Recovery Rate of Zinc	81%	p.6 of Mineral resources reserves review record certificate, review opinions
(k)	Unit Price of Lead (Grade: 99.99%)	RMB15,100/T*	Kitco Metals Inc.
(l)	Unit Price of Zinc (Grade: 99.99%)	RMB21,300/T*	Kitco Metals Inc.
(m)	Mining Cost	RMB190/T	Per p.202 of the CPR
(n)	Processing Cost	RMB45/T	Per p. 202 of the CPR
(o)	Contingency Cost	3% of revenue	Per p. 202 of the CPR



	Parameter	Value	Source
(p)	Value-added Tax (incorporated in mining cost)	13% of revenue	Per p.14 of the Chinese Legal Opinion issued by China Commercial Law Firm
(q)	Profit Tax	25% of profit before tax	Per p.14 of the Chinese Legal Opinion issued by China Commercial Law Firm

\* For the Unit Price of Lead, and Zinc minerals located in the Project, we have adopted the unweighted arithmetic average of the closing price of the commodity on the first day of each month within the 12 months before the end of the reporting period.

### Derivation of the Estimated Revenue

The estimated revenue of the Project is based on the calculation of the following formula:

$$\begin{aligned}
 \text{Revenue of the first year of mining} &= \text{Revenue from Lead mining} + \text{Revenue from Zinc mining} \\
 &= (a) \times (k) \times (1+b) \times (d) \times (g) \times (i) + (a) \times (l) \times (1+b) \times (f) \times (g) \times (j) \\
 &= 30,000 \text{ T/Year} \times \text{RMB}15,100/\text{T} \times (1+2.50\%) \times 1.72\% \times 90\% \times 89\% \\
 &\quad + 30,000 \text{ T/Year} \times \text{RMB}21,300/\text{T} \times (1+2.50\%) \times 3.90\% \times 90\% \times 81\% \\
 &= \text{RMB}6,390,000 \text{ (rounded)} + \text{RMB}18,600,000 \text{ (rounded)} \\
 &= \text{RMB}25 \text{ million (rounded)}
 \end{aligned}$$

At the end of 2024, the estimated revenue for the Project is approximately RMB25 million.

### Discount Rate for the Fair Value of Project JiuYuan

The discount rate for the Fair Value of Project JiuYuan is the weight average cost of capital (the "WACC"). WACC comprises two components: cost of equity and cost of debt. The cost of equity was developed using Capital Asset Pricing Model (the "CAPM"). The CAPM states that an investor requires excess returns to compensate systematic risks and an efficient market provides no excess return for other risks.

$$\text{WACC} = W_e \times R_e + W_d \times R_d \times (1 - T)$$

Where:

$R_e$  = Cost of Equity

$R_d$  = Cost of Debt

$W_e$  = Weighting of Equity

$W_d$  = Weighting of Debt

T = Tax

In determining the proper rate to discount the forecasted cash flows, we have identified relevant peer companies for the Company which are listed in the Hong Kong and China Stock Exchange.

Our selection criteria are:

1. Engages in non-ferrous metal, precious metal mining or refining business
2. Positive net profit in the latest reporting period
3. Market Capitalization less than or equal to USD7 billion
4. Shares listed on Hong Kong Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock Exchange
5. Shares actively traded in the Stock Exchange and information from a reliable source

Rationale of the selection criteria

1. It is fair and reasonable to select peer companies which has similar/ same business activities with the Target Companies. As the main business activity of the Target Companies is mining and selling of mineral resources, it is fair and reasonable to select peer companies which has 70% or above of business activities in mining and selling of mineral resources in term of revenue.

The respective percentage of similar business and same business of the peers are displayed per table below.

#	Name of peer company	Ticker	Currency	Turnover	Total Turnover	Mining
				from mining related segment (Million) (Approx.)	(Million) (Approx.)	related segment (% to total Turnover) (Approx.)
1	Chongyi Zhangyuan Tungsten Co Ltd	002378 SZ	RMB	3,007	3,203	93.88%
2	Tibet Huayu Mining Co Ltd	601020 SS	RMB	563	563	100.00%
3	YanTai Yuancheng Gold Co Ltd	600766 SS	RMB	91	94	96.28%
4	MMG Ltd	1208 HK	USD	3,253	3,254	99.95%
5	Wanguo International Mining Group Ltd	3939 HK	RMB	632	681	92.74%
6	Xinjiang Xinxin Mining Industry Co Ltd	3833 HK	RMB	2,700	2,716	99.39%
7	Brockman Mining Ltd	0159 HK	HKD	18	18	100.00%
8	South Manganese Investment Ltd	1091 HK	HKD	11,406	13,108	87.02%
9	China Hanking Holdings Ltd	3788 HK	RMB	2,598	2,602	99.86%
10	Aowei Holding Ltd	1370 HK	RMB	938	938	100.00%
11	China Daye Non-Ferrous Metals Mining Ltd	0661 HK	RMB	32,110	33,621	95.50%
12	Jinchuan Group International Resources Co Ltd	2362 HK	USD	649	882	73.60%
13	Greentech Technology International Ltd	0195 HK	HKD	931	931	100.00%
14	China Nonferrous Mining Corp Ltd	1258 HK	USD	4,051	4,098	98.85%
15	Add New Energy Investment Holdings Group Ltd	2623 HK	RMB	1,866	1,866	100.00%
16	Timeless Software Ltd	8028 HK	HKD	80	80	99.46%

Note: Financial figures are extracted from the latest annual reports of the peers as of the Valuation Date

- As our valuation is based on the going concern basis of the company, it is fair and reasonable to exclude company with net loss which uncertainty of the going concern exist. Net loss refers to the profit or loss after corporate tax extracted from the audited financial statements or annual reports of the comparable peers. For this financial figure, we have referenced to the peers' publicly disclosed reports of the latest fiscal year. Those with net loss after tax are excluded from the selection, even if they are appropriate candidates originally using the adopted selection criteria.

3. Valuer had tried and obtained that there is no material effect and change to the discount rate by changing higher or lower market cap requirement. However, valuer has to select companies with market up to USD7 billion in order to have sufficient peer companies to represent the fairness. We noted that even if the market capitalisation is narrowed down to below USD1 billion or even USD300 million, the result of the discount rate will still be 10%, the same with the current adopted discount rate. However, the number of peers will drop significantly to only 10 and 3, which is relatively not comprehensive nor representable. Therefore, we have to increase the market capitalisation of the peers to exclude potential outliers.

Further, as the Projects are located in the PRC, it is fair and reasonable to include some PRC peers. Yet we noted that quite a lot of PRC peers are big players in the market, their size are not comparable to the Projects. Afterall, we have selected 3 PRC peers which have relatively small market capitalisation in our selection and valuation. Thus, we believe our current selection is representable and comparable to the Projects. The list of peers is also exhaustive.

4. As the operation of the company are in Mainland China (or the "PRC"), it is fair and reasonable to include peers which have business activities and listed on main stock exchange in the same region, which are the Hong Kong Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange.
5. The search and data extraction of the peer companies are sourced from Refinitiv of London Stock Exchange Group, which is a renowned and commonly used financial database around the globe. We believe the data from this source is reliable and accurate which facilitates us in the valuation.

**Comparable Companies used in this valuation**

No.	Ticker	Listing		Business Description
		Location	Name of company	
1	002378.SZ	China	Chongyi Zhangyuan Tungsten Co Ltd	CHONGYI ZHANGYUAN TUNGSTEN CO., LTD. is a China-based company, principally engaged in the mining, smelting and deep processing of non-ferrous metals. The Company's main products include ammonium paratungstate (APT), tungsten oxide, tungsten powder, tungsten carbide powder and tungsten carbide, among others. It owns right of exploring and mining mines, as well as tungsten smelting and deep processing factories. The Company distributes its products in domestic and overseas markets.
2	601020.SS	China	Tibet Huayu Mining Co Ltd	Tibet Huayu Mining Co., Ltd. is principally engaged in mining, ore dressing, geological survey and trading businesses of nonferrous metal. The Company's major products include zinc concentrate, lead antimony concentrate (silver-bearing) and copper concentrate, among others. In addition to the core business of mining production, the Company operates non-ferrous metals trading business.
3	600766.SS	China	YanTai Yuancheng Gold Co Ltd	YanTai Yuancheng Gold Co., Ltd. is a China-based company principally engaged in the gold mining and gold mining hosting business. The Company is also engaged in the sales of real estate business. The Company mainly operates its business in domestic market.

No.	Ticker	Listing		Business Description
		Location	Name of company	
4	1208.HK	Hong Kong	MMG Ltd	<p>MMG Limited is an Australia-based mining company. The principal activities of the Company include exploration, development and mining of copper, zinc, cobalt, gold, silver, and lead deposits around the world. Its segment includes Las Bambas, Kinsevere, Dugald River, Rosebery, and Other. Las Bambas is an open-pit, scalable, long-life copper and molybdenum mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru. Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the Democratic Republic of Congo (DRC). The Dugald River mine is an underground zinc mining operation located near Cloncurry in Northwest Queensland. The Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast. Its subsidiaries include MMG Australia Limited, MMG Dugald River Pty Ltd, MMG Exploration Pty Ltd, MMG Management Pty Ltd, and Topstart Limited.</p>
5	3939.HK	Hong Kong	Wanguo International Mining Group Ltd	<p>Wanguo International Mining Group Limited is an investment holding company principally engaged in mining, ore processing and the sale of the concentrates products in China. The concentrates products include copper concentrates, iron concentrates, zinc concentrates, sulfur concentrates, gold in copper concentrates, silver in copper and zinc concentrates and indium in zinc concentrates. Through its subsidiaries, the Company is also engaged in the exploration of mineral resources.</p>

No.	Ticker	Listing		Business Description
		Location	Name of company	
6	3833.HK	Hong Kong	Xinjiang Xinxin Mining Industry Co Ltd	Xinjiang Xinxin Mining Industry Co., Ltd. is principally engaged in the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products. The major product of the Company is nickel cathode. The other major product includes copper cathode. The Company's subsidiaries include Mengxi Mining, Wuxin Copper and Kalatongke Mining. Through its subsidiaries, the Company is also engaged in the investment in phosphate fertilizer, compound fertilizer and other chemical products.
7	0159.HK	Hong Kong	Brockman Mining Ltd	Brockman Mining Limited is a Hong Kong-based investment holding company principally engaged in mining businesses. The Company's Mineral Tenements in Australia business is tenement acquisition, exploration and towards future development of iron ore projects in Western Australia.
8	1091.HK	Hong Kong	South Manganese Investment Ltd	South Manganese Investment Ltd, formerly CITIC Dameng Holdings Ltd, is an investment holding company mainly engaged in the mining and trading business of manganese. The Company operates through four business segments. Electrolytic Manganese Metal (EMM) and Alloying Materials Production segment engages in the mining and processing of EMM, manganese briquette, silicomanganese alloys, and other products. Manganese Mining segment engages in the mining and production of concentrates, natural discharging manganese powder and sand, among other manganese products. Battery Materials Production segment engages in the production and sale of electrolytic manganese dioxide (EMD), manganese sulfate, lithium manganese oxide, lithium nickel cobalt manganese oxide, and other battery materials products. Others segment engages in the trading of commodities including manganese ore, EMM and scraps, and the rental of investment properties and machinery.

No.	Ticker	Listing		Business Description
		Location	Name of company	
9	3788.HK	Hong Kong	China Hanking Holdings Ltd	China Hanking Holdings Limited is principally engaged in the exploration, mining, processing and sale of mineral resources. The Company operates its business through three segments. The Gold Business segment is engaged in the exploration, mining, processing, smelting and marketing of gold ore. The Iron ore Business segment is engaged in the exploration, mining, processing, smelting and marketing of iron ore. The Nickel Business segment is engaged in the exploration, mining, processing, smelting and marketing of nickel ore.
10	1370.HK	Hong Kong	Aowei Holding Ltd	Aowei Holding Limited, formerly Hengshi Mining Investments Limited, is principally engaged in the exploration, mining, processing and trading of iron ore products. The Company's primary products include iron ores, preliminary concentrates and iron ore concentrates. The iron ore mines owned and operated by the Company mainly include Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine. They are all located in Laiyuan County, Hebei Province. The Company is also involved in the investment holding business through its subsidiaries.
11	0661.HK	Hong Kong	China Daye Non-Ferrous Metals Mining Ltd	China Daye Non-Ferrous Metals Mining Ltd is a Hong Kong-based investment holding company principally engaged in the sales of metal products. The Company mainly sells copper cathodes, copper products, gold and gold products, silver and silver products, sulphuric acid, sulphuric concentrate and iron ores, among others. It also provides copper processing services. The Company operates its business in China, Hong Kong and Mongolia markets.



No.	Ticker	Listing		Business Description
		Location	Name of company	
12	2362.HK	Hong Kong	Jinchuan Group International Resources Co Ltd	Jinchuan Group International Resources Co. Ltd. is an investment holding company principally engaged in the mining operations and the trading of mineral and metal products. The Company operates its business through two segments: Trading of Mineral and Metal Products segment and Mining Operations, Primarily Copper and Cobalt Production segment. The Company's subsidiaries include Golden Grand Investment Limited, Golden Harbour International Trading Limited and Jin Rui Mining Investment Limited.
13	0195.HK	Hong Kong	Greentech Technology International Ltd	Greentech Technology International Limited, formerly L'sea Resources International Holdings Limited is a Hong Kong-based investment holding company principally engaged in mining businesses. The main businesses of the Company include the exploration, development and mining of tin and copper bearing ores in Australia. Its main projects include Renison Bell underground mine, Mount Bischoff open cut mine and Rentails tailings.
14	1258.HK	Hong Kong	China Nonferrous Mining Corp Ltd	China Nonferrous Mining Corp Ltd is a China-based company principally engaged in the processing of non-ferrous metals. The Company operates in two segments. Leaching segment is mainly engaged in the production and sales of cathode copper and cobalt hydroxide, as well as the exploration and mining of copper oxide ore. Smelting segment is mainly engaged in the smelting of blister copper and anode copper, and the production of chemical products such as sulfuric acid and sulfur dioxide. The Company is also engaged in the outsourced processing of copper products. The Company mainly conducts its business in the domestic market.

No.	Ticker	Listing		Business Description
		Location	Name of company	
15	2623.HK	Hong Kong	Add New Energy Investment Holdings Group Ltd	ADD NEW ENERGY INVESTMENT HOLDINGS GROUP LIMITED, formerly China Zhongsheng Resources Holdings Limited, is an investment holding company principally engaged in the exploration and mining of iron and ilmenite ore, the processing and trading of iron concentrates in Shandong Province, the People's Republic of China (the PRC). The Company operates its business through three segments. The Shandong Ishine and Luxing Titanium segment is engaged in iron ore mining and processing, ilmenite ore mining and processing and the sales of iron concentrates and titanium concentrate. The Ever Grand segment is engaged in finance lease business. The Ishine International segment is engaged in the exploration of metal reserves in Australia.
16	8028.HK	Hong Kong	Timeless Software Ltd	Timeless Software Ltd is an investment holding company principally engaged in the mining business. The Company operates its business through two segments. The Mining Business segment is engaged in the exploration and exploitation of a nickel-copper mine. The products it sells including nickel-copper ores, nickel concentrate and copper concentrates. The Other Business segment is engaged in the provision of research, development (R&D) and sale agency of bio and nano materials products as well as software maintenance and development services.

*Source: Refinitiv from Thomson Reuters*

Below is the summary of the key parameters of the WACC of the Company adopted as of the Valuation Date:

	<b>Key Parameters as of 30 June 2023</b>
(a) Risk-free Rate	2.64%
(b) Market Return	9.74%
(c) Beta Coefficient	0.994
(d) Size Premium	3.58%
(e) Company Specific Risk Premium	0.00%
(f) Cost of Equity	13.28%
(g) Cost of Debt	4.20%
(h) Weight of Equity Value to Enterprise Value	66.48%
(i) Weight of Debt Value to Enterprise Value	33.52%
(j) Corporate Tax Rate	25.00%
	<hr/>
<b>WACC (Rounded)</b>	<b>10.00%</b>
	<hr/> <hr/>

*Notes:*

- (a) The risk-free rate adopted was the yield rate of China's 10-year government bond as of the Valuation Date;
- (b) The market return adopted was based on the equity risk premium data for China on Damodaran Online;
- (c) The beta coefficient adopted was the average adjusted beta of the abovementioned comparable companies as extracted from Refinitiv of Thomson Reuters;
- (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) Company Specific Risk Premium (CSRP) is an unsystematic risk including 1) competition; 2) financial strength; 3) management ability and depth; 4) profitability and stability of earnings; 5) national economic effects; and 6) local economic effects. Competent Person found no such deficiency or unsystematic risk in the company and therefore adopted zero CSRP according to professional judgment;
- (f) The cost of equity was determined based on CAPM;
- (g) The cost of debt adopted was bank's lending prime rate in China;
- (h) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the abovementioned comparable companies as of the Valuation Date;

- (i) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the abovementioned comparable companies as of the Valuation Date;
- (j) The corporate tax rate adopted was the 2023 corporate tax rate in China.

The comparable and the percentage of the debt-to-equity ratio (the “D/E” or “D/E ratio”) of the comparables are displayed as table shown below:

No.	Company	Debt to Equity (D/E)	Selected D/E
1	Chongyi Zhangyuan Tungsten Co Ltd	25.09%	25.09%
2	Tibet Huayu Mining Co Ltd	14.54%	14.54%
3	YanTai Yuancheng Gold Co Ltd	3.38%	3.38%
4	MMG Ltd	280.98%	280.98%
5	Wanguo International Mining Group Ltd	5.66%	5.66%
6	Xinjiang Xinxin Mining Industry Co Ltd	95.83%	95.83%
7	Brockman Mining Ltd	2.45%	2.45%
8	South Manganese Investment Ltd	274.89%	274.89%
9	China Hanking Holdings Ltd	60.87%	60.87%
10	Aowei Holding Ltd	44.03%	44.03%
11	China Daye Non-Ferrous Metals Mining Ltd	1,107.45%	1,107.45%
12	Jinchuan Group International Resources Co Ltd	56.84%	56.84%
13	Greentech Technology International Ltd	19.03%	19.03%
14	China Nonferrous Mining Corp Ltd	355.33%	355.33%
15	Add New Energy Investment Holdings Group Ltd	72.60%	72.60%
16	Timeless Software Ltd	21.79%	21.79%
	Median D/E		50.43%
	Weight of Equity Value to Enterprise Value $(1/(1+D/E))(a)$		66.48%
	Weight of Debt Value to Enterprise Value (1-a)		33.52%

The figures were extracted from Refinitiv from London Stock Exchange Group, a well-known financial database widely endorsed in the industry. The weight of equity value to Enterprise Value is derived by using the formula:  $1/(1+D/E)$ . The weight of debt value to Enterprise Value is derived by using the formula:  $1-1/(1+D/E)$ .

We adopted the WACC of 10.00% as the discount rate of the Company for the valuation as of the Valuation Date.

**Discount for Lack of Marketability (“DLOM”)**

DLOM is the valuation adjustment with the largest single monetary impact on the final determination of value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. DLOM is a downward adjustment to the value of an investment to reflect its reduced level of marketability.

In selecting the appropriate DLOM, we considered the length of time and effort required by the management in order to sell a controlling interest. This typically would take at least three to nine months if a transaction could be consummated at all. A controlling interest does enjoy the benefit of controlling the cash flow stream of the business. Lastly, we considered the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees and intermediary fees.

For a company on a controlling, non-marketable basis, prudent investors would apply a discount to reflect its lack of marketability. The marketability discount is estimated with reference to the “Stout Restricted Stock Study Companion Guide, 2023 edition, p.17 (the “**Study**”), issued by BVR resources, a widely referenced source for DLOM. With reference to the Study, we considered a DLOM of 16% is considered to be fair and reasonable for the Valuation.

**SOURCES OF INFORMATION**

Our investigation covers the discussion with the Instructing Party and the Company’s representatives, collecting the information of the Company’s history, operations and prospects of the business. We also take the industry trend and relevant law requirements into consideration. We requested detailed information about the Company’s position in order to conduct a detailed review and make an impartial and independent valuation of the Company’s position/value. We assume that the data obtained in the course of the valuation, along with the opinions and representations provided to us by the Instructing Party, the Company or his agent(s) are prepared in reasonably care.

The factors considered in this valuation included, but were not limited to, the following:

- The nature and history of the Company;
- The financial conditions of the Company;
- The economic condition and the industry outlook in general;
- The specific economic environment and competition for the Company;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks of the Company including the continuity of income and the projected future results.

#### **GENERAL ASSUMPTIONS AND SPECIFIC ASSUMPTIONS**

Due to the changing environment in which the Company is operating, a number of assumptions have to be established in order to sufficiently support our concluded opinion of value of the Fair Value of Project JiuYuan. The major assumptions adopted in our valuations are:

##### **General assumptions**

- The nature and history of the Mining Companies;
- The economic condition and the industry outlook in general;
- The specific economic environment and competition which the Company may face;
- The financial and business risks under the Company including the continuity of income and the projected future results;

- Due to the changing environment in which the Company is(are) being operated, a number of assumptions have to be established in order to sufficiently support our concluded opinion of value of the Mining Companies. The major assumptions adopted in our valuations are:
  - There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the jurisdiction where the Company currently operate(s) or will operate which will materially affect the revenues attributable to the Mining Companies, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
  - There is no big difference between adopted mining schedule in valuation and actual schedule;
  - The management of the Company can arrange production in accordance with forecasted time and scale, and there is no big difference between actual and forecast situation;
  - The Company provided technical report and related information was accurate and no big mistake;
  - Key management, competent personnel, and technical staff will all be retained to support ongoing operations of the Mining Companies;
  - Interest rates and exchange rates in the localities for the operation of the Company will not differ materially from those presently prevailing;

**Specific assumptions**

- The Company will obtain all the necessary permits and licenses, included but not limited to the approval for environmental impact assessment report, pollutant emission permit, mining license, work safety permit, and all these permits and licenses will be applied without substantial cost and issue;

Valuer is of the opinion that this assumption is appropriate, fair and reasonable due to following reasons: 1) the Bureau of Land and Resource of Pu'er City had issued the Resource and Reserve Verification Report to JiuYuan Mining, which proved the existence and amount of the mineral resources in project; 2) the Competent Person's Report had concluded that the project are with positive net present value; 3) according to the legal opinion provided by China Commercial Law Firm, JiuYuan Mining never involve in any law case and never receive any punishment or fine from the local government; 4) Valuer had consider and assumed enough time for the application and reparation; 5) according to the legal opinion provided by China Commercial Law Firm, there should be no impediment for renewal or applying the licence or permit as long as JiuYuan Mining follow the normal application procedure and provided needed documents; 6) Valuer do not see any potential reason or obstacle that may deter the application of the licenses and permits as of the Valuation Date.

- All equipment for mining, processing & refinery will be ready for the operation of the Mining Companies;
- Assumed all expired and going-to-be expired licenses can be renewed accordingly without substantial costs;
- According to Rule 18.33(2) of the Listing Rules of HKEx, if the net present values attributable to Prove Reserves and Proved plus Probable Reserves are disclosed, they are presented on a post-tax basis at varying discount rates (including a reflection of the weighted average cost of capital or minimum acceptable rate of return that applies to the entity at the time of evaluation) or a fixed discount rate of 10%. APAL conducted a WACC calculation as of the Valuation Date for cross-checking purpose which proves the 10% discount rate adopted for Project JiuYuan is valid. Therefore, APAL adopted the discount rate of 10% for the valuation of Project JiuYuan.

Valuer has reviewed related information about financial history and operation of JiuYuan Mining included but not limited to the past-3-year audit reports and the Competent Person's Report. Valuer had collected and reviewed information of the market of the business of JiuYuan Mining. Valuer had done site inspection of JiuYuan Mining and its mine. Valuer had interviewed and discussed the above assumptions with the Management. After all, valuer is of the opinion that above assumptions are fair and reasonable as of the Valuation Date.



**GENERAL SERVICE CONDITIONS**

The service(s) provided by APAL will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy, of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years.

This report and valuation shall be used only in its entirety and no part shall be used without making reference to the whole report. Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. Except for financial reporting and auditing purposes, no reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

The valuation may not be used in conjunction with any other valuation or study. The value conclusion(s) stated in this valuation is based on the program of utilization described in the report and may not be separated into parts. No change of any item in any of the valuation shall be made by anyone other than APAL, and we shall have no responsibility for any such unauthorized change.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subjects in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of APAL, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the 3 times of the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers.

Any decision to purchase, sell or transfer any interest in the Company shall be the owners' sole responsibility, as well as the structure to be utilized and the price to be accepted.

The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

In all matters that may be potentially challenged by a Court or others, we do not take any responsibility for the degree of reasonableness of contrary positions that others may choose to take, nor for the costs or fees that may be incurred in the defense of our recommendations against such challenge(s). We will, however, retain our supporting work papers for your matter(s), and will be available to assist in active defense of our professional positions taken, at our then current rates, plus direct actual expenses and according to our then standard professional agreement.

**LIMITING CONDITIONS**

The primary assumptions and limiting conditions pertaining to the value estimate conclusion(s) stated in this report are summarized below. Other assumptions are cited elsewhere in this report.

- Unless otherwise stated in this report, the valuation of the business has not considered or incorporated the potential economic gain or loss resulting from contingent assets, liabilities or events existing as of the Valuation Date.
- Management is assumed to be competent, and the ownership to be in responsible hands, unless otherwise noted in this report. The quality of the business management can have a direct effect on the viability and value of the business/asset being assessed.
- Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business because of future country, provincial or local legislations/regulations, including any environmental or ecological matters or interpretations thereof.
- All facts and data set forth in our report are true and accurate to the best of our knowledge and belief. No investigation of legal fees or title of the business has been made, and the owner's claim to the business has been assumed valid. No consideration has been given to liens or encumbrances that may be against the business except as specifically stated (if any) in the auditors' report.
- During the course of the valuation, we have considered information provided by the Company and other third parties. We believe these sources to be reliable, but no further responsibility is assumed for their accuracy. We have had verbal conversations with the current management of the Company concerning the past, present, and prospective operating results of the Company. We assume that there are no hidden or unexpected conditions associated with the businesses that might adversely affect the reported values.
- This valuation is based upon data, conditions, hypotheses and assumption stated herein and as presented to us by the Company and other third parties, upon which we relied.
- This appraisal reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions. We have no responsibility or obligation to update this report for events or circumstances occurring subsequent to the Valuation Date.

**CONCLUSION OF VALUE**

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Instructing Party and/or APAL.

Based on the valuation methodology adopted, we are of the opinion that the fair value of 100% equity interests of ZhenYuan County JiuYuan Mining Co., Ltd as of 30 June 2023 is stated as **HKD37,000,000 (HONG KONG DOLLARS THIRTY-SEVEN MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interests in the Company, the Instructing Party or the value reported.

Yours faithfully,

For and on behalf of

**AP Appraisal Limited**

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**Paul Hung** MRICS ASA MAusIMM

Director – Valuation & Advisory Services

*Note:* Mr. Paul Hung is a Registered Surveyor of Royal Institution of Chartered Surveyors. He has over 10 year's valuation experience in the Greater China Region. He is a member of Australasian Institute of Mining and Metallurgy. He fulfilled the requirements of Competent Evaluators according to the Chapter 18 of the Hong Kong Stock Exchange listing rules.

## APPENDIX I – DISCOUNTED CASHFLOW SUMMARY FOR PROJECT JIUYUAN AS OF 30 JUNE 2023

## Project JiuYuan

Valuation Date		30.6.2023							
Period Start		1.7.2023	1.1.2024	1.1.2025	1.1.2026	1.1.2027	1.1.2028	1.1.2029	1.1.2030
Period End		31.12.2023	31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028	31.12.2029	31.12.2030
<b>MAJOR PARAMETERS</b>									
Ore Mined (ROM)	T		30,000	30,000	30,000	30,000	30,000	30,000	18,000
Annual Growth Rate	%		2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Head Grade (Pb)	%		1.72%	1.72%	1.72%	1.72%	1.72%	1.72%	1.72%
Head Grade (Zn)	%		3.90%	3.90%	3.90%	3.90%	3.90%	3.90%	3.90%
Mining Dilution Rate	%		10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Mining Recovery Rate	%		90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%
Processing Recovery rate (Pb)	%		89.00%	89.00%	89.00%	89.00%	89.00%	89.00%	89.00%
Processing Recovery rate (Zn)	%		81.00%	81.00%	81.00%	81.00%	81.00%	81.00%	81.00%
Mining Cost	RMB/T	190	195	200	205	210	215	220	226
Processing Cost	RMB/T	45	46	47	48	50	51	52	53
Contingency Cost	% of Rev		3%	3%	3%	3%	3%	3%	3%
Unit Price (RMB/t)	Pb	15,100	15,478	15,864	16,261	16,668	17,084	17,511	17,949
Unit Price (RMB/t)	Zn	21,300	21,833	22,378	22,938	23,511	24,099	24,701	25,319
<b>DISCOUNTED CASH FLOW</b>									
Revenue (Pb)	RMB		6,393,379	6,553,214	6,717,044	6,884,970	7,057,094	7,233,522	4,448,616
Revenue (Zn)	RMB		18,607,270	19,072,452	19,549,263	20,037,995	20,538,944	21,052,418	12,947,237
<b>Total Revenue</b>	<b>RMB</b>		<b>25,000,649</b>	<b>25,625,665</b>	<b>26,266,307</b>	<b>26,922,965</b>	<b>27,596,039</b>	<b>28,285,940</b>	<b>17,395,853</b>
Mining Cost	RMB		(5,842,500)	(5,988,563)	(6,138,277)	(6,291,733)	(6,449,027)	(6,610,252)	(4,065,305)
Processing Cost	RMB		(1,383,750)	(1,418,344)	(1,453,802)	(1,490,147)	(1,527,401)	(1,565,586)	(962,835)
Contingency Cost	RMB		(750,019)	(768,770)	(787,989)	(807,689)	(827,881)	(848,578)	(521,876)
Depreciation	RMB		(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)
NPBT	RMB		12,824,380	13,249,989	13,686,239	14,133,395	14,591,730	15,061,523	7,645,837
tax	25%		(3,206,095)	(3,312,497)	(3,421,560)	(3,533,349)	(3,647,932)	(3,765,381)	(1,911,459)
<b>NPAT</b>	<b>RMB</b>		<b>9,618,285</b>	<b>9,937,492</b>	<b>10,264,679</b>	<b>10,600,046</b>	<b>10,943,797</b>	<b>11,296,142</b>	<b>5,734,377</b>
NPM			38%	39%	39%	39%	40%	40%	33%
Cashflow	RMB		9,618,285	9,937,492	10,264,679	10,600,046	10,943,797	11,296,142	5,734,377
Add: depre	RMB		4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
CAPEX	RMB								
NCF	RMB		13,818,285	14,137,492	14,464,679	14,800,046	15,143,797	15,496,142	9,934,377
DR	10%	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14
<b>DCF</b>	<b>RMB</b>		<b>11,420,070</b>	<b>10,621,707</b>	<b>9,879,570</b>	<b>9,189,664</b>	<b>8,548,279</b>	<b>7,951,971</b>	<b>4,634,460</b>
NPV	RMB	62,245,722							
DLOM	-16%	(9,959,315)							
NPV (after DLOM)	RMB	52,286,406							
Less: Debt	RMB	(18,000,000)							
FV (RMB)		34,000,000							
FV (HKD)		36,665,600							
<b>FV (HKD rounded)</b>		<b>37,000,000</b>							

## APPENDIX II – SENSITIVITY ANALYSIS FOR FAIR VALUE

Among the parameters in the discount cash flow model for the Project JiuYuan, (1) Unit Sales Price of Commodities and (2) Discount Rate contribute the most influence on the Fair Value of the Project. Therefore, the sensitivity analysis adopted these two inputs in the base case. The base case is based on the actual market figures as of 30 June 2023. While it is the industry practice to adopt the gap of 10% for the discount rate in the sensitivity analysis, the gap of 10% is also adopted for both the unit price and the CAPEX in the sensitivity analysis as the annual growth rate of consumer price index is within 10% in the past 10 years in the market.

**Appendix Table II-1: Sensitivity Analysis for Fair Value (HKD) of Project JiuYuan (Lead Price vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Unit Price (RMB/ton) (rounded to hundreds)				
	12,200	13,600	15,100	16,600	18,300
8.00%	38,000,000	39,000,000	41,000,000	43,000,000	45,000,000
9.00%	35,000,000	37,000,000	39,000,000	41,000,000	43,000,000
<b>10.00%</b>	32,000,000	35,000,000	<b>37,000,000</b>	39,000,000	41,000,000
11.00%	30,000,000	32,000,000	35,000,000	36,000,000	38,000,000
12.00%	29,000,000	30,000,000	32,000,000	33,000,000	36,000,000

**Appendix Table II-2: Sensitivity Analysis for Fair Value (HKD) of Project JiuYuan (Zinc Price vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Unit Price (RMB/ton) (rounded to hundreds)				
	17,300	19,200	21,300	23,400	25,700
8.00%	30,000,000	36,000,000	41,000,000	47,000,000	54,000,000
9.00%	28,000,000	33,000,000	39,000,000	44,000,000	51,000,000
<b>10.00%</b>	26,000,000	31,000,000	<b>37,000,000</b>	42,000,000	47,000,000
11.00%	24,000,000	29,000,000	35,000,000	40,000,000	45,000,000
12.00%	23,000,000	27,000,000	32,000,000	37,000,000	42,000,000

## APPENDIX III – COPY OF BUSINESS LICENSE AND MINING LICENSE



国家企业信用信息公示系统网址: <http://yn.gsxt.gov.cn>

请于每年1月1日-6月30日在国家企业信用信息公示系统(云南)报送上一年度年报并公示,当年设立登记的,自下一年起报送并公示,逾期未年报的,将依法处理。

国家市场监督管理总局监制



中华人民共和国自然资源部印制

## APPENDIX IV – PHOTOCOPY OF THE SAFE PRODUCTION CERTIFICATE



## APPENDIX V – PHOTOCOPY OF ENVIRONMENTAL IMPACT ASSESSMENT CERTIFICATE





APPENDIX VI – PHOTOCOPY OF MINE GEOLOGICAL ENVIRONMENTAL RESTORATION AND LAND REHABILITATION REPORTS

2018015

姓名	职务	职称	联系电话	签名
郭远明		高级工程师	13099969677	
彭跃祥		高级工程师	13700643586	
卢景丽		高级工程师	13888557229	
李俊文		高级工程师	13708889810	
张强		高级工程师	13888593576	
刘江华		副教授	15812063735	
许彬		注册造价工程师	13888213371	

2018年3月29日，受省国土资源厅委托，我院组织相关专家对“镇沅县九源矿业有限责任公司小街铅锌矿矿山地质环境保护与土地复垦方案”进行了评审，该项目土地复垦方案已原则通过，编制单位已按专家意见对报告进行了修改完善，专家组于2018年5月10日出具了评审意见，评审程序符合有关规定。

国土资源管理部门备案意见

2018年3月29日，省地质环境监测院按程序组织专家对核工业德阳金阳岩土工程有限公司编制的“镇沅县九源矿业有限责任公司小街铅锌矿矿山地质环境保护与土地复垦方案”进行了评审，专家组于2018年5月10日出具了评审意见，现予以备案。请镇沅县九源矿业有限责任公司严格按照报告和专家评审意见认真组织落实。

备注

2018015

姓名	职务	职称	联系电话	签名
郭远明		高级工程师	13099969677	
彭跃祥		高级工程师	13700643586	
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备注

**APPENDIX VII – BREAKDOWN OF MINE EQUIPMENT AND FACTORY IN INVESTED FIXED ASSETS**

**Breakdown of Mine Equipment**

Record no.	Name	Purchase Date	Life	Quantity	Present Value (RMB)
1602035	Air Compressor	2012.10.11	13	1	3,000
1601037	Air Compressor	2014.10.22	15	1	210,000
1601038	Air Compressor	2012.10.11	13	1	157,000
1601039	Changchai Diesel Machine	2012.10.11	13	1	3,000
1601040	Rock Drilling Machine	2012.10.11	13	1	29,000
1601041	Pneumatic pick	2012.10.11	13	1	1,000
1601042	Transformer	2012.10.11	13	1	50,000
1601044	Starter Cabinet	2012.10.11	13	1	31,000
1601045	Diesel Generator Set	2012.10.11	13	1	528,000
1601046	Motor	2012.10.11	13	1	9,000
1601047	Mine Cart	2012.10.11	13	1	62,000
1601048	Ventilating Machine	2012.10.11	13	1	37,000
1601049	Steel Wheel Standard Track Locomotive powered by Diesel Machine	2012.10.11	13	1	48,000
1601050	Water Pump	2006.03.20	13	1	16,000
1601051	Loader	2012.10.11	8	1	40,000
1601052	Loader	2012.10.11	13	1	185,000
1601053	Mining Substation	2012.10.11	13	1	10,000
1601054	Jia Ming GPS	2014.02.20	13	1	2,000
1601055	Handheld measuring instrument	2014.02.20	15	1	1,000
1601062	Explosives Depot	2010.10.20	11	1	127,000
1601063	Pit tunnel support (Silver stove room)	2012.10.11	13	1	7,318,000
1601064	Workshop	2012.10.11	13	1	3,033,000
1601065	Tailings reservoir foundation dam	2006.03.20	8	1	3,936,000
1601066	Tailings pond height expansion (including all construction works)	2013.10.16	14	1	3,706,000
1602071	Mine Line	2012.10.11	13	1	107,000
1602122	Mine Stockyard	2012.10.11	13	1	122,000
1602072	Retaining walls along mine roads	2012.10.11	13	1	30,000
1602073	Staff room of the mine	2007.03.20	13	1	276,000
1602076	Explosives Depot HK Video Surveillance System	2012.10.11	13	1	19,000
1602077	Full drilling instrument	2012.10.11	13	1	10,000
1602079	Samsung® All-in-one Machine	2012.10.11	5	1	-

Record no.	Name	Purchase Date	Life	Quantity	Present Value (RMB)
1602080	Laptop	2014.08.06	6	1	2,000
1602081	Liu Da System	2013.10.21	14	1	205,000
1602096	Trolley	2012.10.11	13	1	9,000
1602097	Mine roads	2012.10.11	13	1	218,000
1602102	Mine belt mud dewatering machine (Tailings dewatering)	2015.12.20	15	1	151,000
1602103	Rock Drilling Machine	2015.06.20	15	2	4,000
1602104	Motor	2015.06.20	15	1	3,000
1602105	Mine Cart	2015.04.30	15	1	4,000
1602106	Pit tunnel support (Workshop) (Newly added from 2015 – 2017)	2015.04.20	30	3M	8,000
1602108	Winch	2016.06.20	15	1	100,000
1602109	Winch	2016.03.30	15	1	139,000
1602110	Pit tunnel support (Silver stove room) (Newly added from 2015 – 2017)	2016.04.20	30	269M	750,000
1602111	Pit tunnel support (Workshop) (Newly added from 2015 – 2017)	2016.04.20	30	278M	731,000
1602114	Rock Drilling Machine	2017.08.30	15	5	15,000
1602115	Rock Drilling Machine	2017.12.20	15	1	3,000
1602116	Winch	2017.08.30	15	1	108,000
1602117	Pit tunnel support (Silver stove room) (Newly added from 2015 – 2017)	2017.12.20	30	1550M	2,626,000
1602123	Water Pump	2018.1.27	5	5	8,000
1602124	Surveillance System	2018.3.17	15	1	7,000
1602135	Air-leg Rock Drilling Machine	2019.06.24	5	4	24,000
1602137	0.75 cubic meter Mine Cart	2019.7.05	15	4	30,000
1602136	Diesel Generator Set	2019.7.05	15	2	12,000
1602132	10KG Mine Feeder	2019.5.15	15	1	22,000
1602131	Wheel Pair	2018.12.26	5	1	-
1602142	Air Compressor	2020.07.21	15	1	31,000
1602143	Rock Drilling Machine	2020.08.24	15	2	6,000
1602147	Motor Electricity Distribution Cabinet	2020.11.03	15	1	5,000
1602149	45KW Starter Cabinet	2021.06.24	15	1	6,000
1602148	1.1 Sewage Pump	2021.06.24	15	5	18,000
1601150	Air-leg Rock Drilling Machine	2017.08.30	15	1	12,000
<b>Total</b>					<b>25,400,000</b>

**Breakdown of Factory**

Record No.	Name	Purchase Date	Life	Quantity	Present Value (RMB)
1602001	Jaw crusher	2012.10.11	13	1	52,000
1602002	Fine crusher	2013.10.06	13	1	68,000
1602003	Lime agitator	2012.10.11	13	1	5,000
1602004	Belt feeder	2014.10.06	14	1	22,000
1602005	Vibrating feeder	2014.10.06	14	1	4,000
1602006	Ball mill	2014.10.06	15	1	281,000
1602007	Spiral classifier	2006.03.20	7	1	19,000
1602008	Motor start control	2012.10.11	13	1	19,000
1602009	Low-voltage switchboard	2012.10.11	13	1	19,000
1602010	Capacitance compensator	2012.10.11	13	1	6,000
1602011	Abrasive wheel cutting machine	2012.10.11	13	1	3,000
1602012	Jack	2012.10.11	13	1	4,000
1602013	Gantry	2012.10.11	13	1	3,000
1602014	Lead Zinc Mixing Bucket	2014.10.06	10	1	138,000
1602015	Lead mixing bucket	2012.10.11	8	1	31,000
1602016	Zinc mixing bucket	2012.10.11	8	1	21,000
1602017	Flotation machine	2013.10.06	14	1	234,000
1602018	Plate and frame filter press	2006.03.20	7	1	20,000
1602019	Minerals concentrate belt conveyor	2006.03.20	7	1	5,000
1602020	Minerals concentrate pump	2012.10.11	13	1	6,000
1602021	Welding machine	2012.10.11	13	1	1,000
1602022	Weighbridge	2006.03.20	8	1	13,000
1602024	Hand chain hoist	2012.10.11	13	1	1,000
1602025	Drilling machine	2012.10.11	13	1	5,000
1602026	Linesman pliers	2012.10.11	13	1	-
1602027	Transformer	2006.03.20	15	1	129,000
1602036	Loader	2006.03.20	8	1	40,000
1602043	Wear resistant anti-corrosion pump	2012.10.11	13	1	4,000
1602057	Plant workers housing	2006.03.20	8	1	106,000
1602058	Color steel tile house in the dressing plant	2012.10.11	13	1	1,189,000
1602059	Pharmacy warehouse	2012.10.11	13	1	74,000
1602060	Oil depot	2012.10.11	13	1	198,000
1602061	10KV Line Engineering	2012.10.11	13	1	87,000
1602067	Production water pool	2006.10.20	8	1	39,000

Record No.	Name	Purchase Date	Life	Quantity	Present Value (RMB)
1602068	Stockyard	2012.10.11	13	1	282,000
1602121	Plant to tailings dam road	2010.10.20	11	1	109,000
1602099	Sewage pump	2015.12.30	15	1	6,000
1602100	Transformer	2015.10.30	30	1	16,000
1602107	Water pump	2016.10.30	10	1	5,000
1602113	Reducer gear	2017.08.30	15	2	17,000
1602133	7.5K Sewage pump	2019.05.16	7	1	2,000
1602134	4.5KW 90 Soft starter cabinet	2019.05.17	30	4	8,000
1602139	Screw machine	2019.12.25	15	1	47,000
1602140	Pump with seat	2020.03.27	15	1	4,000
1602141	Centrifugal pump	2020.03.27	15	1	5,000
1602145	Inverter	2020.03.27	7	1	21,000
1601138	Sewage pump	2020.03.27	7	1	4,000
1601151	Water pump	2020.03.27	7	1	7,000
1601078	Lenovo notebook	2020.03.27	7	1	3,000
	<b>Total</b>				<b><u>3,400,000</u></b>

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Our Ref: AP230801/0899/ARHL/Rpt(ii)

9 November 2023

**Asia Resources Holdings Limited**

Room 2601, 26/F  
West Tower, Shun Tak Centre  
168-200 Connaught Road Central  
Sheung Wan, Hong Kong

Dear Sir or Madam,

**RE: Valuation of 100% Equity Interests of ZhenYuan County JinHao Mining Co., Ltd as of 30 June 2023**

We, AP Appraisal Limited (“APAL”), refer to the instructions from Asia Resources Holdings Limited (the “**Instructing Party**”) to conduct a valuation of the fair value of 100% equity interests (the “**Equity Interests**”) of ZhenYuan County JinHao Mining Co., Ltd. (the “**Company**” or “**Project JinHao**”) as of 30 June 2023 (the “**Valuation Date**”).

**PURPOSE OF VALUATION**

For the purpose of preparing the valuation of the Fair Value of Project JinHao for circular purpose of the Hong Kong Stock Exchange (the “**HKEx Circular**”) only, we observe and follow the definitions and standards laid down by the Hong Kong Financial Reporting Standards, the RICS Valuation Standards, and the International Valuation Standards, JORC Code, VALMIN Code, and Chapter 18 of Hong Kong Stock Exchange Listing Rules.

**PREMISE OF VALUATION & BASIS OF VALUATION**

Our valuation is based on going concern premise and conducted on a fair value basis. According to section 90 of IVS 104 of the International Valuation Standards published by the International Valuation Standards Council, Fair value is defined as “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”.

## BACKGROUND OF THE COMPANY

ZhenYuan county JinHao Mining Co., Ltd. (the “**Company**”) was incorporated on 26 March 2008. It is principally engaged in mineral exploration and mining activities in the People’s Republic of China (the “**PRC**”). The Company recognized the opportunities of the broad applications of lead (“**Pb**”), copper (“**Cu**”) and silver (“**Ag**”) minerals and acquired Project JinHao (the “**JinHao Project**”) located in ZhenYuan County of Pu’er City in Yunnan Province.

The Company wholly owns Project JinHao as of the Valuation Date. Its business license number is 91530825670895795W, and exploration license no. is T5308002008013010003569, which is valid for 5 years, starting from 25 July 2022 to 25 July 2027. Please refer to Appendix III for the photocopy of the business and exploration license of the Company.

## BACKGROUND OF PROJECT JINHAO

Project JinHao, owned by Company JinHao, is located at 35° direction in ZhenYuan County, Pu’er City, Yunnan Province, the PRC with a straight-line distance of about 22km. The administrative division belongs to DengGao Village, ZhenYuan County, Yunnan Province, the PRC. Project JinHao has an exploration license of an area of 7.31 sq. km, with mineral resources of lead, copper, and silver.

## EXPLORATION HISTORY OF PROJECT JINHAO

- i. The Geological Survey (Second Region) Bureau of Yunnan Province completed the 1:20,000 regional geological and mineral survey at the area around Project JinHao in 1970, The Geophysical Exploration Team of Yunnan Province completed the 1:20,000 geochemical survey of sediments and water system in 1990. The Geological Bureau of JiangXi Province completed the 1:10,000 geochemical survey of Soil in 2008. The Geological Engineering Survey Corporation of Yunnan Province completed the “Exploration Report of DengGao Lead and Copper Mineral resources and Reserves in ZhenYuan County in Yunnan Province” in 2012. The Land and Resources Bureau of Yunnan Province approved the " Verification Report of DengGao Lead and Copper Mineral resources and Reserves in ZhenYuan County in Yunnan Province” in 2012.
- ii. According to the “Exploration Report of Ascend Lead and Copper Ore in Zhenshen County, Yunnan Province” submitted by Yunnan Geological Engineering Exploration Corporation in May 2012, the V1 ore body was carried out, from October 2015 to December 2018.

**MINING HISTORY OF PROJECT JINHAO**

As of the Valuation Date, there is no mining history but only exploration work has been carried out in Project JinHao.

**MINERAL RESOURCES OF PROJECT JINHAO**

Per Competent Person's Report (the "CPR") of Project JinHao compiled by Dr. Mark Osterberg, Mr. Baolong Zhao and reviewed by Mr. Paul Hung from AP Appraisal Limited, the Mineral Resources of Project JinHao as of 30 June 2023 and for valuation use is displayed in the Table 1 and Table 2 below.

**Table 1: Statement of Mineral Resources of Project JinHao as of 30 June 2023**

Name of Project	Chinese	Quantity (T)	Pb (%)	Cu (%)	Ag (10 <sup>-6</sup> )	Under JORC Category
	Reserves Category					
Project JinHao	331	191,000	5.42%	0.94%	127.41	Measured
	332	666,000	6.39%	1.12%	146.11	Indicated
	333	360,000	6.01%	1.04%	128.64	Inferred

**Table 2: Statement of Mineral Resources of Project JinHao as of 30 June 2023 (for valuation use)**

Name of Project	Chinese	Quantity (T)	Pb (%)	Cu (%)	Ag (10 <sup>-6</sup> )	Under JORC Category
	Reserves Category		Head Grade	Head Grade	Head Grade	
Project JinHao	331	152,800	4.88%	0.85%	114.67	Measured
	332	466,200	5.75%	1.01%	131.50	Indicated

**MINING SCHEDULE OF PROJECT JINHAO**

Project Name	2024	2025	2026	2027	2028	2029	2030	2031	2032
Project JinHao		45,000	90,000	90,000	90,000	90,000	90,000	90,000	34,000



## SUGGESTED CAPITAL EXPENDITURE IN PROJECT JINHAO

No.	Item	Cost (RMB)
1	Mine Equipment	44,100,000
2	Factory	11,000,000
3	Laboratory	1,300,000
4	Other	3,200,000
5	Resource Tax	45,000,000
6	Contingency Expense	<u>1,000,000</u>
	Total (rounded)	<u><u>105,600,000</u></u>

For details of the Breakdown of Mine Equipment and Factory in Suggested Capital Expenditure, please refer to Appendix IV of this Report.

## VALUATION METHODOLOGIES

There are three generally accepted valuation approaches in business valuation.

**Asset Approach**

The asset approach determines a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

**Market Approach**

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

**Income Approach**

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

### Selection of Valuation Methodology

We considered that the asset approach not an adequate approach for the valuation, as this approach does not take future growth potential into consideration. Besides, we also considered that the market approach not applicable for the valuation, as there are insufficient comparable transactions in the market. Thus, we determined that the income approach was the most appropriate valuation approach to value the Fair Value of Project JinHao.

### Discounted Cash-flow Method

For the valuation of the Fair Value of Project JinHao, we have adopted the Discounted Cash-Flow Method. The discounted cash-flow method is premised on the concept that the value is based on the present value of all future benefits that flow to the shareholder by applying an appropriate discount rate. These future benefits consist of current income distributions, appreciation in the property, or a combination of both. In essence, this valuation method requires a forecast to be made of cash-flow, going out far enough into the future until an assumed stabilization occurs for the assets being appraised. This methodology assumes that the forecasted income/cash-flow will not necessarily be stable in the near term but will stabilize in the future.

### Cash-flow Forecast

We have performed our valuation based on the financial forecast of the Company provided by the management of the Company (the “**Management**”). We discussed with the Management regarding the relevant assumptions. The cash flow forecast and calculation can be found in Appendix I of this Report. The following assumptions were considered and adopted in the forecast, including but not limited to:

- The sales growth was estimated based on the Company’s experience and future business plan;
- The operating expenses were estimated based on the Company’s business plan; and
- The level of capital expenditure and working capital were determined with reference to estimations based on the Company’s business plan

### Key Parameters for the Cash-flow Forecast

The key parameters and assumptions for the Evaluation of the Project is displayed in section 7.15.2.7 of the Competent Person's Report (the "CPR") and is shown per table below:

	Parameter	Value	Source
(a)	Annual Production Volume	90,000 T/Year	Per p.134 of the CPR
(b)	Annual Growth Rate	2.50%	10 year average of World GDP growth (World Bank), 10 year average of World CPI growth rate (IMF)
(c)	Ore Grade of Lead	6.17%	p.11 of Mineral resources reserves review record certificate, review opinions
(d)	Head Grade of Lead	5.54%	Equivalent to ore grade x (1-Dilution rate)
(e)	Ore Grade of Copper	1.08%	p.11 of Mineral resources reserves review record certificate, review opinions
(f)	Head Grade of Copper	0.97%	Equivalent to ore grade x (1-Dilution rate)
(g)	Ore Grade of Silver	141.94 (10 <sup>-6</sup> )	p.11 of Mineral resources reserves review record certificate, review opinions
(h)	Head Grade of Silver	127.34 (10 <sup>-6</sup> )	Equivalent to ore grade x (1-Dilution rate)
(i)	Mining Recovery Rate of Lead, Copper, and Silver	90%	p.133 of the Exploration report of Denggao lead-copper deposit
(j)	Mining Dilution Rate of Lead, Copper, and Silver	10%	p.133 of the Exploration report of Denggao lead-copper deposit
(k)	Processing Recovery Rate of Lead	89%	p.6 of Mineral resources reserves review record certificate, review opinions
(l)	Processing Recovery Rate of Copper	90%	p.6 of Mineral resources reserves review record certificate, review opinions
(m)	Processing Recovery Rate of Silver	85%	p.6 of Mineral resources reserves review record certificate, review opinions

Parameter	Value	Source
(n) Unit Price of Lead (Grade: 99.99%)	RMB15,100/T*	Kitco Metals Inc.
(o) Unit Price of Copper (Grade: 99.99%)	RMB60,200/T*	Kitco Metals Inc.
(p) Unit Price of Silver (Grade: 99.99%)	RMB5,500/kg*	Kitco Metals Inc.
(q) Mining Cost	RMB330/T	Per p. 202 of the CPR
(r) Processing Cost	RMB80/T	Per p. 202 of the CPR
(s) Contingency Cost	3% of revenue	Per p. 202 of the CPR
(t) Value-added Tax (incorporated in mining cost)	13% of revenue	Per p.13 of the Chinese Legal Opinion issued by China Commercial Law Firm
(u) Profit Tax	25% of profit before tax	Per p.13 of the Chinese Legal Opinion issued by China Commercial Law Firm

\* For the Unit Price of Lead, Copper and Silver minerals located in the Project, we have adopted the unweighted arithmetic average of the closing price of the commodity on the first day of each month within the 12 months before the end of the reporting period.

### Derivation of the estimated revenue

The estimated revenue of the Project is based on the calculation of the following formula:

$$\begin{aligned}
 \text{Revenue of the first year of mining} &= \text{Revenue from Lead mining} + \text{Revenue from Copper mining} + \text{Revenue from Silver Mining} \\
 &= (a) \times (n) \times (1+b)^2 \times (d) \times (i) \times (k) + (a) \times (o) \times (1+b)^2 \times (f) \times (i) \times (l) + (a) \times (p) \times 1000 \times (1+b)^2 \times (h) \times (i) \times (m) \\
 &= 90,000 \text{ T/Year} \times \text{RMB15,100/T} \times (1+2.50\%)^2 \times 5.54\% \times 90\% \times 89\% \\
 &\quad + 90,000 \text{ T/Year} \times \text{RMB60,200/T} \times (1+2.50\%)^2 \times 0.97\% \times 90\% \times 90\% \\
 &\quad + 90,000 \text{ T/Year} \times \text{RMB5,500/kg} \times 1000 \times (1+2.50\%)^2 \times 127.34 (10^{-6}) \times 90\% \times 85\% \\
 &= \text{RMB63,300,000 (rounded)} + \text{RMB44,700,000 (rounded)} + \text{RMB50,600,000 (rounded)} \\
 &= \text{RMB158.6 million (rounded)}
 \end{aligned}$$

As the Project JinHao will start operation since 1 July 2025, the estimated revenue from 1 July 2025 to 30 June 2026 is approximately RMB158.6 million.

**Discount Rate for the Fair Value of Project JinHao**

The discount rate for the Fair Value of Project JinHao is the weight average cost of capital (the "WACC"). WACC comprises two components: cost of equity and cost of debt. The cost of equity was developed using Capital Asset Pricing Model (the "CAPM"). The CAPM states that an investor requires excess returns to compensate systematic risks and an efficient market provides no excess return for other risks.

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - T)$$

Where:

- R<sub>e</sub> = Cost of Equity
- R<sub>d</sub> = Cost of Debt
- W<sub>e</sub> = Weighting of Equity
- W<sub>d</sub> = Weighting of Debt
- T = Tax

In determining the proper rate to discount the forecasted cash flows, we have identified relevant peer companies for the Company which are listed in the Hong Kong and China Stock Exchange.

Our selection criteria are:

1. Engages in non-ferrous metal, precious metal mining or refining business
2. Positive net profit in the latest reporting period
3. Market Capitalization less than or equal to USD7 billion
4. Shares listed on Hong Kong Stock Exchange, Shenzhen Stock Exchange and Shanghai Stock Exchange
5. Shares actively traded in the Stock Exchange and information from a reliable source

Rationale of the selection criteria

1. It is fair and reasonable to select peer companies which has similar/ same business activities with the Target Companies. As the main business activity of the Target Companies is mining and selling of mineral resources, it is fair and reasonable to select peer companies which has 70% or above of business activities in mining and selling of mineral resources in term of revenue.

The respective percentage of similar business and same business of the peers are displayed per table below.

#	Name of peer company	Ticker	Currency	Turnover from mining related segment  (Million) (Approx.)	Total Turnover  (Million) (Approx.)	Mining related segment  (% to total Turnover) (Approx.)
1	Chongyi Zhangyuan Tungsten Co Ltd	002378 SZ	RMB	3,007	3,203	93.88%
2	Tibet Huayu Mining Co Ltd	601020 SS	RMB	563	563	100.00%
3	YanTai Yuancheng Gold Co Ltd	600766 SS	RMB	91	94	96.28%
4	MMG Ltd	1208 HK	USD	3,253	3,254	99.95%
5	Wanguo International Mining Group Ltd	3939 HK	RMB	632	681	92.74%
6	Xinjiang Xinxin Mining Industry Co Ltd	3833 HK	RMB	2,700	2,716	99.39%
7	Brockman Mining Ltd	0159 HK	HKD	18	18	100.00%
8	South Manganese Investment Ltd	1091 HK	HKD	11,406	13,108	87.02%
9	China Hanking Holdings Ltd	3788 HK	RMB	2,598	2,602	99.86%
10	Aowei Holding Ltd	1370 HK	RMB	938	938	100.00%
11	China Daye Non-Ferrous Metals Mining Ltd	0661 HK	RMB	32,110	33,621	95.50%
12	Jinchuan Group International Resources Co Ltd	2362 HK	USD	649	882	73.60%
13	Greentech Technology International Ltd	0195 HK	HKD	931	931	100.00%
14	China Nonferrous Mining Corp Ltd	1258 HK	USD	4,051	4,098	98.85%
15	Add New Energy Investment Holdings Group Ltd	2623 HK	RMB	1,866	1,866	100.00%
16	Timeless Software Ltd	8028 HK	HKD	80	80	99.46%

*Note:* Financial figures are extracted from the latest annual reports of the peers as of the Valuation Date.

- As our valuation is based on the going concern basis of the company, it is fair and reasonable to exclude company with net loss which uncertainty of the going concern exist. Net loss refers to the profit or loss after corporate tax extracted from the audited financial statements or annual reports of the comparable peers. For this financial figure, we have referenced to the peers' publicly disclosed reports of the latest fiscal year. Those with net loss after tax are excluded from the selection, even if they are appropriate candidates originally using the adopted selection criteria.

3. Valuer had tried and obtained that there is no material effect and change to the discount rate by changing higher or lower market cap requirement. However, valuer has to select companies with market up to USD7 billion in order to have sufficient peer companies to represent the fairness. We noted that even if the market capitalisation is narrowed down to below USD1 billion or even USD300 million, the result of the discount rate will still be 10%, the same with the current adopted discount rate. However, the number of peers will drop significantly to only 10 and 3, which is relatively not comprehensive nor representable. Therefore, we have to increase the market capitalisation of the peers to exclude potential outliers.
4. As the operation of the company are in Mainland China (or the “PRC”), it is fair and reasonable to include peers which have business activities and listed on main stock exchange in the same region, which are the Hong Kong Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange.
5. The search and data extraction of the peer companies are sourced from Refinitiv of London Stock Exchange Group, which is a renowned and commonly used financial database around the globe. We believe the data from this source is reliable and accurate which facilitates us in the valuation.

#### Comparable Companies used in this valuation

No.	Ticker	Listing		Business Description
		Location	Name of company	
1	002378.SZ	China	Chongyi Zhangyuan Tungsten Co Ltd	CHONGYI ZHANGYUAN TUNGSTEN CO., LTD. is a China-based company, principally engaged in the mining, smelting and deep processing of non-ferrous metals. The Company's main products include ammonium paratungstate (APT), tungsten oxide, tungsten powder, tungsten carbide powder and tungsten carbide, among others. It owns right of exploring and mining mines, as well as tungsten smelting and deep processing factories. The Company distributes its products in domestic and overseas markets.

No.	Ticker	Listing		Business Description
		Location	Name of company	
2	601020.SS	China	Tibet Huayu Mining Co Ltd	Tibet Huayu Mining Co., Ltd. is principally engaged in mining, ore dressing, geological survey and trading businesses of nonferrous metal. The Company's major products include zinc concentrate, lead antimony concentrate (silver-bearing) and copper concentrate, among others. In addition to the core business of mining production, the Company operates non-ferrous metals trading business.
3	600766.SS	China	YanTai Yuancheng Gold Co Ltd	YanTai Yuancheng Gold Co., Ltd. is a China-based company principally engaged in the gold mining and gold mining hosting business. The Company is also engaged in the sales of real estate business. The Company mainly operates its business in domestic market.
4	1208.HK	Hong Kong	MMG Ltd	MMG Limited is an Australia-based mining company. The principal activities of the Company include exploration, development and mining of copper, zinc, cobalt, gold, silver, and lead deposits around the world. Its segment includes Las Bambas, Kinsevere, Dugald River, Rosebery, and Other. Las Bambas is an open-pit, scalable, long-life copper and molybdenum mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru. Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the Democratic Republic of Congo (DRC). The Dugald River mine is an underground zinc mining operation located near Cloncurry in Northwest Queensland. The Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast. Its subsidiaries include MMG Australia Limited, MMG Dugald River Pty Ltd, MMG Exploration Pty Ltd, MMG Management Pty Ltd, and Topstart Limited.



No.	Ticker	Listing		Business Description
		Location	Name of company	
5	3939.HK	Hong Kong	Wanguo International Mining Group Ltd	Wanguo International Mining Group Limited is an investment holding company principally engaged in mining, ore processing and the sale of the concentrates products in China. The concentrates products include copper concentrates, iron concentrates, zinc concentrates, sulfur concentrates, gold in copper concentrates, silver in copper and zinc concentrates and indium in zinc concentrates. Through its subsidiaries, the Company is also engaged in the exploration of mineral resources.
6	3833.HK	Hong Kong	Xinjiang Xinxin Mining Industry Co Ltd	Xinjiang Xinxin Mining Industry Co., Ltd. is principally engaged in the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products. The major product of the Company is nickel cathode. The other major product includes copper cathode. The Company's subsidiaries include Mengxi Mining, Wuxin Copper and Kalatongke Mining. Through its subsidiaries, the Company is also engaged in the investment in phosphate fertilizer, compound fertilizer and other chemical products.
7	0159.HK	Hong Kong	Brockman Mining Ltd	Brockman Mining Limited is a Hong Kong-based investment holding company principally engaged in mining businesses. The Company's Mineral Tenements in Australia business is tenement acquisition, exploration and towards future development of iron ore projects in Western Australia.

No.	Ticker	Listing		Business Description
		Location	Name of company	
8	1091.HK	Hong Kong	South Manganese Investment Ltd	<p>South Manganese Investment Ltd, formerly CITIC Dameng Holdings Ltd, is an investment holding company mainly engaged in the mining and trading business of manganese. The Company operates through four business segments. Electrolytic Manganese Metal (EMM) and Alloying Materials Production segment engages in the mining and processing of EMM, manganese briquette, silicomanganese alloys, and other products. Manganese Mining segment engages in the mining and production of concentrates, natural discharging manganese powder and sand, among other manganese products. Battery Materials Production segment engages in the production and sale of electrolytic manganese dioxide (EMD), manganese sulfate, lithium manganese oxide, lithium nickel cobalt manganese oxide, and other battery materials products. Others segment engages in the trading of commodities including manganese ore, EMM and scraps, and the rental of investment properties and machinery.</p>
9	3788.HK	Hong Kong	China Hanking Holdings Ltd	<p>China Hanking Holdings Limited is principally engaged in the exploration, mining, processing and sale of mineral resources. The Company operates its business through three segments. The Gold Business segment is engaged in the exploration, mining, processing, smelting and marketing of gold ore. The Iron ore Business segment is engaged in the exploration, mining, processing, smelting and marketing of iron ore. The Nickel Business segment is engaged in the exploration, mining, processing, smelting and marketing of nickel ore.</p>

No.	Ticker	Listing		Business Description
		Location	Name of company	
10	1370.HK	Hong Kong	Aowei Holding Ltd	Aowei Holding Limited, formerly Hengshi Mining Investments Limited, is principally engaged in the exploration, mining, processing and trading of iron ore products. The Company's primary products include iron ores, preliminary concentrates and iron ore concentrates. The iron ore mines owned and operated by the Company mainly include Gufen Mine, Wang'ergou Mine, Shuanmazhuang Mine and Zhijiazhuang Mine. They are all located in Laiyuan County, Hebei Province. The Company is also involved in the investment holding business through its subsidiaries.
11	0661.HK	Hong Kong	China Daye Non-Ferrous Metals Mining Ltd	China Daye Non-Ferrous Metals Mining Ltd is a Hong Kong-based investment holding company principally engaged in the sales of metal products. The Company mainly sells copper cathodes, copper products, gold and gold products, silver and silver products, sulphuric acid, sulphuric concentrate and iron ores, among others. It also provides copper processing services. The Company operates its business in China, Hong Kong and Mongolia markets.
12	2362.HK	Hong Kong	Jinchuan Group International Resources Co Ltd	Jinchuan Group International Resources Co. Ltd. is an investment holding company principally engaged in the mining operations and the trading of mineral and metal products. The Company operates its business through two segments: Trading of Mineral and Metal Products segment and Mining Operations, Primarily Copper and Cobalt Production segment. The Company's subsidiaries include Golden Grand Investment Limited, Golden Harbour International Trading Limited and Jin Rui Mining Investment Limited.

No.	Ticker	Listing		Business Description
		Location	Name of company	
13	0195.HK	Hong Kong	Greentech Technology International Ltd	Greentech Technology International Limited, formerly L'sea Resources International Holdings Limited is a Hong Kong-based investment holding company principally engaged in mining businesses. The main businesses of the Company include the exploration, development and mining of tin and copper bearing ores in Australia. Its main projects include Renison Bell underground mine, Mount Bischoff open cut mine and Rentails tailings.
14	1258.HK	Hong Kong	China Nonferrous Mining Corp Ltd	China Nonferrous Mining Corp Ltd is a China-based company principally engaged in the processing of non-ferrous metals. The Company operates in two segments. Leaching segment is mainly engaged in the production and sales of cathode copper and cobalt hydroxide, as well as the exploration and mining of copper oxide ore. Smelting segment is mainly engaged in the smelting of blister copper and anode copper, and the production of chemical products such as sulfuric acid and sulfur dioxide. The Company is also engaged in the outsourced processing of copper products. The Company mainly conducts its business in the domestic market.

No.	Ticker	Listing		Business Description
		Location	Name of company	
15	2623.HK	Hong Kong	Add New Energy Investment Holdings Group Ltd	ADD NEW ENERGY INVESTMENT HOLDINGS GROUP LIMITED, formerly China Zhongsheng Resources Holdings Limited, is an investment holding company principally engaged in the exploration and mining of iron and ilmenite ore, the processing and trading of iron concentrates in Shandong Province, the People's Republic of China (the PRC). The Company operates its business through three segments. The Shandong Ishine and Luxing Titanium segment is engaged in iron ore mining and processing, ilmenite ore mining and processing and the sales of iron concentrates and titanium concentrate. The Ever Grand segment is engaged in finance lease business. The Ishine International segment is engaged in the exploration of metal reserves in Australia.
16	8028.HK	Hong Kong	Timeless Software Ltd	Timeless Software Ltd is an investment holding company principally engaged in the mining business. The Company operates its business through two segments. The Mining Business segment is engaged in the exploration and exploitation of a nickel-copper mine. The products it sells including nickel-copper ores, nickel concentrate and copper concentrates. The Other Business segment is engaged in the provision of research, development (R&D) and sale agency of bio and nano materials products as well as software maintenance and development services.

Source: Refinitiv from Thomson Reuters

Below is the summary of the key parameters of the WACC of the Company adopted as of the Valuation Date:

	<b>Key Parameters as of 30 June 2023</b>
(a) Risk-free Rate	2.64%
(b) Market Return	9.74%
(c) Beta Coefficient	0.994
(d) Size Premium	3.58%
(e) Company Specific Risk Premium	0.00%
(f) Cost of Equity	13.28%
(g) Cost of Debt	4.20%
(h) Weight of Equity Value to Enterprise Value	66.48%
(i) Weight of Debt Value to Enterprise Value	33.52%
(j) Corporate Tax Rate	25.00%
	<hr/>
<b>WACC (Rounded)</b>	<b>10.00%</b>
	<hr/> <hr/>

*Notes:*

- (a) The risk-free rate adopted was the yield rate of China's 10-year government bond as of the Valuation Date;
- (b) The market return adopted was based on the equity risk premium data for China on Damodaran Online;
- (c) The beta coefficient adopted was the average adjusted beta of the abovementioned comparable companies as extracted from Refinitiv of Thomson Reuters;
- (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) Company Specific Risk Premium (CSRP) is an unsystematic risk including 1) competition; 2) financial strength; 3) management ability and depth; 4) profitability and stability of earnings; 5) national economic effects; and 6) local economic effects. Competent Person found no such deficiency or unsystematic risk in the company and therefore adopted zero CSRP according to professional judgment;
- (f) The cost of equity was determined based on CAPM;
- (g) The cost of debt adopted was bank's lending prime rate in China;
- (h) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the abovementioned comparable companies as of the Valuation Date;
- (i) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the abovementioned comparable companies as of the Valuation Date;
- (j) The corporate tax rate adopted was the 2023 corporate tax rate in China.

The comparable and the percentage of the debt-to-equity ratio (the “D/E” or “D/E ratio”) of the comparables are displayed as table shown below:

No.	Company	Debt to Equity (D/E)	Selected D/E
1	Chongyi Zhangyuan Tungsten Co Ltd	25.09%	25.09%
2	Tibet Huayu Mining Co Ltd	14.54%	14.54%
3	YanTai Yuancheng Gold Co Ltd	3.38%	3.38%
4	MMG Ltd	280.98%	280.98%
5	Wanguo International Mining Group Ltd	5.66%	5.66%
6	Xinjiang Xinxin Mining Industry Co Ltd	95.83%	95.83%
7	Brockman Mining Ltd	2.45%	2.45%
8	South Manganese Investment Ltd	274.89%	274.89%
9	China Hanking Holdings Ltd	60.87%	60.87%
10	Aowei Holding Ltd	44.03%	44.03%
11	China Daye Non-Ferrous Metals Mining Ltd	1,107.45%	1,107.45%
12	Jinchuan Group International Resources Co Ltd	56.84%	56.84%
13	Greentech Technology International Ltd	19.03%	19.03%
14	China Nonferrous Mining Corp Ltd	355.33%	355.33%
15	Add New Energy Investment Holdings Group Ltd	72.60%	72.60%
16	Timeless Software Ltd	21.79%	21.79%
	Median D/E		50.43%
	Weight of Equity Value to Enterprise Value (1/(1+D/E))(a)		66.48%
	Weight of Debt Value to Enterprise Value (1-a)		33.52%

The figures were extracted from Refinitiv from London Stock Exchange Group, a well-known financial database widely endorsed in the industry. The weight of equity value to Enterprise Value is derived by using the formula:  $1/(1+D/E)$ . The weight of debt value to Enterprise Value is derived by using the formula:  $1-1/(1+D/E)$ .

We adopted the WACC of 10.00% as the discount rate of the Company for the valuation as of the Valuation Date.

#### Discount for Lack of Marketability (“DLOM”)

DLOM is the valuation adjustment with the largest single monetary impact on the final determination of value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. DLOM is a downward adjustment to the value of an investment to reflect its reduced level of marketability.

In selecting the appropriate DLOM, we considered the length of time and effort required by the management in order to sell a controlling interest. This typically would take at least three to nine months if a transaction could be consummated at all. A controlling interest does enjoy the benefit of controlling the cash flow stream of the business. Lastly, we considered the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees and intermediary fees.

For a company on a controlling, non-marketable basis, prudent investors would apply a discount to reflect its lack of marketability. The marketability discount is estimated with reference to the "Stout Restricted Stock Study Companion Guide, 2023 edition, p.17 (the "**Study**"), issued by BVR resources, a widely referenced source for DLOM. With reference to the Study, we considered a DLOM of 16% is considered to be fair and reasonable for the Valuation.

#### **SOURCES OF INFORMATION**

Our investigation covers the discussion with the Instructing Party and the Company's representatives, collecting the information of the Company's history, operations and prospects of the business. We also take the industry trend and relevant law requirements into consideration. We requested detailed information about the Company's position in order to conduct a detailed review and make an impartial and independent valuation of the Company's position/value. We assume that the data obtained in the course of the valuation, along with the opinions and representations provided to us by the Instructing Party, the Company or his agent(s) are prepared in reasonably care.



The factors considered in this valuation included, but were not limited to, the following:

- The nature and history of the Company;
- The financial conditions of the Company;
- The economic condition and the industry outlook in general;
- The specific economic environment and competition for the Company;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks of the Company including the continuity of income and the projected future results.

#### **GENERAL ASSUMPTIONS AND SPECIFIC ASSUMPTIONS**

Due to the changing environment in which the Company is operating, a number of assumptions have to be established in order to sufficiently support our concluded opinion of value of the Fair Value of Project JinHao. The major assumptions adopted in our valuations are:

##### **General assumptions**

- The nature and history of the Mining Companies;
- The economic condition and the industry outlook in general;
- The specific economic environment and competition which the Company may face;
- The financial and business risks under the Company including the continuity of income and the projected future results;

- Due to the changing environment in which the Company is(are) being operated, a number of assumptions have to be established in order to sufficiently support our concluded opinion of value of the Mining Companies. The major assumptions adopted in our valuations are:
  - There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the jurisdiction where the Company currently operate(s) or will operate which will materially affect the revenues attributable to the Mining Companies, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
  - There is no big difference between adopted mining schedule in valuation and actual schedule;
  - The management of the Company can arrange production in accordance with forecasted time and scale, and there is no big difference between actual and forecast situation;
  - The Company provided technical report and related information was accurate and no big mistake;
  - Key management, competent personnel, and technical staff will all be retained to support ongoing operations of the Mining Companies;
  - Interest rates and exchange rates in the localities for the operation of the Company will not differ materially from those presently prevailing;

#### **Specific assumptions**

- The Company will obtain all the necessary permits and licenses, included but not limited to the approval for environmental impact assessment report, pollutant emission permit, exploration license, work safety permit, and all these permits and licenses will be applied without substantial cost and issue;

Valuer is of the opinion that this assumption is appropriate, fair and reasonable due to following reasons: 1) the Bureau of Land and Resource of Pu'er City had issued the Resource and Reserve Verification Report to JinHao Mining, which proved the existence and amount of the mineral resources in project; 2) the Competent Person's Report had concluded that the project are with positive net present value; 3) according to the legal opinion provided by China Commercial Law Firm, JinHao Mining never involve in any law case and never receive any punishment or fine from the local government; 4) Valuer had consider and assumed enough time for the application and reparation; 5) according to the legal opinion provided by China Commercial Law Firm, there should be no impediment for renewal or applying the licence or permit as long as JinHao Mining follow the normal application procedure and provided needed documents; 6) Valuer do not see any potential reason or obstacle that may deter the application of the licenses and permits as at valuation date and report date.

- All equipment for mining, processing & refinery will be ready for the operation of the Mining Companies;
- Assumed all expired and going-to-be expired licenses can be renewed accordingly without substantial costs;
- According to Rule 18.33(2) of the Listing Rules of HKEx, if the net present values attributable to Prove Reserves and Proved plus Probable Reserves are disclosed, they are presented on a post-tax basis at varying discount rates (including a reflection of the weighted average cost of capital or minimum acceptable rate of return that applies to the entity at the time of evaluation) or a fixed discount rate of 10%. APAL conducted a WACC calculation as of the Valuation Date for cross-checking purpose which proves the 10% discount rate adopted for Project JinHao is valid. Therefore, APAL adopted the discount rate of 10% for the valuation of Project JinHao.

Valuer has reviewed related information about financial history and operation of JinHao Mining included but not limited to the past-3-year audit reports and the Competent Person's Report. Valuer had collected and reviewed information of the market of the business of JinHao Mining. Valuer had done site inspection of JinHao Mining and its mine. Valuer had interviewed and discussed the above assumptions with the Management. After all, valuer is of the opinion that above assumptions are fair and reasonable as of the Valuation Date and the Report Date.

**GENERAL SERVICE CONDITIONS**

The service(s) provided by APAL will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy, of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years.

This report and valuation shall be used only in its entirety and no part shall be used without making reference to the whole report. Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. Except for financial reporting and auditing purposes, no reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

The valuation may not be used in conjunction with any other valuation or study. The value conclusion(s) stated in this valuation is based on the program of utilization described in the report and may not be separated into parts. No change of any item in any of the valuation shall be made by anyone other than APAL, and we shall have no responsibility for any such unauthorized change.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subjects in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of APAL, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the 3 times of the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers.

Any decision to purchase, sell or transfer any interest in the Company shall be the owners' sole responsibility, as well as the structure to be utilized and the price to be accepted.

The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

In all matters that may be potentially challenged by a Court or others, we do not take any responsibility for the degree of reasonableness of contrary positions that others may choose to take, nor for the costs or fees that may be incurred in the defense of our recommendations against such challenge(s). We will, however, retain our supporting work papers for your matter(s), and will be available to assist in active defense of our professional positions taken, at our then current rates, plus direct actual expenses and according to our then standard professional agreement.

**LIMITING CONDITIONS**

The primary assumptions and limiting conditions pertaining to the value estimate conclusion(s) stated in this report are summarized below. Other assumptions are cited elsewhere in this report.

- Unless otherwise stated in this report, the valuation of the business has not considered or incorporated the potential economic gain or loss resulting from contingent assets, liabilities or events existing as of the Valuation Date.
- Management is assumed to be competent, and the ownership to be in responsible hands, unless otherwise noted in this report. The quality of the business management can have a direct effect on the viability and value of the business/asset being assessed.
- Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business because of future country, provincial or local legislations/regulations, including any environmental or ecological matters or interpretations thereof.
- All facts and data set forth in our report are true and accurate to the best of our knowledge and belief. No investigation of legal fees or title of the business has been made, and the owner's claim to the business has been assumed valid. No consideration has been given to liens or encumbrances that may be against the business except as specifically stated (if any) in the auditors' report.
- During the course of the valuation, we have considered information provided by the Company and other third parties. We believe these sources to be reliable, but no further responsibility is assumed for their accuracy. We have had verbal conversations with the current management of the Company concerning the past, present, and prospective operating results of the Company. We assume that there are no hidden or unexpected conditions associated with the businesses that might adversely affect the reported values.
- This valuation is based upon data, conditions, hypotheses and assumption stated herein and as presented to us by the Company and other third parties, upon which we relied.
- This appraisal reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions. We have no responsibility or obligation to update this report for events or circumstances occurring subsequent to the Valuation Date.

**CONCLUSION OF VALUE**

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Instructing Party and/or APAL.

Based on the valuation methodology adopted, we are of the opinion that the fair value of 100% equity interests of ZhenYuan County JinHao Mining Co., Ltd as of 30 June 2023 is stated as **HKD223,000,000 (HONG KONG DOLLARS TWO HUNDRED AND TWENTY-THREE MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interests in the Company, the Instructing Party or the value reported.

Yours faithfully,

For and on behalf of

**AP Appraisal Limited**

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**Paul Hung** MRICS ASA MAusIMM

Director – Valuation & Advisory Services

*Note:* Mr. Paul Hung is a Registered Surveyor of Royal Institution of Chartered Surveyors. He has over 10 year's valuation experience in the Greater China Region. Mr. Paul Hung is a member of Australasian Institute of Mining and Metallurgy. He fulfilled the requirements of Competent Evaluators according to the chapter 18 of the Hong Kong Stock Exchange listing rules.

### APPENDIX I – DISCOUNTED CASHFLOW SUMMARY FOR PROJECT JINHAO AS OF 30 JUNE 2023

#### Project JinHao

Valuation Date	30.6.2023								
Period Start	1.7.2023	1.7.2024	1.7.2025	1.7.2026	1.7.2027	1.7.2028	1.7.2029	1.7.2030	1.7.2031
Period End	30.6.2024	30.6.2025	30.6.2026	30.6.2027	30.6.2028	30.6.2029	30.6.2030	30.6.2031	30.6.2032

#### MAJOR PARAMETERS

Ore Mined (ROM)	T			90,000	90,000	90,000	90,000	90,000	90,000	79,000
Annual Growth Rate	%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Head Grade (Pb)	%			5.54%	5.54%	5.54%	5.54%	5.54%	5.54%	5.54%
Head Grade (Cu)	%			0.97%	0.97%	0.97%	0.97%	0.97%	0.97%	0.97%
Head Grade (Ag)	10 <sup>-6</sup>			127.34	127.34	127.34	127.34	127.34	127.34	127.34
Mining Dilution Rate	%			10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Mining Recovery Rate	%			90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%
Processing Recovery rate (Pb)	%			89.00%	89.00%	89.00%	89.00%	89.00%	89.00%	89.00%
Processing Recovery rate (Cu)	%			90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%
Processing Recovery rate (Ag)	%			85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%
Mining Cost	RMB/T	330	338	347	355	364	373	383	392	402
Processing Cost	RMB/T	80	82	84	86	88	91	93	95	97
Contingency Cost	% of Rev	3%	3%	3%	3%	3%	3%	3%		
Unit Price (RMB/t)	Pb	15,100	15,478	15,864	16,261	16,668	17,084	17,511	17,949	18,398
Unit Price (RMB/t)	Cu	60,200	61,705	63,248	64,829	66,450	68,111	69,814	71,559	73,348
Unit Price (RMB/Kg)	Ag	5,500	5,638	5,778	5,923	6,071	6,223	6,378	6,538	6,701

#### DISCOUNTED CASH FLOW

Revenue (Pb)	RMB			63,307,705	64,890,398	66,512,658	68,175,474	69,879,861	71,626,858	64,444,275
Revenue (Cu)	RMB			44,632,555	45,748,369	46,892,078	48,064,380	49,265,989	50,497,639	45,433,848
Revenue (Ag)	RMB			50,663,434	51,930,020	53,228,270	54,558,977	55,922,951	57,321,025	51,573,000
<b>Total Revenue</b>	RMB			<b>158,603,694</b>	<b>162,568,786</b>	<b>166,633,006</b>	<b>170,798,831</b>	<b>175,068,802</b>	<b>179,445,522</b>	<b>161,451,123</b>
Mining Cost	RMB			(31,203,563)	(31,983,652)	(32,783,243)	(33,602,824)	(34,442,895)	(35,303,967)	(31,763,764)
Processing Cost	RMB			(7,564,500)	(7,753,613)	(7,947,453)	(8,146,139)	(8,349,793)	(8,558,537)	(7,700,306)
Contingency Cost	RMB			(4,758,111)	(4,877,064)	(4,998,990)	(5,123,965)	(5,252,064)	(5,383,366)	(4,843,534)
Depreciation	RMB			(15,085,714)	(15,085,714)	(15,085,714)	(15,085,714)	(15,085,714)	(15,085,714)	(15,085,714)
NPBT	RMB			99,991,806	102,868,744	105,817,606	108,840,189	111,938,336	115,113,937	102,057,806
tax	25%			(24,997,952)	(25,717,186)	(26,454,401)	(27,210,047)	(27,984,584)	(28,778,484)	(25,514,451)
<b>NPAT</b>	RMB			<b>74,993,855</b>	<b>77,151,558</b>	<b>79,363,204</b>	<b>81,630,141</b>	<b>83,953,752</b>	<b>86,335,453</b>	<b>76,543,354</b>
NPM				47%	47%	48%	48%	48%	48%	47%
Cashflow	RMB			74,993,855	77,151,558	79,363,204	81,630,141	83,953,752	86,335,453	76,543,354
Add: depre	RMB			15,085,714	15,085,714	15,085,714	15,085,714	15,085,714	15,085,714	15,085,714
CAPEX	RMB	(52,800,000)	(52,800,000)							
NCF	RMB	(52,800,000)	(52,800,000)	90,079,569	92,237,272	94,448,918	96,715,856	99,039,466	101,421,167	91,629,069
DR	10%	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36
<b>DCF</b>	RMB	<b>(48,000,000)</b>	<b>(43,636,364)</b>	<b>67,678,113</b>	<b>62,999,298</b>	<b>58,645,347</b>	<b>54,593,579</b>	<b>50,822,906</b>	<b>47,313,723</b>	<b>38,859,670</b>
NPV	RMB	289,276,273								
DLOM	-16%	(46,284,204)								
NPV (after DLOM)	RMB	242,000,000								
Less: Debt	RMB	-35,000,000								
FV (RMB)		207,000,000								
FV (HKD)		223,228,800								
<b>FV (HKD rounded)</b>		<b>223,000,000</b>								



## APPENDIX II – SENSITIVITY ANALYSIS FOR FAIR VALUE

Among the parameters in the discount cash flow model for the Project JinHao, (1) Unit Sales Price of Commodities, (2) Discount Rate and (3) Capital Expenditure contribute the most influence on the Fair Value of the Project. Therefore, the sensitivity analysis adopted these three inputs in the base case. The base case is based on the actual market figures as of 30 June 2023. While it is the industry practice to adopt the gap of 10% for the discount rate in the sensitivity analysis, the gap of 10% is also adopted for both the unit price and the CAPEX in the sensitivity analysis as the annual growth rate of consumer price index is within 10% in the past 10 years in the market.

**Appendix Table II-1: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Lead Price vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Unit Price (RMB/ton) (rounded to hundreds)				
	12,200	13,600	15,100	16,600	18,300
8.00%	222,000,000	240,000,000	260,000,000	279,000,000	301,000,000
9.00%	205,000,000	222,000,000	242,000,000	260,000,000	280,000,000
<b>10.00%</b>	190,000,000	206,000,000	<b>223,000,000</b>	242,000,000	261,000,000
11.00%	176,000,000	191,000,000	208,000,000	224,000,000	244,000,000
12.00%	162,000,000	177,000,000	193,000,000	208,000,000	226,000,000

**Appendix Table II-2: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Copper Price vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Unit Price (RMB/ton) (rounded to hundreds)				
	48,800	54,200	60,200	66,200	72,800
8.00%	233,000,000	246,000,000	260,000,000	273,000,000	289,000,000
9.00%	216,000,000	228,000,000	242,000,000	255,000,000	269,000,000
<b>10.00%</b>	201,000,000	211,000,000	<b>223,000,000</b>	236,000,000	250,000,000
11.00%	185,000,000	196,000,000	208,000,000	220,000,000	233,000,000
12.00%	171,000,000	181,000,000	193,000,000	204,000,000	216,000,000

**Appendix Table II-3: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Silver Price vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Unit Price (RMB/kg) (rounded to hundreds)				
	4,500	5,000	5,500	6,100	6,700
8.00%	231,000,000	245,000,000	260,000,000	277,000,000	293,000,000
9.00%	214,000,000	228,000,000	242,000,000	258,000,000	274,000,000
<b>10.00%</b>	198,000,000	211,000,000	<b>223,000,000</b>	239,000,000	255,000,000
11.00%	183,000,000	195,000,000	208,000,000	222,000,000	237,000,000
12.00%	169,000,000	181,000,000	193,000,000	207,000,000	220,000,000

**Appendix Table II-4: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (CAPEX vs Discount Rate)**

Discount rate (rounded to 2 decimal places)	Capex in first year (RMB, rounded to thousands)				
	(42,768,000)	(47,520,000)	<b>(52,800,000)</b>	(58,080,000)	(63,888,000)
8.00%	273,000,000	266,000,000	260,000,000	252,000,000	245,000,000
9.00%	255,000,000	248,000,000	242,000,000	234,000,000	226,000,000
<b>10.00%</b>	237,000,000	231,000,000	<b>223,000,000</b>	217,000,000	209,000,000
11.00%	221,000,000	215,000,000	208,000,000	201,000,000	193,000,000
12.00%	206,000,000	200,000,000	193,000,000	185,000,000	178,000,000

**Appendix Table II-5: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Lead Price vs CAPEX)**

Unit Price (RMB/ton) (rounded to hundreds)	Capex in first year (RMB, rounded to thousands)				
	(42,768,000)	(47,520,000)	<b>(52,800,000)</b>	(58,080,000)	(63,888,000)
12,200	203,000,000	196,000,000	190,000,000	183,000,000	176,000,000
13,600	219,000,000	214,000,000	206,000,000	200,000,000	192,000,000
<b>15,100</b>	237,000,000	231,000,000	<b>223,000,000</b>	217,000,000	209,000,000
16,600	255,000,000	248,000,000	242,000,000	234,000,000	226,000,000
18,300	274,000,000	269,000,000	261,000,000	255,000,000	247,000,000

**Appendix Table II-6: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Copper Price vs CAPEX)**

Unit Price (RMB/ton) (rounded to hundreds)	Capex in first year (RMB, rounded to thousands)				
	(42,768,000)	(47,520,000)	<b>(52,800,000)</b>	(58,080,000)	(63,888,000)
48,800	214,000,000	207,000,000	201,000,000	193,000,000	185,000,000
54,200	224,000,000	218,000,000	211,000,000	205,000,000	196,000,000
<b>60,200</b>	237,000,000	231,000,000	<b>223,000,000</b>	217,000,000	209,000,000
66,200	249,000,000	243,000,000	236,000,000	230,000,000	222,000,000
72,800	263,000,000	257,000,000	250,000,000	243,000,000	235,000,000

**Appendix Table II-7: Sensitivity Analysis for Fair Value (HKD) of Project JinHao (Silver Price vs CAPEX)**

Unit Price (RMB/kg) (rounded to hundreds)	Capex in first year (RMB, rounded to thousands)				
	(42,768,000)	(47,520,000)	<b>(52,800,000)</b>	(58,080,000)	(63,888,000)
4,500	211,000,000	205,000,000	198,000,000	191,000,000	183,000,000
5,000	224,000,000	218,000,000	211,000,000	204,000,000	196,000,000
<b>5,500</b>	237,000,000	231,000,000	<b>223,000,000</b>	217,000,000	209,000,000
6,100	252,000,000	246,000,000	239,000,000	232,000,000	224,000,000
6,700	267,000,000	262,000,000	255,000,000	248,000,000	240,000,000

## APPENDIX III – COPY OF BUSINESS LICENSE AND EXPLORATION LICENSE

统一社会信用代码  
91530825670895798W

**营业执照**  
(副本) 副本编号: 1-1

名称 镇沅彝族哈尼族拉祜族自治县金豪矿业有限公司 注册资本 伍佰万元整

类型 有限责任公司 成立日期 2008年03月26日

法定代表人 潘国锋 营业期限 2018年03月26日至 2038年03月25日

经营范围 铜矿、铅锌矿, 有色金属销售, 铅锌矿普查, (依法须经批准的项目, 经相关部门批准后方可开展经营活动) 住所 云南省普洱市镇沅彝族哈尼族拉祜族自治县思水路(民江农贸市场段)

登记机关  
2022年7月26日

国家企业信用信息公示系统网址: <http://yn.gsxt.gov.cn> 请于每年1月1日-6月30日在国家企业信用信息公示系统(云南)报送上一年度年报并公示, 当年设立登记的, 自下一年起报送并公示, 逾期未年报的, 将依法处理。

国家市场监督管理总局监制

## 说 明

《矿产资源勘查许可证》是取得探矿权的合法凭证, 探矿权申请人经发证机关审查合格, 领取《矿产资源勘查许可证》即取得探矿权资格。根据《矿产资源勘查区块登记管理办法》的规定, 探矿权人应遵守下列规定:

- 一、探矿权人应在批准的勘查范围内依法进行勘查活动。
- 二、《矿产资源勘查许可证》不得转借、转让、买卖; 《矿产资源勘查许可证》遗失后必须到原发证机关补办。
- 三、探矿权人在《矿产资源勘查许可证》有效期内, 扩大或缩小勘查区块范围、改变勘查工作对象、转让探矿权或探矿权人改变名称或者地址的, 应按规定进行变更登记。
- 四、《矿产资源勘查许可证》有效期满, 需要延长勘查工作时间的, 探矿权人应当在勘查许可证有效期届满的30日前, 到登记管理机关办理延续登记手续。逾期不办理延续登记手续的, 勘查许可证自行废止。
- 五、探矿权人在勘查许可证有效期内探明可供开采的矿体后, 经登记管理机关批准, 可以在勘查许可证有效期届满的30日前, 申请保留探矿权。
- 六、申请采矿权的; 因故需要撤销勘查项目的; 勘查许可证有效期届满, 不办理延续登记或者不申请保留探矿权的, 探矿权人应当在勘查许可证有效期内, 向登记管理机关申请办理勘查许可证注销登记手续。
- 七、探矿权人每年应当在规定的时间内交纳矿业权占用费、国家规定的税费, 按要求填报、公示矿产资源勘查年度信息。

中华人民共和国

## 矿产资源勘查许可证



中华人民共和国自然资源部印制

根据国家法律、法规规定，经审查合格，授予探矿权，特发此证。

证号 F5308002008013010003569

探矿权人 云南彝族自治州金鑫矿业有限公司

探矿权人地址 云南省普洱市镇沅彝族自治县恩水路

勘查项目名称 云南省镇沅县登高铅铜矿勘探

地理位置 云南省普洱市镇沅县

图幅号 T47E024021

勘查面积 7.3100 平方公里

有效期限 2022年07月25日 至 2027年07月25日

发证机关  
(勘查登记专用章)

2022年07月25日

中华人民共和国自然资源部印制

勘查范围拐点坐标或区块范围图：

序号	东经度	纬度	序号	东经度	纬度
范围由 12 个拐点测定					
001	101° 11' 19.011"	24° 09' 47.433"			
002	101° 12' 11.155"	24° 09' 47.726"			
003	101° 12' 11.423"	24° 09' 03.796"			
004	101° 13' 25.910"	24° 07' 58.252"			
005	101° 14' 58.911"	24° 07' 58.252"			
006	101° 14' 58.910"	24° 07' 04.252"			
007	101° 13' 51.913"	24° 07' 10.252"			
008	101° 13' 35.910"	24° 07' 52.252"			
009	101° 13' 19.819"	24° 08' 01.718"			
010	101° 12' 01.336"	24° 08' 33.653"			
011	101° 11' 37.250"	24° 08' 03.851"			
012	101° 11' 19.021"	24° 09' 03.851"			

**APPENDIX IV – BREAKDOWN OF MINE EQUIPMENT AND FACTORY IN INVESTED FIXED ASSETS**

**Breakdown of Mine Equipment**

<b>Name</b>	<b>Life (Years)</b>	<b>Quantity</b>	<b>Unit Price (RMB)</b>	<b>Cost (RMB)</b>
Air Compressor	15	9	260,000	2,340,000
Changchai Diesel Machine	13	3	6,000	18,000
Rock Drilling Machine	13	16	34,700	555,200
Pneumatic pick	13	3	2,400	7,200
Transformer	13	3	50,000	150,000
Starter Cabinet	13	3	48,000	144,000
Diesel Generator Set	13	3	400,000	1,200,000
Fan	11	24	3,000	72,000
Motor	13	3	15,000	45,000
Ventilating Machine	13	3	54,000	162,000
Steel Wheel Standard Track Locomotive powered by Diesel Machine	13	3	73,600	220,800
Water Pump	13	3	27,600	82,800
Loader	8	6	245,000	1,470,000
Mining Substation	13	3	15,400	46,200
Jia Ming GPS	13	3	3,800	11,400
Handheld measuring instrument	15	3	2,400	7,200
Explosives Depot	11	3	250,000	750,000
Pit tunnel support (Silver stove room)	13	3	1,000,000	3,000,000
Workshop	13	2	1,500,000	3,000,000
Tailings reservoir foundation dam	8	1	9,500,000	9,500,000
Tailings pond height expansion	14	1	9,500,000	9,500,000
Mine Line	13	3	139,800	419,400
Mine Stockyard	13	3	159,400	478,200
Retaining walls along mine roads	13	3	39,300	117,900
Staff room of the mine	13	3	900,000	2,700,000
Explosives Depot HK Video Surveillance System	13	3	30,000	90,000
Full drilling instrument	13	3	15,500	46,500
Samsung® All-in-one Machine	5	3	1,800	5,400
Laptop	6	3	4,400	13,200

Name	Life (Years)	Quantity	Unit Price (RMB)	Cost (RMB)
Liu Da System	14	3	280,000	840,000
Trolley	13	3	15,000	45,000
Mine roads	13	3	300,000	900,000
Mine belt mud dewatering machine (Tailings dewatering)	15	3	177,900	533,700
Rock Drilling Machine	15	6	2,800	16,800
Motor	15	3	3,600	10,800
Mine Cart	15	15	5,900	88,500
Pit tunnel support (Workshop)	30	12M	3,200	38,400
Winch	15	9	80,000	720,000
Pit tunnel support (Silver stove room)	30	1400M	1,200,000	1,200,000
Pit tunnel support (Workshop)	30	1400M	1,200,000	1,200,000
Rock Drilling Machine	15	15	3,500	52,500
Winch	15	3	118,700	356,100
Pit tunnel support (Silver stove room)	30	1400M	1,268,000	1,268,000
Water Pump	5	15	2,300	34,500
Surveillance System	15	3	8,600	25,800
Air-leg Rock Drilling Machine	5	12	6,400	76,800
0.75 cubic meter Mine Cart	15	12	8,000	96,000
Diesel Generator Set	15	6	13,500	81,000
10KG Mine Feeder	15	3	25,700	77,100
Wheel Pair	5	3	4,200	12,600
Air Compressor	15	3	32,500	97,500
Rock Drilling Machine	15	6	3,200	19,200
Motor Electricity Distribution Cabinet	15	3	5,500	16,500
45KW Starter Cabinet	15	3	6,800	20,400
1.1 Sewage Pump	15	6	18,600	111,600
Air-leg Rock Drilling Machine	15	3	15,000	45,000
<b>Total:</b>				<b><u>44,100,000</u></b>

**Breakdown of Factory**

Name	Life (Years)	Quantity	Unit price (RMB)	Cost (RMB)
Jaw crusher	13	3	80,000	240,000
Fine crusher	13	3	95,000	285,000
Lime agitator	13	3	10,000	30,000
Belt feeder	14	3	28,000	84,000
Vibrating feeder	14	3	5,500	16,500
Ball mill	15	3	350,000	1,050,000
Spiral classifier	7	3	148,000	444,000
Motor start control	13	3	30,000	90,000
Fan	13	24	3,000	72,000
Low-voltage switchboard	13	3	30,000	90,000
Capacitance compensator	13	3	10,000	30,000
Abrasive wheel cutting machine	13	3	5,000	15,000
Jack	13	3	6,000	18,000
Gantry	13	3	5,000	15,000
Lead Zinc Mixing Bucket	10	3	186,000	558,000
Lead mixing bucket	8	3	62,000	186,000
Zinc mixing bucket	8	3	42,000	126,000
Flotation machine	14	3	336,000	1,008,000
Plate and frame filter press	7	3	155,500	466,500
Minerals concentrate belt conveyor	7	3	40,000	120,000
Minerals concentrate pump	13	3	10,000	30,000
Welding machine	13	3	2,200	6,600
Weighbridge	8	3	80,000	240,000
Hand chain hoist	13	3	2,000	6,000
Drilling machine	13	16	8,000	128,000
Linesman pliers	13	3	1,000	3,000
Transformer	15	3	171,000	513,000
Loader	8	3	245,000	735,000
Building	15	1	1,000,000	1,000,000
Wear resistant anti-corrosion pump	13	3	8,300	24,900
Plant workers housing	8	1	446,800	446,800
Color steel tile house in the dressing plant	13	3	200,000	600,000
Pharmacy warehouse	13	1	112,000	112,000



Name	Life (Years)	Quantity	Unit price (RMB)	Cost (RMB)
Oil depot	13	1	300,000	300,000
10KV Line Engineering	13	3	132,400	397,200
Production water pool	8	3	80,000	240,000
Stockyard	13	1	369,000	369,000
Plant to tailings dam road	11	3	147,800	443,400
Sewage pump	15	3	7,100	21,300
Transformer	30	3	18,300	54,900
Water pump	10	3	7,100	21,300
Reducer gear	15	3	18,900	56,700
7.5K Sewage pump	7	3	2,500	7,500
4.5KW 90 Soft starter cabinet	30	3	8,800	26,400
Screw machine	15	3	25,000	75,000
Pump with seat	15	3	4,700	14,100
Centrifugal pump	15	3	6,100	18,300
Inverter	7	3	22,600	67,800
Sewage pump	7	3	5,000	15,000
Water pump	7	3	7,000	21,000
Lenovo notebook	7	3	5,900	17,700
<b>Total:</b>				<b><u>11,000,000</u></b>

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN  
CONNECTION WITH THE BUSINESS VALUATIONS OF ZHENYUAN COUNTY  
JIUYUAN MINING CO., LTD AND ZHENYUAN COUNTY JINHAO MINING CO., LTD  
  
TO THE BOARD OF DIRECTORS OF ASIA RESOURCES HOLDINGS LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the business valuations (the "Valuations") dated 30 June 2023 prepared by AP Appraisal Limited in respect of the appraisal of the fair value of the 100% equity interests in ZhenYuan County JiuYuan Mining Co., Ltd ("Jiuyuan") and ZhenYuan County JinHao Mining Co., Ltd ("Jinhao") is based. The Valuations are set out in Appendix IX and Appendix X respectively of the circular of Asia Resources Holdings Limited (the "Company") dated 9 November 2023 (the "Circular") in connection with the acquisitions by the Company of 100% equity interest in Yonyin Investment Holdings Limited ("Target Company A") and 73.1% equity interest in Yongming Investment Holdings Limited ("Target Company B"). The Valuations based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

**Directors' Responsibilities for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows including the bases and assumptions set out in Appendix IX and Appendix X of the Circular on which the discounted future estimated cash flows are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

**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 Hong Kong Institute of Certified Public Accountants (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 (HKSQM), Quality Management for Firms that Perform Audits or 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 Accountant's Responsibilities**

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the assumptions on which the Valuations are based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out in Appendix IX and Appendix X of the Circular. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Companies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the directors of the Company as set out in Appendix IX and Appendix X of the Circular.

**Lau & Au Yeung C.P.A. Limited***Certified Public Accountants***Au Yeung Tin Wah**

Practising Certificate Number: P02343

Hong Kong, 9 November 2023



建泉融資有限公司  
VBG Capital Limited

21/F., Grand Millennium Plaza,  
181 Queen's Road Central  
Hong Kong

9 November 2023

The Board of Directors  
Room 2601, 26/F, West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Sheung Wan, Hong Kong

Dear Sirs,

We refer to the announcement (the “**Announcement**”) of Asia Resources Holdings Limited (the “**Company**”) dated 23 August 2023 in relation to a major acquisition of the Company, namely Yonyin Investment Holdings Limited and Yongming Investment Holdings Limited (the “**Target Companies**”) and the valuation in respect of the Target Companies (the “**Valuation**”) prepared by AP Appraisal Limited, the independent valuer of the Company (the “**Independent Valuer**”). We understand that the Independent Valuer has prepared the Valuation based on the discounted cash flow method, which is regarded as a profit forecast (the “**Forecast**”) under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

We, as the financial adviser to the Company in relation to the Forecast, have reviewed the Forecast upon which the Valuation has been made, for which you as the directors of the Company (the “**Directors**”) are solely responsible. We have discussed with the management of the Company and the Independent Valuer the bases and assumptions upon which the Valuation has been prepared. We have also considered the letter from Lau & Au Yeung C.P.A. Limited dated 9 November 2023 addressed solely to yourselves regarding the discounted future estimated cash flows. The Forecast is based on a number of bases and assumptions. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the businesses of the Target Companies may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Independent Valuer, for which the Independent Valuer and the Company are responsible, we are satisfied with the Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry by you.

The work undertaken by us in giving the above view has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work or this letter.

Yours faithfully,

For and on behalf of

**VBG Capital Limited**

**Hui Ringo Wing Kun**

*Director*

## 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 Group. 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, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS IN EQUITY OR DEBT SECURITIES

As at the Latest Practicable Date, the interests and short positions of each Director, chief executive of the Company and their respective associates in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (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 (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange are set out below:

Long positions in Shares as at the Latest Practicable Date:

Name of Chief Executive/Director	Personal interests	Number of Shares held (Note 1)		Approximate % of the issued share capital in the Company (Note 2)
		Corporate interests	Total	
Li Yuguo	226,800,000	–	226,800,000	24.17%
Liu Yan Chee James	13,650,000	–	13,650,000	1.45%
Yang Xiaoqiang	35,482,000	–	35,482,000	3.78%
Huang Yilin	7,000	–	7,000	0.00%

Notes:

- All interests stated are long positions.
- The percentage figures are based on the number of Shares in issue as at the Latest Practicable Date (i.e. 938,402,800 Shares).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (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 (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and 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, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in Shares and underlying shares of equity derivatives of the Company as at the Latest Practicable Date:

Name of Substantial Shareholder	Capacity/nature of interests	Number of Shares held (Note 1)	Approximate % of the issued share capital in the Company (Note 2)
Li Yuguo	Beneficial owner	226,800,000	24.17%
Full Tenda Development Limited (Note 3)	Beneficial owner	77,003,800	8.20%

Notes:

- All interests stated are long positions.
- The percentage figures are based on the number of Shares in issue as at the Latest Practicable Date (i.e. 938,402,800 Shares).
- Full Tenda Development Limited is a company incorporated in Hong Kong with limited liability, which is owned by Mr. Fung Ming and Mr. Yao Jigen as to 50% and 50% respectively. To the best knowledge of the Directors, Full Tenda Development Limited is principally engaged in investment holding.



Save as disclosed herein, as at the Latest Practicable Date, there was no other person so far as was known to the Directors of the Company (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and 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, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not expiring or determinable within one year without payment of compensation (other than statutory compensation).

#### 5. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date, save as disclosed herein:

- (a) none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, 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; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting as at the date of this circular and which was significant in relation to the business of the Group as a whole.

#### 6. EXPERTS' CONSENT AND QUALIFICATION

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
AP Appraisal Limited	Independent valuer and competent person under Chapter 18 of the Listing Rules
Lau & Au Yeung C.P.A. Limited	Certified public accountants

Name	Qualification
VBG Capital Limited	A licenced corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

As at the Latest Practicable Date, each of AP Appraisal Limited, Lau & Au Yeung C.P.A. Limited and VBG Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter(s), report(s), opinion and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of AP Appraisal Limited, Lau & Au Yeung C.P.A. Limited and VBG Capital Limited had any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of AP Appraisal Limited, Lau & Au Yeung C.P.A. Limited and VBG Capital Limited had any direct or indirect interest in any assets which have been, since 31 March 2023 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

## 8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

**10. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Company or any members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the acquisition agreement dated 31 January 2022 entered into between the subsidiary of the Company, World Kingdom Worldwide Limited as the purchaser, Ms. Kwong Wing Yee as the vendor and Shun Jie International Holdings Company Limited as the target company, pursuant to which, the purchaser acquired 100% of the issued share capital of, and the shareholder's loan advanced to the target company, at a consideration of RMB376,000,000. The details are set out in the announcements of the Company dated 31 January 2022 and 27 May 2022 respectively, and the circular of the Company dated 28 March 2022;
- (b) the placing agreement dated 5 July 2022 entered into between the Company and Silverbricks Securities Company Limited as the placing agent in relation to the placing of up to 1,000,000,000 Shares by the placing agent to not less than 6 independent placees at a price of HK\$0.03 per placing share pursuant to the terms and conditions thereof. The details are set out in the announcement of the Company dated 5 July 2022;
- (c) the fourth further supplemental agreement dated 19 August 2022 entered into between Asiaciti Investment Limited as purchaser and Mr. Li Yuguo, pursuant to which, Mr. Li Yuguo agreed to repay Asiaciti Investment Limited on or before 2 July 2023 the aggregate outstanding interest in the amount of approximately RMB88.6 million together with interest to be accrued thereon calculated on a daily basis at an interest rate of 8% per annum accrued from 19 August 2022 until payment. The details are set out in the circular of the Company dated 30 September 2022;
- (d) the joint venture agreement dated 16 December 2022 entered into between World Legend Enterprises Limited and Mr. Liu Haijun, pursuant to which, the parties agreed to establish the joint venture company with an initial share capital of HK\$100, of which 51 ordinary shares shall be issued to World Legend Enterprises Limited at a subscription price of HK\$100,000 (comprising share capital of HK\$51 and share premium of HK\$99,949), and 49 ordinary shares shall be issued to Mr. Liu Haijun at a subscription price of HK\$49 and further contribution by way of the sales agency right. The details are set out in the announcement of the Company dated 16 December 2022 and the supplemental announcement of the Company dated 6 March 2023;

- (e) the placing agreement dated 16 March 2023 entered into between the Company and Silverbricks Securities Company Limited as the placing agent in relation to the placing of up to 77,233,800 Shares by the placing agent to not less than 6 independent placees at a price of HK\$0.146 per placing share pursuant to the terms and conditions thereof. The details are set out in the announcement of the Company dated 16 March 2023;
- (f) the sale and purchase agreement dated 27 April 2023 entered into between the Company, Ms. Mao Yuzhen and Century Strong Limited in respect of the disposal of the entire issued share capital of, and the shareholder's loan advanced to, Century Strong Limited; and
- (g) the Agreements.

## 11. GENERAL

- (a) The company secretary of the Company is Mr. Wu Ho Wai, a fellow member of the Association of Chartered Certified Accountants and also a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The share registrar and transfer office of the Company is Tricor Secretaries Limited.
- (c) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

## 12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.asiaresources899.com.hk> from the date of this circular up to and including the date of SGM (and for not less than 14 days):

- (a) the Agreements;
- (b) the material contracts as referred to in the section headed "10. Material Contracts" of this appendix;
- (c) the Bye-Laws;
- (d) the audited consolidated accounts for the Group for the years ended 31 March 2021, 31 March 2022 and 31 March 2023;

- (e) the accountants' reports of the Target Company A, the texts of which are set out in Appendix II of this circular;
- (f) the accountants' reports of the Target Company B, the texts of which are set out in Appendix III of this circular;
- (g) the accountants' reports of Jiuyuan Mining, the texts of which are set out in Appendix IV of this circular;
- (h) the accountants' reports of Jinhao Mining, the texts of which are set out in Appendix V of this circular;
- (i) the pro forma financial information of the Enlarged Group as set out in Appendix VII of this circular;
- (j) the Competent Person's Report, the text of which is set out in Appendix VIII of this circular;
- (k) the Valuation Report on Jiuyuan Mining, the texts of which are set out in Appendix IX of this circular;
- (l) the Valuation Report on Jinhao Mining, the texts of which are set out in Appendix X of this circular;
- (m) the report from the reporting accountant regarding profit forecast, the texts of which are set out in Appendix XI of this circular;
- (n) the letter from VBG Capital Limited regarding profit forecast, the texts of which are set out in Appendix XII of this circular;
- (o) the written consent of the experts as referred to in the section headed "6. Experts' Consent and Qualification" of this appendix; and
- (p) this circular.

# Asia Resources Holdings Limited

## 亞洲資源控股有限公司\*

*(incorporated in Bermuda with limited liability)*

(Stock Code: 899)

### NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Asia Resources Holdings Limited (the “Company”) will be held at Units 1302-03, 13/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Tuesday, 28 November 2023 at 11:00 a.m. for the following purposes. Unless otherwise indicated, capitalized terms used herein shall have the same meaning as those defined in the circular of the Company dated 9 November 2023.

#### ORDINARY RESOLUTIONS

“THAT:

- 1 (a) the Agreement A dated 23 August 2023, details of which are disclosed in the circular of the Company dated 9 November 2023, entered into between the Company, the Vendor, the Target Company A and the Guarantors (a copy of the Agreement marked “A” is produced to the SGM and signed by the chairman of the SGM for identification purpose) and the transactions contemplated thereunder and the execution thereof be and are hereby ratified, confirmed and approved;
- (b) the issue and allotment of 32,000,000 Consideration Shares to the Vendor pursuant to the terms of the Agreement A be and are hereby approved;
- (c) subject to and conditional upon the Listing Committee of the Stock Exchange 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 issue, allot and credit as fully paid, the Consideration Shares, on and subject to the terms and conditions of the Agreement A, provided that such authority granted to the Directors shall be in addition to, and shall not prejudice

\* For identification purpose only

## NOTICE OF SGM

nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolutions; and

- (d) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify and execute all such documents and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Agreement A, the Specific Mandate and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers as are, in his/her opinion, in the interests of the Company and its shareholders.
- 2
- (a) the Agreement B dated 23 August 2023, details of which are disclosed in the circular of the Company dated 9 November 2023, entered into between the Company, the Vendor, the Target Company B and the Guarantors (a copy of the Agreement marked "B" is produced to the SGM and signed by the chairman of the SGM for identification purpose) and the transactions contemplated thereunder and the execution thereof be and are hereby ratified, confirmed and approved;
  - (b) the issue and allotment of 155,680,000 Consideration Shares to the Vendor pursuant to the terms of the Agreement B be and are hereby approved;
  - (c) subject to and conditional upon the Listing Committee of the Stock Exchange 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 issue, allot and credit as fully paid, the Consideration Shares, on and subject to the terms and conditions of the Agreement B, provided that such authority granted to the Directors shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolutions; and

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- (d) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify and execute all such documents and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Agreement B, the Specific Mandate and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers as are, in his/her opinion, in the interests of the Company and its shareholders.”

By Order of the Board  
**Asia Resources Holdings Limited**  
**Li Yuguo**  
*Executive Director*

Hong Kong, 9 November 2023

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, subject to the provisions of the bye-laws of the Company, vote in his/her stead. A proxy need not be a member of the Company. 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. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than Sunday, 26 November 2023 at 11:00 a.m. (Hong Kong time) or not less than 48 hours before the time for holding the said meeting or any adjourned meeting.
3. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 24 November 2023 to Tuesday, 28 November 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the SGM (or at any adjournment thereof), all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Thursday, 23 November 2023.
4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof, should he/she so wish, and in such event, the authority of the proxy shall be deemed to be revoked.



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5. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
6. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect at the time of the meeting, the meeting will be held as scheduled unless further notice posted on the websites of the Company at <http://www.asiaresources899.com.hk> and the Stock Exchange at <http://www.hkexnews.hk> to notify shareholders of the date, time and place of the rescheduled meeting.

Shareholders should make their own decision as to whether they would attend the meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

*As at the date of this notice, the Board consists of three executive directors, Mr. Li Yuguo, Mr. Liu Yan Chee James and Mr. Li Xiaoming; two non-executive directors, Mr. Yang Xiaoqiang and Mr. Huang Yilin; and three independent non-executive directors, Mr. Ba Junyu, Mr. Zhu Xueyi and Mr. Wong Chung Man.*