



安徽金岩高嶺土新材料股份有限公司 ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD.

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

Stock Code : 2693



GLOBAL
OFFERING

Joint Sponsors



Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

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



ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD.

安徽金岩高嶺土新材料股份有限公司

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

GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	: 24,300,000 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 2,430,000 H Shares (subject to reallocation)
Number of International Offer Shares	: 21,870,000 H Shares (subject to reallocation and the Over-Allotment Option)
Offer Price	: HK\$7.30 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: RMB1.00 per H Share
Stock code	: 2693

Joint Sponsors



Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers (In alphabetical order)



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

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

The Offer Price will be HK\$7.30 per Offer Share.

Applicants for the Hong Kong Offer Shares must pay, on application, the Offer Price of HK\$7.30 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%. The Overall Coordinators, for themselves and on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that is stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at <https://www.grkaolin.com/> as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the section headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this Prospectus, in particular, the risk factors set out in the section headed "Risk Factors." Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Overall Coordinators, for themselves and on behalf of the Hong Kong Underwriters, have the right in certain circumstances, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Grounds for Termination." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

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

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at <https://www.grkaolin.com/>. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

November 25, 2025

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

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

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at <https://www.grkaolin.com/>. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Hong Kong Offer Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, your **broker** or **custodian** may require you to pre-fund your application in such amount as determined by the broker or custodian, based on the applicable laws and regulations in Hong Kong. You are responsible for complying with any such pre-funding requirement imposed by your broker or custodian with respect to the Hong Kong Offer Shares you applied for.

No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application
	HK\$		HK\$		HK\$		HK\$
500	3,686.82	6,000	44,241.72	40,000	294,944.82	400,000	2,949,448.20
1,000	7,373.62	7,000	51,615.35	45,000	331,812.92	500,000	3,686,810.26
1,500	11,060.44	8,000	58,988.97	50,000	368,681.03	600,000	4,424,172.30
2,000	14,747.23	9,000	66,362.58	60,000	442,417.24	700,000	5,161,534.36
2,500	18,434.05	10,000	73,736.20	70,000	516,153.44	800,000	5,898,896.40
3,000	22,120.86	15,000	110,604.31	80,000	589,889.65	900,000	6,636,258.46
3,500	25,807.67	20,000	147,472.41	90,000	663,625.85	1,000,000	7,373,620.50
4,000	29,494.48	25,000	184,340.51	100,000	737,362.06	1,100,000	8,110,982.56
4,500	33,181.30	30,000	221,208.61	200,000	1,474,724.10	1,215,000 ⁽¹⁾	8,958,948.91
5,000	36,868.10	35,000	258,076.72	300,000	2,212,086.16		

Notes:

- (1) Maximum number of Hong Kong Offer Shares you may apply for.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

EXPECTED TIMETABLE⁽¹⁾

If there is any change to the expected timetable of the Hong Kong Public Offering, we will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and our website at <https://www.grkaolin.com/>.

Hong Kong Public Offering commences 9:00 a.m. on Tuesday,
November 25, 2025

Latest time to complete applications under the
White Form eIPO service through the
designated website at www.eipo.com.hk⁽²⁾ 11:30 a.m. on Friday,
November 28, 2025

Application lists open⁽³⁾ 11:45 a.m. on Friday,
November 28, 2025

Latest time (a) to complete payment of **White Form eIPO**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) and (b) give **electronic**
application instructions to HKSCC⁽⁴⁾ 12:00 noon on Friday,
November 28, 2025

If you are instructing your **broker** or **custodian** who is a HKSCC Participant will submit **electronic application instructions** on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

Application lists close⁽³⁾ 12:00 noon on Friday,
November 28, 2025

Announcement of:

- the level of applications of the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer
Shares to be published on the website of the
Stock Exchange at www.hkexnews.hk and
our website at <https://www.grkaolin.com/>⁽⁶⁾ no later than 11:00 p.m. on
Tuesday, December 2, 2025

EXPECTED TIMETABLE⁽¹⁾

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be made available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — Publication of Results", including:

- in the announcement to be posted on the website of the Stock Exchange at www.hkexnews.hk and our website at <https://www.grkaolin.com/>⁽⁶⁾ respectively no later than 11:00 p.m. on Tuesday, December 2, 2025
- on the designated results of allocation website at www.iporeresults.com.hk (alternatively: www.eipo.com.hk/eIPOAllotment) with a "search by ID" function from 11:00 p.m. on Tuesday, December 2, 2025 to 12:00 midnight on Monday, December 8, 2025
- from the allocation results telephone enquiry line by at +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Wednesday, December 3, 2025, Thursday, December 4, 2025, Friday, December 5, 2025 and Monday, December 8, 2025

Despatch of H Share certificates in respect of wholly or partially successful applications, or deposit of H Share certificate into CCASS, on or before⁽⁷⁾ Tuesday, December 2, 2025

Despatch of **White Form** e-Refund payment instructions and refund cheques in respect of wholly or partially successful applications on or before⁽⁸⁾ Wednesday, December 3, 2025

Dealings in our H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on Wednesday, December 3, 2025

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All dates and times refer to Hong Kong local time and dates unless otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for making applications. If you have already submitted your application and obtained an application reference number from the designated website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for making applications, when the application lists close.
- (3) If there is Severe Weather Signal (as defined in the section headed “How to Apply for the Hong Kong Offer Shares — Severe Weather Arrangements”) in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 28, 2025 the application lists will not open or close on that day. See the section headed “How to Apply for the Hong Kong Offer Shares — Severe Weather Arrangements” for further details.
- (4) If you instruct your broker or custodian who is an HKSCC Participant to give **electronic application instructions** via FINI to apply for the Hong Kong Offer Shares on your behalf, you should contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.
- (5) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (6) The H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be on or around Wednesday, December 3, 2025 provided that the Global Offering has become unconditional in all respects. Investors who trade our H Shares on the basis of publicly available allocation details before the receipt of H Share certificates or before the H Share certificates become valid evidence of title do so entirely at their own risk.
- (7) Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Any uncollected H Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

Applicants who have applied through **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of **White Form e-Refund** payment instructions. Applicants who have applied through **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheque(s) in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

For applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel, H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to their designated HKSCC Participant’s stock account.

For applicants who have applied through **HKSCC EIPO** channel, their broker or custodian will arrange refund to their designated bank account subject to the arrangement between them and their broker or custodian.

Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares — Despatch/Collection of H Share Certificates and Refund of Application Monies”.

- (8) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC via FINI should refer to “How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels” for details.

EXPECTED TIMETABLE⁽¹⁾

The above expected timetable is a summary only. You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” for details relating to the structure of the Global Offering and the conditions and procedures for application for the Hong Kong Offer Shares.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as practicable thereafter.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this Prospectus to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by our Company, the Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.

	<i>Page</i>
EXPECTED TIMETABLE	iv
CONTENTS	viii
SUMMARY	1
DEFINITIONS	26
GLOSSARY OF TECHNICAL TERMS	38
FORWARD-LOOKING STATEMENTS	44
RISK FACTORS	46
WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES	78
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING	82
DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING	87

CONTENTS

CORPORATE INFORMATION		93
INDUSTRY OVERVIEW		95
REGULATORY OVERVIEW		117
SUMMARY OF THE JORC CODE		130
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE		133
BUSINESS		144
CONNECTED TRANSACTIONS		266
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT		280
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS		302
SUBSTANTIAL SHAREHOLDERS		309
SHARE CAPITAL		310
FINANCIAL INFORMATION		313
CORNERSTONE INVESTORS		379
FUTURE PLANS AND USE OF PROCEEDS		385
UNDERWRITING		394
STRUCTURE OF THE GLOBAL OFFERING		407
HOW TO APPLY FOR HONG KONG OFFER SHARES		418
APPENDIX I	ACCOUNTANT’S REPORT	I-1
APPENDIX IA	UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION	IA-1
APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III	TAXATION AND FOREIGN EXCHANGE	III-1

CONTENTS

APPENDIX IV	SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS.	IV-1
APPENDIX V	SUMMARY OF THE ARTICLES OF ASSOCIATION.	V-1
APPENDIX VI	INDEPENDENT TECHNICAL REPORT.	VI-1
APPENDIX VII	PROPERTY VALUATION REPORT.	VII-1
APPENDIX VIII	STATUTORY AND GENERAL INFORMATION.	VIII-1
APPENDIX IX	DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY.	IX-1

SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole Prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this Prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.

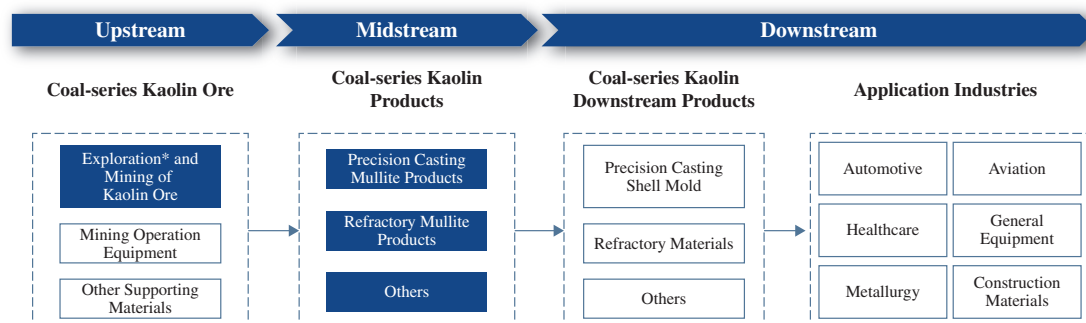
OVERVIEW

We specialize in coal-series kaolin in China, with integrated capabilities spanning the value chain from mining, R&D, processing to production and sales. According to Frost & Sullivan, we ranked fifth in terms of revenue of coal-series calcined kaolin companies in China in 2024, with a market share of 5.4%. As a prominent producer of calcined kaolin products in China, our business is anchored by our abundant and high-quality coal-series kaolin mineral assets. Our products mainly include precision casting mullite products and refractory mullite products, which are essential materials for precision casting shell mold and refractory materials. We also sell raw coke and raw powder to customers for further processing.

We have established a strong market position through our integrated business model and product quality advantages. For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, we produced 117.9 kt, 114.5 kt, 105.6 kt, 46.8 kt and 84.8 kt of precision casting mullite products and 5.2 kt, 19.8 kt, 25.7 kt, 10.6 kt and 10.6 kt of refractory mullite products, respectively. According to Frost & Sullivan, we were the largest precision casting mullite products producer in China in terms of the revenue in 2024, with a market share of 19.1%. According to the same source, the market size of precision casting mullite products in China is expected to grow from RMB971.9 million in 2024 to RMB1,362.0 million in 2029, representing a CAGR of 7.0%, and the market size of refractory mullite products in China is expected to grow from RMB5,525.8 million in 2024 to RMB6,430.9 million in 2029, representing a CAGR of 3.1%. We are well-positioned to capture the growing market demand for refractory mullite products and strengthen our competitive position through differentiated product performance, disciplined execution and timely capacity expansion. Our kaolin ore is in inherently high quality, which enables efficient processing while maintaining consistently high product standards. Moreover, according to Frost & Sullivan, our kaolin ore exhibits superior refractoriness, hardness and chemical stability compared with the industry average, making it suitable for producing precision casting mullite products and refractory mullite products, which have become a preferred choice in high-temperature applications such as steel, cement, and glass, supporting sustained customer adoption and market share gains. As industry demand steadily increases, we are expanding capacity to continue consolidating share and competing effectively with existing and potential market participants. See “Future Plans and Use of Proceeds — Use of Proceeds.”

SUMMARY

Our products serve critical needs across multiple industries. Precision casting mullite products are primarily used as materials for shell mold-making in precision casting processes. These products are essential for casting high-precision components used in industries such as automotive, aviation, healthcare and general equipment. Refractory mullite products are mainly used to produce refractory materials, serving industries such as metallurgy and construction materials.



 Our business

Note:

* We are not engaged in the exploration of kaolin

Source: Frost & Sullivan Report

Our business is anchored by our abundant and high-quality mineral resources. In October, 2021, we entered into an asset transfer agreement with Shuoli Mining, pursuant to which we acquired the Shuoli Kaolin Mine. See “History, Development and Corporate Structure — Major Shareholding Changes of Our Company.” Since 2021, we have fully owned the Shuoli Kaolin Mine in Huaibei City, Anhui Province, which is renowned for its rich coal-series kaolin resources. According to the Independent Technical Report, as of May 31, 2025, our Shuoli Kaolin Mine possesses total estimated Mineral Resources of approximately 18,649 kt, comprising 2,367 kt of Measured Resources, 8,990 kt of Indicated Resources and 7,292 kt of Inferred Resources, and total estimated Ore Reserves of approximately 6,062 kt, comprising 1,093 kt of Proved Reserves and 4,969 kt of Probable Reserves. According to the Independent Technical Report, as of May 31, 2025, at the annual production volume of 400,000 tonnes, the remaining LoM of the Shuoli Kaolin Mine was estimated to be approximately 16 years. The geological characteristics of our mineral deposits offer operational advantages due to the nature of the associated coal-series kaolin found in our mine. The kaolin ore mined from our Shuoli Kaolin Mine can proceed directly to processing after being classified by type and specification, and only simple purification process is required before entering the beneficiation and processing stage. This reflects the inherently high quality of our kaolin ore, which enables efficient processing while maintaining consistently high product standards. Moreover, according to Frost & Sullivan, our kaolin ore exhibits superior refractoriness, hardness and chemical stability compared with the industry average, making it suitable for producing precision casting mullite products and refractory mullite products.

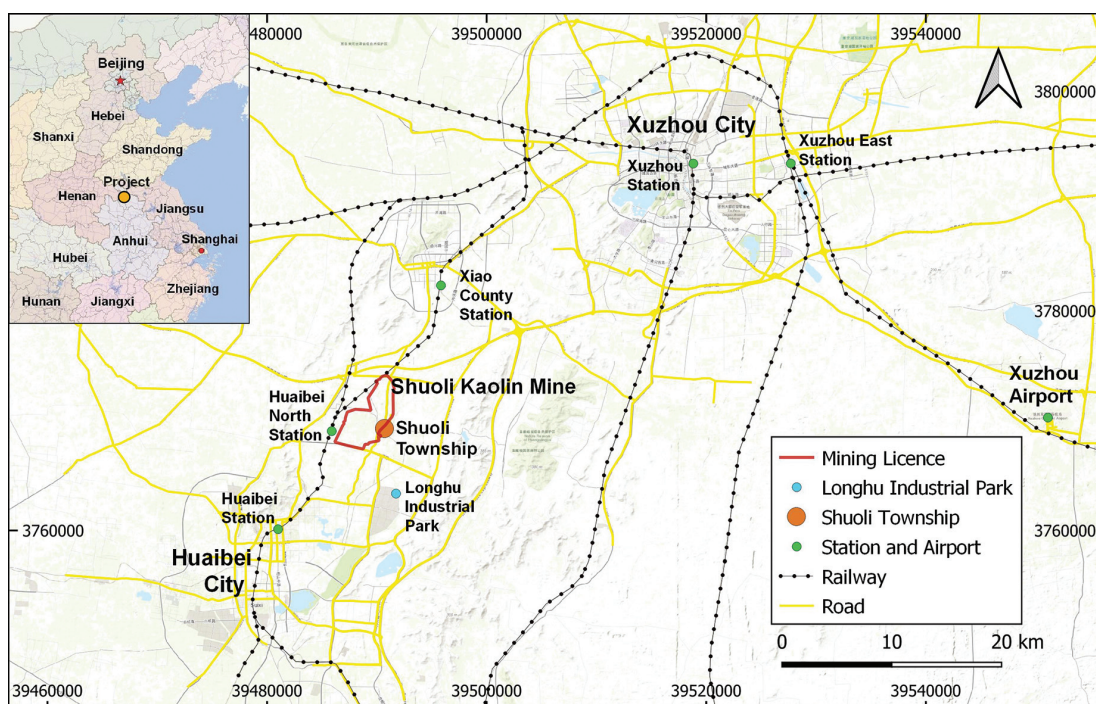
For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, we generated revenue of approximately RMB190.4 million, RMB204.7 million, RMB267.1 million, RMB88.3 million and RMB104.9 million, respectively, and achieved net profit of approximately RMB24.4 million, RMB43.6 million, RMB52.6 million, RMB14.5 million and RMB18.0 million, respectively, demonstrating our sustained growth and profitability.

SUMMARY

OUR MINERAL ASSETS AND MINING RIGHTS

Location and Access

The Shuoli Kaolin Mine is in Shuoli Town, Duji District, Huaibei City, Anhui Province, with a mining area of 17.9955 square kilometers. It is located in the hinterland of East China, at the junction of four provinces, namely, Jiangsu, Shandong, Henan and Anhui, and adjacent to the Yangtze River Delta city cluster. Our Shuoli Kaolin Mine benefits from a well-developed transportation network. It is connected to other parts of Huaibei City via the Anhui Provincial Highway S101 and other paved roads, and extends reach to Jiangsu, Zhejiang, Fujian, Shandong, Henan, Hubei, Hunan, Jiangxi, Shaanxi and Guizhou Provinces via the G30 and G3 Expressways. From Jiangsu Province and Shandong Province, we are able to deliver our products to Guangdong Province by sea. Such transportation network provides a convenient network for the transportation of our products to Huaibei City and the surrounding areas. The following map illustrates the location of our Shuoli Kaolin Mine:



Mineral Resource and Ore Reserve

According to the Independent Technical Report, the Mineral Resource of the Shuoli Kaolin Mine has been classified as Measured, Indicated and Inferred according to increasing degrees of confidence in the geological continuity, sample density, data quality, surface mapping and drilling spacing; and geological modeling was conducted based on topographic and geological mapping and results of the drilling programs.

SUMMARY

The following table sets forth a summary of the Mineral Resource estimate of our Shuoli Kaolin Mine as of May 31, 2025, and reported in accordance with the JORC Code, as contained in the Independent Technical Report in Appendix VI to this prospectus:

Type of Mineral Resources	Tonnage	Al ₂ O ₃	Al ₂ O ₃ Material	SiO ₂	SiO ₂ Material
	(kt)	(%)	(kt)	(%)	(kt)
Measured	2,367	40.35	955	42.83	1,013
Indicated	8,990	40.28	3,621	41.13	3,698
Measured and Indicated	11,357	40.29	4,576	41.49	4,711
Inferred	7,292	40.30	2,939	41.58	3,032
Total/Overall	18,649	40.30	7,515	41.52	7,743

The following table presents a summary of the Ore Reserve estimate of our Shuoli Kaolin Mine as of May 31, 2025, and reported in accordance with the JORC Code, as contained in the Independent Technical Report in Appendix VI to this prospectus:

Type of Ore Reserves	Ore Reserve	Al ₂ O ₃	Fe ₂ O ₃	TiO ₂
	(kt)	(%)	(%)	(%)
Proved	1,093	38.9	0.66	0.51
Probable	4,969	37.9	1.08	0.49
Total	6,062	38.1	1.00	0.49

Mining License

The material terms of our mining license are set out below:

- Issuing authority: Huaibei Municipal Bureau of Natural Resources and Planning
- Holder of mining license: The Company
- Name of mine: Huaibei City Shuoli Kaolin Mine
- License number: C3400002019117120148949
- Mining method allowed: Underground mining
- Production volume allowed: 500.0 thousand tonnes per year
- Area of mine allowed: 17.9955 square kilometers
- Mining elevations allowed: 50-240m below the surface
- Period of validity granted: From November 19, 2021 to November 19, 2024 and extended to November 20, 2039 after the renewal on March 6, 2024
- Applicable natural resources: Kaolin

See “Business — Our Mineral Assets and Mining Rights — Our Kaolin Mineral Assets — Shuoli Kaolin Mine — Mining License” for further details. We did not pledge any mining rights to secure any of our banking facilities during the Track Record Period and up to the Latest Practicable Date. See “Financial information — Indebtedness” in this prospectus for further details of our banking facilities.

SUMMARY

Capital Costs

According to the Independent Technical Report, our capital costs were RMB441.9 million from 2022 to May 2025 for regular replacement and refurbishment of certain property, plant and equipment as well as the addition of new production lines and facilities. In June-December 2025, we forecast additional costs of RMB3.8 million for equipment and system upgrades and renovations and RMB9.6 million for a resource upgrade drilling program. An annual allocation of RMB8.0 million is designated for ongoing refurbishment. A budget of RMB103.5 million is planned for comprehensive processing systems and a aluminium-silicon new material engineering technology research center. Our Independent Technical Consultant considers these budgets to be reasonable. See “Appendix VI — Independent Technical Report — 15 Capital and Operating Costs — 15.1 Capital Cost.”

The table below sets forth a summary of the historical and forecast capital costs between 2022 and 2040 for our future projects, as stated in the Independent Technical Report:

Cost Centre	2022	2023	2024	Jan-May 2025	Jun-Dec 2025	2026	2027	2028	2029	2030	2031- 2040
Underground operation											
Buildings	15.4	–	–	–	–	–	–	–	–	–	–
Machinery and equipment . .	13.0	0.3	4.1	–	–	–	–	–	–	–	–
Ventilation shaft fan											
renovation	–	–	–	–	1.0	–	–	–	–	–	–
Ventilation shaft substation											
upgrade	–	–	–	–	0.9	–	–	–	–	–	–
Main shaft gate control											
system upgrade	–	–	–	–	1.9	–	–	–	–	–	–
Resource upgrade drilling											
program	–	–	–	–	9.6	–	–	–	–	–	–
Roadway construction . . .	–	–	–	–	0.1	0.1	0.0	0.1	0.1	0.1	1.6
Surface processing plant											
operation											
Kaolin processing plant											
system	20.5	183.0	113.8	–	–	–	–	–	–	–	–
Non-fired brick system . . .	5.7	1.5	–	–	–	–	–	–	–	–	–
Vertical shaft renovation . .	0.8	–	–	–	–	–	–	–	–	–	–
Burner system renovation . .	0.8	–	–	–	–	–	–	–	–	–	–
Equipment replacement . . .	3.0	4.0	4.8	0.7	3.3	–	–	–	–	–	–
Rotary kiln desulfurization											
and denitrification	–	19.6	9.0	–	–	–	–	–	–	–	–
35kV substation	–	6.4	1.1	–	–	–	–	–	–	–	–
Ceramic fibre plant	–	13.3	7.4	–	–	–	–	–	–	–	–
Mullite aluminium-silicon											
material comprehensive											
processing	–	–	0.3	4.9	12.4	62.9	–	–	–	–	–
Silicon-aluminium new											
material engineering											
technology research											
centre	–	–	0.1	–	–	9.3	14.0	–	–	–	–
Raw materials warehouse . .	–	–	8.3	–	–	–	–	–	–	–	–
Vertical shaft dust control											
system upgrade	–	–	–	–	1.5	–	–	–	–	–	–
Sustaining	–	–	–	–	–	8.0	8.0	8.0	8.0	8.0	40.0
Total	59.3	228.1	148.9	5.6	30.7	80.3	22.0	8.1	8.0	8.2	41.6

SUMMARY

The mullite aluminium-silicon material comprehensive processing project is expected to incur capital costs of approximately RMB80.2 million from January 2025 through December 2026. The forecast capital costs of the said project from June to December 2025 will be settled by certain loans designated for the capital cost of the said project, and such loans will be subsequently settled by net proceeds. The forecast capital costs of the said project during 2026 will be settled by net proceeds directly.

The main drivers of capital cost fluctuations are two one-off investments, namely (i) the mullite aluminium-silicon material comprehensive processing; and (ii) the silicon-aluminium new material engineering technology research center. Capital spending peaks in 2026-2027, when these facilities are built and commissioned. These two one-off investments related to the research and processing of kaolin ore, and are not related to the expected annual mining capacity of 400 kt. Sustaining capital and roadway construction are forecast to remain broadly constant over the period.

Operating Costs

According to the Independent Technical Report, our historical operating cash costs were RMB152.9 million in 2022, RMB154.5 million in 2023, RMB181.5 million in 2024, and RMB81.5 million in the period of January-May 2025. The following table sets forth a breakdown of the historical cash operating cost during the Track Record Period.

Operating Cash Cost by Activities	2022	2023	2024	Jan-May 2025
Workforce employment RMB million	50.2	54.9	60.1	23.3
Consumables RMB million	25.4	19.6	27.5	8.7
Fuel electricity, water and other services RMB million	51.3	55.1	51.1	37.1
On-site and off-site administration RMB million	14.2	9.3	25.3	6.0
Environmental protection and monitoring RMB million	0.8	2.0	2.9	1.4
Transportation of workforce RMB million	—	—	—	—
Product marketing and transport RMB million	8.0	10.3	10.9	4.3
Non-income taxes, royalties and other governmental charges RMB million	3.0	3.3	3.7	0.7
Total RMB million	152.9	154.5	181.5	81.5

As disclosed in the Independent Technical Report and illustrated below, regarding operating cash costs by product, precision casting mullite products are projected to reach RMB208.4 million per year, while precision casting mullite powder is expected to account for RMB38.3 million in 2026. The unit cash operating cost over the LoM is RMB979 per tonne for precision casting mullite products and RMB847 per tonne for refractory mullite products. Additionally, the unit cash operating costs are RMB156 per tonne for raw coke and raw powder and RMB7,124 per tonne for ceramic fiber. The processing plant produces various products, including precision casting mullite products, refractory mullite products and raw coke and raw powder. Starting in 2025, ceramic fiber has been produced. The annual operating cash cost is expected to gradually increase from current levels to RMB260.7 million in 2026 and RMB265.9 million in 2027, as the target annual mining capacity reaches 400 kt and various products, including ceramic fiber, started to be produced. Similar to historical operating costs, the major cost components are fuel and electricity, followed by consumables and workforce employment. In our Independent Technical Consultant's opinion, our Shuoli Kaolin Mine has a proven track record of production, and the forecast operating costs used in the LoM model are reasonable, supported by historical costs. The operating cost of ceramic fiber is expected to stabilize further once it reaches commercial production.

SUMMARY

The table below sets forth the forecast operating costs (nominal) from Jun-Dec 2025 to 2040. Our forecast is based on actual operating costs and plant performance from 2022 to May 2025, existing contracts with suppliers, royalties and other governmental charges, and the technical studies.

Production Profile	Unit	Total LoM	Jun- Dec 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Mining																		
Kaolin ore	kt	5,985	219	400	400	400	400	400	400	400	400	400	400	400	400	400	400	166
Loss on Ignition	%	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18
Products																		
Precision casting mullite products	kt	3,518	164	230	230	230	230	230	230	230	230	230	230	230	230	230	230	131
Refractory mullite products	kt	750	36	49	49	49	49	49	49	49	49	49	49	49	49	49	49	28
Raw coke and raw powder	kt	946	52	62	62	62	62	62	62	62	62	62	62	62	62	62	62	36
Ceramic fibre	t	11,639	390	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750
Operating Cash Cost by Activities																		
Workforce employment ⁽¹⁾	RMB million	794.2	34.3	48.3	49.0	49.6	50.1	50.7	51.2	51.8	52.3	52.9	53.5	54.1	54.7	55.3	55.9	30.6
Consumables	RMB million	888.5	38.3	54.0	54.8	55.4	56.1	56.7	57.3	57.9	58.6	59.2	59.9	60.5	61.2	61.9	62.5	34.2
Fuel electricity, water and other services ⁽¹⁾	RMB million	1,781.6	76.9	108.3	110.0	111.2	112.4	113.6	114.9	116.2	117.4	118.7	120.0	121.4	122.7	124.0	125.4	68.6
On-site and off-site administration	RMB million	429.4	18.5	26.1	26.5	26.8	27.1	27.4	27.7	28.0	28.3	28.6	28.9	29.2	29.6	29.9	30.2	16.5
Environmental protection and monitoring	RMB million	60.0	2.6	3.6	3.7	3.7	3.8	3.8	3.9	3.9	4.0	4.0	4.0	4.1	4.1	4.2	4.2	2.3
Transportation of workforce	RMB million	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

SUMMARY

Production Profile	Unit	Total LoM	Jun- Dec 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Product marketing and transport	RMB million	285.9	12.5	17.6	17.9	18.1	18.3	18.5	18.7	18.9	19.1	19.3	19.5	19.7	20.0	20.2	20.4	11.1
Non-income taxes, royalties and other governmental charges	RMB million	66.3	2.7	2.9	4.0	4.3	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.6	4.6	4.6	4.6	2.5
Contingency allowances	RMB million	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	RMB million	4,309.4	185.8	260.7	265.9	269.1	272.2	275.1	278.1	281.1	284.2	287.3	290.4	293.6	296.8	300.0	303.3	165.7
Operating Cash Cost by Products																		
Precision casting mullite products	RMB million	3,443.4	147.6	208.4	212.5	215.1	217.6	219.9	222.3	224.7	227.1	229.6	232.1	234.7	237.2	239.8	242.4	132.5
Refractory mullite products	RMB million	635.6	29.6	38.3	39.1	39.6	40.0	40.4	40.9	41.3	41.8	42.2	42.7	43.1	43.6	44.1	44.6	24.4
Raw coke and raw powder.	RMB million	147.4	5.4	9.0	9.2	9.3	9.4	9.5	9.6	9.7	9.8	9.9	10.0	10.1	10.2	10.3	10.4	5.7
Ceramic fibre.	RMB million	82.9	3.2	5.0	5.1	5.2	5.3	5.3	5.4	5.4	5.5	5.6	5.6	5.7	5.7	5.8	5.9	3.2
Total	RMB million	4,309.4	185.8	260.7	265.9	269.1	272.2	275.1	278.1	281.1	284.2	287.3	290.4	293.6	296.8	300.0	303.3	165.7
Operating Cash Unit Cost by Products																		
Precision casting mullite products	RMB/t	979	900	905	923	934	945	955	966	976	987	997	1,008	1,019	1,030	1,042	1,053	1,013
Refractory mullite products	RMB/t	847	819	782	797	807	816	825	834	843	852	861	871	881	890	900	909	873
Raw coke and raw powder.	RMB/t	156	103	145	148	150	151	153	155	156	158	160	161	163	165	167	168	221
Ceramic fibre.	RMB/t	7,124	8,114	6,724	6,857	6,941	7,020	7,096	7,173	7,250	7,329	7,408	7,488	7,572	7,654	7,737	7,821	4,274

Note:

- (1) “Fuel, electricity, water and other services” and “Workforce employment” are treated as variable costs, and in line with the expected constant annual production volume of 400,000 tonnes from 2026 to 2039, these costs are mainly subject to a business-as-usual annual escalation to reflect normal inflation in utility tariffs and wages. On the other hand, the higher historical fluctuations were primarily due to the variations in production volume during the Track Record Period.

SUMMARY

OUR PRODUCTS AND PRODUCTION PROCESS

We specialize in the production and sales of precision casting mullite products, refractory mullite products and raw coke and raw powder, among which precision casting mullite products and refractory mullite products are produced through beneficiation and processing operations, while raw coke is derived from mining and selection processes, and raw powder is derived from crushing and selecting kaolin ore. According to Frost & Sullivan, our precision casting mullite products have outstanding physical and chemical properties that exceed industry standards. For example, compared with similar products in the market, our products have a higher Al_2O_3 content, resulting in greater refractoriness. In addition, they contain fewer impurities, leading to better thermochemical stability. Shell molds made with our precision casting mullite products exhibit excellent dry and wet strength, high-temperature strength, and collapsibility, and the castings produced from these shell molds can be easily removed from molds, maintain their shape, resist shrinkage and possess a smooth surface, resulting in very high rates of finished products. The mullite crystal phase of our refractory mullite products is well-developed and uniform, featuring a dense texture, high hardness, low expansion coefficient, excellent wear resistance and good thermochemical stability.

As advised by our Independent Technical Consultant, based on their current understanding of the deposit, our kaolinite deposit does not contain economically viable concentrations of rare-earth elements (“REE”). Clay-hosted REE deposits are typically ion-adsorption clays formed through the weathering of granitic rocks, a geological setting distinct from the kaolin layers associated with coal-bearing sequences found at our Shuoli Kaolin Mine. As of the Latest Practicable Date, no evidence of economically recoverable REE mineralization has been identified within the deposit. As such, our products are not subject to any PRC’s export control relating to rare earth elements.

The following table sets forth a breakdown of the sales volume and average selling price by product type for the periods indicated:

	Year ended December 31,									Five months ended May 31,					
	2022			2023			2024			2024			2025		
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
	(RMB in thousands)	(kt)	(RMB per tonne)	(RMB in thousands)	(kt)	(RMB per tonne)	(RMB in thousands)	(kt)	(RMB per tonne)	(RMB in thousands)	(kt)	(RMB per tonne)	(RMB in thousands)	(kt)	(RMB per tonne)
Precision casting mullite products	184,193	118.5 ⁽¹⁾	1,554	165,931	109.0	1,522	185,492	133.1 ⁽²⁾	1,394	66,139	44.6	1,483	68,111	52.1	1,307
– Precision casting mullite sand	95,347	60.4	1,579	82,585	53.7	1,538	96,798	70.2	1,379	32,343	21.4	1,511	35,232	26.7	1,320
– Precision casting mullite powder	88,846	58.1	1,528	83,346	55.3	1,507	88,694	62.9	1,410	33,796	23.2	1,456	32,879	25.4	1,294
Refractory mullite products	6,173	5.2	1,187	23,522	19.6	1,200	52,056	52.2 ⁽³⁾	997	18,671	17.9	1,043	24,703	24.9	992
– Large-sized chamotte particles	4,875	4.4	1,108	18,587	16.2	1,147	44,332	46.2	960	15,767	15.8	998	17,144	18.2	942
– Small-sized chamotte particles	1,298	0.8	1,623	4,935	3.4	1,451	7,724	6.0	1,287	2,904	2.1	1,383	7,559	6.7	1,128
Raw coke and raw powder	–	–	–	15,234	39.4	387	26,621	86.9	306	3,479	7.6	458	9,328	37.9	246
Ceramic Fiber	–	–	–	–	–	–	2,973	0.3	9,910	–	–	–	2,757	0.3	9,190
Total	190,366	–	–	204,687	–	–	267,142	–	–	88,289	–	–	104,899	–	–

SUMMARY

Notes:

- (1) The sales volume includes the sales of certain inventories of precision casting mullite products, which exceeded the production volume of such products in respective years.
- (2) The sales volume includes 25.6 kt trial production volume from the new production line for the precision mullite products.
- (3) The sales volume includes 32.5 kt refractory mullite products supplied by our external supplier of processing services, Shandong Yonganda. To supplement our production capacity of refractory mullite products, since October 2023, we have engaged Shandong Yonganda, an external processing service provider, to supply processing service related to the production of refractory mullite products to us. In 2024, Shandong Yonganda supplied to us 32.5 kt finished refractory mullite products. See “Business — Suppliers and Contractors — Supplier of Process Service”

The sales volume of precision casting mullite products decreased from 118.5 kt in 2022 to 109.1 kt in 2023, while the actual production volume remained relatively stable at 117.9 kt and 114.5 kt, respectively, and the utilization rate exceeded 100% in both years. This discrepancy between sales volume and production volume was mainly because the sales volume in 2022 included a higher proportion of products sold from existing inventories. We maintained stable production and high utilization rates to ensure timely fulfilment of future orders and optimize inventory structure.

The revenue generated from the sales of precision casting mullite products increased from 2023 to 2024, driven by the increase in the sales volume. This growth was mainly attributable to the increased market demand for precision casting mullite products, and our expanded production volume to meet such increasing market demand. However, the actual production volume and the utilization rate decreased from 2023 to 2024. This discrepancy was primarily due to the actual production volume of precision casting mullite products in 2024 used in the calculation of utilization rate did not include the trial production volume from the new production line, which amounted to 25.6 kt.

The sales volume and the revenue generated from the sales of precision casting mullite products increased from the five months ended May 31, 2024 to the same period of 2025, primarily due to strong and growing market demand for precision casting mullite products. In response to such growing market demand, the actual production volume increased significantly during the same period. However, the utilization rate of the production lines for precision casting mullite products decreased from 102.2% in the five months ended May 31, 2024 to 65.6% in the five months ended May 31, 2025, primarily due to the ramp-up of the new production line and the scheduled maintenance and repair work on the existing production lines.

See “Business — Production — Utilization Rate” and “Financial Information — Period-to-Period Comparison of Results of Operations” for details.

As of the Latest Practicable Date, we operated three production facilities in Duji District, Huaibei, Anhui Province in the PRC, namely Mining Plant, Chamotte Plant and Mullite Precision Casting Sand and Powder Plant. The Mining Plant is used for mining kaolin ore from underground deposits and transport them to the ground for subsequent processing. The Chamotte Plant is mainly used for producing refractory mullite products and semi-finished products intended for precision casting mullite products, finished precision casting mullite products and ceramic fiber. The Mullite Precision Casting Sand and Powder Plant is mainly used for processing semi-finished materials from Chamotte Plant, which will undergo crushing, iron removal, screening and grinding processes to eventually become precision casting mullite sand and powder products.

SUMMARY

We have established an integrated process that seamlessly coordinates and connects multiple stages of production and processing of kaolin. We use the underground mining method for the extraction of kaolin ore. We possess proprietary technology for producing precision casting mullite products through rotary kiln calcination. Our rotary kiln calcination process leverages the low hardness and easy crushing characteristics of kaolin ore, which crushes the kaolin ore into fine sand before calcination in a rotary kiln. The semi-finished material from the rotary kiln then undergoes grading, impurity removal and air blowing to produce precision casting mullite products. This calcination process causes impurities and iron to precipitate and aggregate, allowing for their removal in subsequent impurity removal steps, which significantly enhances product quality. Due to higher resource utilization, this process also greatly increases yield compared with the traditional method. This is primarily due to the smaller average feed particle size of 2mm for a rotary kiln, compared to over 60mm for a shaft kiln. The smaller particle size allows for a shorter and more efficient heating process. This increased efficiency contributes to higher yield by reducing processing time and resource consumption. Additionally, the rotary kiln is a dynamic kiln, which consistently rotates and tumbles the material, ensuring uniform heat distribution and exposing fresh surfaces to the heat. This results in thorough calcination, enhancing the conversion of raw materials into final products. Furthermore, the fine sand form of kaolin ore improves calcination stability and uniformity during the calcination process and provides a passivation effect on sintered particles, resulting in more rounded sand particles. The precision casting shells made from this sand exhibit improved permeability, effectively reducing casting defects such as under-casting and porosity caused by poor shell permeability.

OUR STRENGTHS

We believe that the following competitive strengths distinguish us from our competitors:

- High-quality coal-series kaolin resources and reserves with strategic location and transportation advantages
- Product quality advantages through improvements in key processing technologies
- Advanced research and development capabilities and progressive innovations
- Strong market position and long-term cooperation with a high-quality customer base
- Seasoned management team with significant industry and management experience
- Demonstrated commitment to sustainable development with continuous ESG efforts

OUR STRATEGIES

We plan to implement the following strategies to facilitate our business growth:

- Expanding production scale and optimizing production processes of our products
- Enhancing our R&D capabilities and improving our core competitiveness
- Expanding customer base and increasing product awareness
- Recruiting highly skilled and experienced talent

SALES AND MARKETING

We market and sell mullite products primarily in China. We have a dedicated sales and marketing team that is responsible for marketing and selling our products. As of May 31, 2025, we had a sales and marketing team of 10 personnel. Our sales and marketing personnel are primarily responsible for maintaining communication with existing customers to understand their needs and feedback on our products, in order to estimate the sales volume of relevant products and arrange procurement and production plans accordingly. Our sales and marketing

SUMMARY

personnel also seek to expand our customer base through showcasing the strengths of our products and services to potential customers. Leveraging our extensive industry experience, we have established a stable customer base in China. As of May 31, 2025, we had 40 customers who have maintained business relationship with us for more than five years. We are principally engaged in sales to end-user customers, which are mainly precision manufacturers and refractory material manufacturers. We also sell products through traders, who in turn resell our products.

In respect of our marketing and branding efforts, we are employing a multifaceted approach to enhance brand exposure and recognition through media, internet, exhibitions and industry associations. We believe such an approach to be effective in increasing our exposure among industry players and potential customers, and thus building up a stable clientele.

CUSTOMERS

We have established a diverse customer base comprising both end-users and traders. During the Track Record Period, we mainly sold our products to end-users, with revenue from these sales accounting for 87.3%, 87.3%, 76.1%, 84.4% and 76.1% for the years ended December 31, 2022, 2023, 2024 and for the five months ended May 31, 2024 and 2025, respectively. Our end-user customers primarily include precision casting manufacturers and refractory materials manufacturers. We also work with traders to expand our sales channels and enhance our market presence. Our commitment to quality and innovation has enabled us to maintain stable relationships with customers.

During the Track Record Period, we were engaged in sales to our customers including end-users and traders, among which there are a small number of overseas customers. Revenue from our five largest customers for the years ended December 31, 2022, 2023, 2024 and for the five months ended May 31, 2025 accounted for 18.6%, 23.7%, 23.8% and 24.5%, respectively, of our total revenue during the same periods. Revenue generated from our largest customer for the years ended December 31, 2022, 2023, 2024 and for the five months ended May 31, 2025 accounted for 5.0%, 7.1%, 9.3% and 10.5% of our total revenue during the same periods. During the Track Record Period and as of the Latest Practicable Date, all of our five largest customers are Independent Third Parties.

SUPPLIERS AND CONTRACTORS

During the Track Record Period, our suppliers and contractors were mainly (i) suppliers of auxiliary materials used for our manufacturing operations, primarily including packaging items, sodium bicarbonate, alumina ceramic balls and wooden pallets, (ii) suppliers of utilities, primarily including natural gas, electricity, coal and water, (iii) suppliers of logistics services, (iv) supplier of processing service and (v) construction contractors. Purchases from our top five suppliers for the years ended December 31, 2022, 2023, 2024 and for the five months ended May 31, 2025 amounted to RMB72.6 million, RMB68.9 million, RMB90.2 million and RMB43.9 million, representing 74.5%, 68.0%, 66.9% and 73.0% of our total purchases for the same periods, respectively. Purchases from our largest supplier for the years ended December 31, 2022, 2023, 2024 and for the five months ended May 31, 2025 amounted to RMB35.2 million, RMB31.2 million, RMB28.3 million and RMB13.2 million representing 36.1%, 30.8%, 21.0% and 22.0% of our total purchases for the same periods, respectively. During the Track Record Period and as of the Latest Practicable Date, our five largest suppliers were Independent Third Parties, except for Huaibei Mining Group and Huaibei China Resources Gas Co., Ltd.

SUMMARY

COMPETITION

We face competition in China's coal-series kaolin industry. According to Frost & Sullivan, China's kaolin resources are widely distributed across the whole nation. Anhui Province ranks fifth in China for kaolin reserves, accounting for 1.46% of the total reserves. In 2024, the market size for China's calcined kaolin products reached RMB10,159.6 million, among which the coal-series calcined kaolin products market in China reached RMB4,965.9 million in 2024, representing 48.9% of the overall market, according to Frost & Sullivan. In terms of revenue of coal-series calcined kaolin companies in 2024, the top five companies in the market had a combined market share of 50.8%. Among them, we ranked fifth with a market share of 5.4%. Huaibei, Anhui Province is one of the primary regions where high-quality kaolin is concentrated, which can be used in the fields of refractory materials or precision casting shell mold. We were the largest precision casting mullite products producer in terms of the revenue in 2024, with a market share of 19.1%, according to Frost & Sullivan. The principal competitive factors in our industry include (i) the high technology barriers of processing technologies; (ii) strict environmental protection requirements; (iii) capital required for large-scale production; and (iv) scarcity of high-quality kaolin resources. We believe that we are well positioned to compete effectively on the basis of the foregoing factors. For more information on the competitive landscape of our industry, see "Industry Overview."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our historical financial information as of and for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025 extracted from the Accountants' Report in the Appendix I to this Prospectus. The summary below should be read in conjunction with the financial information in Appendix I, including the relating notes and the information set forth in the "Financial Information" section in this Prospectus.

Summary of Profit or Loss

The following table sets forth a summary of our statements of profit or loss for the years/periods indicated.

	Years ended December 31			Five months ended May 31,	
	2022	2023	2024	2024	2025
				(unaudited)	
	(RMB in thousands)				
Revenue	190,366	204,687	267,142	88,289	104,899
Cost of sales	(132,810)	(133,410)	(168,972)	(57,491)	(67,625)
Gross profit	57,556	71,277	98,170	30,798	37,274
Other income and gains	2,872	7,992	4,733	1,405	911
Research expenses . . .	(7,282)	(6,978)	(12,638)	(4,518)	(4,131)
Selling and distribution expenses	(4,028)	(3,783)	(4,574)	(1,972)	(1,479)
Administrative expenses	(22,752)	(17,477)	(22,329)	(8,731)	(8,742)
Other expenses	(476)	(9)	—	—	—
Finance costs	(1,039)	(973)	(3,709)	(638)	(3,192)

SUMMARY

	Years ended December 31			Five months ended May 31,	
	2022	2023	2024	2024	2025
				(unaudited)	
	(RMB in thousands)				
Reversal of/(provision for) impairment losses on financial assets, net	1,752	(48)	(163)	(5)	(112)
Profit before tax . . .	26,603	50,001	59,490	16,339	20,529
Income tax expense . .	<u>(2,180)</u>	<u>(6,384)</u>	<u>(6,888)</u>	<u>(1,869)</u>	<u>(2,497)</u>
Profit and total comprehensive income for the year/period	<u>24,423</u>	<u>43,617</u>	<u>52,602</u>	<u>14,470</u>	<u>18,032</u>

Our net profit increased from approximately RMB24.4 million in 2022 to approximately RMB43.6 million in 2023, primarily due to the increased revenue generated from the sales of refractory mullite products and the sales of raw coke and raw powder. Our net profit increased from approximately RMB43.6 million in 2023 to approximately RMB52.6 million in 2024, primarily due to the increased revenue generated from the sales of all three product categories, which were driven by the increased sales volume, and the launch of ceramic fiber, which was a part of our strategic expansion into the environmental protection market. Our net profit increased from RMB14.5 million for the five months ended May 31, 2024 to RMB18.0 million for the five months ended May 31, 2025, mainly due to an increase in revenue driven by the increased sales of precision casting mullite products, refractory mullite products and raw coke and raw powder, as well as the additional revenue stream brought by the sales of ceramic fiber.

In particular, our research expenses remained relatively stable at approximately RMB7.3 million in 2022 and RMB7.0 million in 2023, while surged to RMB12.6 million in 2024 as we launched several new research projects, resulting in increases in employee salaries, electricity expenses and research material expenses. Our research expenses decreased slightly from RMB4.5 million in the five months ended May 31, 2024 to RMB4.1 million in the five months ended May 31, 2025, mainly due to the adjustments of compensation packages for our R&D personnel during this period.

SUMMARY

The following table sets forth the revenue breakdown by product categories:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
Precision casting										
mullite products . . .	184,193	96.8	165,931	81.1	185,492	69.4	66,139	74.9	68,111	65.0
– Precision casting										
mullite sand . . .	95,347	50.1	82,585	40.3	96,798	36.2	32,343	36.6	35,232	33.7
– Precision casting										
mullite powder . .	88,846	46.7	83,346	40.8	88,694	33.2	33,796	38.3	32,879	31.3
Refractory mullite										
products	6,173	3.2	23,522	11.5	52,056	19.5	18,671	21.2	24,703	23.5
– Large-sized										
chamotte										
particles	4,875	2.6	18,587	9.1	44,332	16.6	15,767	17.9	17,144	16.3
– Small-sized										
chamotte										
particles	1,298	0.7	4,935	2.4	7,724	2.9	2,904	3.3	7,559	7.2
Raw coke and raw										
powder	–	–	15,234	7.4	26,621	10.0	3,479	3.9	9,328	8.9
Ceramic fiber	–	–	–	–	2,973	1.1	–	–	2,757	2.6
Total	190,366	100.0	204,687	100.0	267,142	100.0	88,289	100.0	104,899	100.0

Our revenue generated from the sales of precision casting mullite products is determined by the sales volume and average pricing of the products, which are influenced by market demand, pricing strategy and production volume. Our revenue from this segment declined from 2022 to 2023 primarily due to the reduced production volume following rotary kiln maintenance. However, the revenue rebounded from 2023 to 2024, driven by growing market demand, our enhanced production capacity to meet such demand and our strategic pricing to boost sales volume. Our revenue generated from the sales of precision casting mullite products increased from the five months ended May 31, 2024 to the five months ended May 31, 2025, primarily due to the growing market demand for our products and our pricing strategy to lower the average selling price of our precision casting mullite products in response to the intensified market competition, thereby driving the adoption of our products and aligning with such market demand.

Our revenue generated from the sales of our refractory mullite products depends on the sales volume, which is further determined by our production volume. Our revenue from this segment grew significantly from 2022 to 2023 as the partial production outsourcing enabled higher production volume to meet rising market demand for the refractory mullite products. The revenue continued to increase from 2023 to 2024, fueled by expanded customer acquisition efforts and increased production volume through strategic outsourcing. Our revenue generated from the sales of refractory mullite products increased from the five months ended May 31, 2024 to the five months ended May 31, 2025, mainly due to our continued expansion into the refractory mullite products market.

SUMMARY

We began generating revenue from the sales of raw coke and raw powder in 2023 as a part of our growth strategy to diversify our product portfolio. Our revenue generated from the sales of raw coke and raw powder significantly increased from 2023 to 2024, primarily because our continuous market expansion by engaging more customers and identifying several customers who had substantial needs for raw coke. Our revenue generated from raw coke and raw powder increased from the five months ended May 31, 2024 to the five months ended May 31, 2025, as our customers had the increasing demand for our products.

We began generating revenue from the sales of ceramic fibers in the second half of 2024 as we expanded into this business segment to meet the increasing market demand for domestically-produced high-grade fibers suitable for desulfurization and denitrification environmental protection pipes.

The following table sets forth a breakdown of our gross profit and gross profit margin by product categories for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %
(unaudited)										
(RMB in thousands, except for percentages)										
Precision casting										
mullite products . .	56,961	30.9	51,185	30.8	67,895	36.6	23,190	35.1	26,041	38.2
– Precision casting										
mullite sand . . .	37,488	39.3	32,696	39.6	41,221	42.6	13,912	43.0	16,255	46.1
– Precision casting										
mullite										
powder	19,473	21.9	18,489	22.2	26,674	30.1	9,278	27.5	9,786	29.8
Refractory mullite										
products	595	9.6	9,315	39.6	12,108	23.3	5,521	29.6	5,165	20.9
– Large-sized										
chamotte										
particles	59	1.2	7,289	39.2	10,382	23.4	4,559	28.9	4,028	23.5
– Small-sized										
chamotte										
particles	536	41.3	2,026	41.0	1,726	22.3	962	33.1	1,137	15.0
Raw coke and raw										
powder	–	–	10,777	70.7	16,657	62.6	2,087	60.0	5,282	56.6
Ceramic fiber	–	–	–	–	1,510	50.8	–	–	786	28.5
Total	57,556	30.2	71,277	34.8	98,170	36.7	30,798	34.9	37,274	35.5

Gross profit from our sales of precision casting mullite products decreased from 2022 to 2023 mainly due to the decreased sales volume during the period, while the gross profit margin remained relatively stable during the same period. The sales volume declined from 2022 to 2023 mainly due to the maintenance of our rotary kiln, which caused the decreased production volume of our precision casting mullite products. Gross profit and gross profit margin from this segment increased from 2023 to 2024, primarily due to the increased revenue from the sales of precision casting mullite powder and precision casting mullite sand through our pricing strategy and marketing efforts, while effectively managing the costs in relation to production.

SUMMARY

We effectively reduced the energy costs by increasingly using coal to replace gas for calcination during the production, which greatly enhanced energy cost efficiency. Gross profit from precision casting mullite products increased from approximately RMB23.2 million for the five months ended May 31, 2024 to approximately RMB26.0 million for the five months ended May 31, 2025, and gross profit margin from this segment increased from 35.1% to 38.2% during the same period, mainly because we increased the sales of both precision casting mullite powder and precision casting mullite sand, while effectively controlling the costs in relation to the production, such as raw material costs and employee costs.

Gross profit and gross profit margin from our sales of refractory mullite products significantly increased from 2022 to 2023 mainly because we began selling refractory mullite products in 2022, and the sales volume was relatively small during that year, rendering the gross profit margin of this segment non-representative. Our production was temporarily suspended in 2022 for kiln maintenance to enhance the efficiency of refractory mullite manufacturing through optimizing the kiln temperature. Upon resumption of production, we produced certain lower-quality products, resulting in a reduced average selling price and lower margins in 2022. Following the ramp-up in 2023, our refractory mullite production capacity returned to normal levels. The sales volume of large-size chamotte particles increased in 2023, leading to the increase in the gross profit margin of refractory mullite products. Our gross profit margin for large-sized chamotte particles was notably high in 2023, as we were able to command premium pricing for higher-quality products amid strong demand. Gross profit from this segment increased from 2023 to 2024, while the gross profit margin decreased during the same period. Specifically, the gross profit margin of large-sized chamotte particles decreased from 39.2% in 2023 to 23.4% in 2024, and the gross profit margin of small-sized chamotte particles decreased from 41.0% to 22.3% over the same period. Such decreases were primarily attributable to a shift in our sales mix towards certain grades of refractory mullite products that generally command lower selling prices in response to the growing market demand for refractory mullite products of certain grades, together with our strategic pricing for certain refractory mullite products aimed at broadening our market presence in this segment. Gross profit from our sales of refractory mullite products decreased from approximately RMB5.5 million for the five months ended May 31, 2024 to approximately RMB5.2 million for the five months ended May 31, 2025, and gross profit margin from this segment decreased from 29.6% to 20.9% during the same period. The decrease in gross profit margin was mainly due to our increased sales of certain products with lower selling prices, and our strategic price adjustments in response to the intensified market competition, thereby amplifying our market presence in the refractory mullite products market.

We began the sales of raw coke and raw powder in 2023, and the gross profit from this segment increased from 2023 to 2024, while the gross profit margin decreased from 2023 to 2024, primarily because we increased the sales of lower-priced raw coke of different sizes and grades to meet the growing market demand for such products and launched raw powder that had lower gross profit margin in 2024. Our gross profit from the sales of raw coke and raw powder increased from approximately RMB2.1 million for the five months ended May 31, 2024 to approximately RMB5.3 million for the five months ended May 31, 2025, and our gross profit margin from this segment decreased from 60.0% to 56.6%. The decrease of gross profit margin was mainly due to the increased sales of certain products with lower average selling prices to meet certain customers' demand for such products.

SUMMARY

We began selling ceramic fiber in the second half of 2024, as a part of our strategy to further diversify our product portfolio and expand into environmental protection market. In 2024, our gross profit from ceramic fiber was approximately RMB1.5 million, and gross profit margin was 50.8%. For the five months ended May 31, 2025, our gross profit from this segment was approximately RMB0.8 million, and gross profit margin was 28.5%. Gross profit margin of the sales of ceramic fiber decreased, primarily because we commenced sales of such products only in the second half of 2024. Gross margin was temporarily elevated during the initial launch of ceramic fiber, resulting in a relatively high gross profit margin in 2024 and as production scaled through 2025, margins fluctuated and then normalized to a steady-state level.

Summary of Financial Position Data

The following table sets forth summary information from our statements of financial position as of the dates indicated, which has been extracted from the Accountants' Report in Appendix I to this Prospectus.

	As of December 31,			As of
	2022	2023	2024	May 31, 2025
	<i>(RMB in thousands)</i>			
Total non-current assets	412,993	611,110	710,463	693,588
Total current assets	167,147	127,893	216,252	220,829
Total current liabilities	189,688	140,214	163,127	132,992
Net Current				
(Liabilities)/Assets	(22,541)	(12,321)	53,125	87,837
Total non-current liabilities . .	36,832	191,099	303,296	303,101
Net Assets	353,620	407,690	460,292	478,324

Our net current liabilities decreased from RMB22.5 million as of December 31, 2022 to RMB12.3 million as of December 31, 2023, primarily due to a decrease in trade and other payables, due to (i) a decrease in payables for purchase of property, plant and equipment and other intangible assets and a decrease in dividends payables; (ii) an increase in inventories; and (iii) an increase in trade and bills receivables, which was attributable to the increased sales volumes during the same period as well as the changes in credit terms and payment methods of our customers as certain customers of refractory mullite products and raw coke and raw powder prefer to settle with bills. We recorded net current assets of RMB53.1 million as of December 31, 2024 primarily due to (i) an increase in cash and cash equivalents as we obtained long-term borrowings; (ii) an increase of in trade and bills receivables, which was attributable to the increase in the sales of our products as well as the changes in credit terms and payment methods of our customers, as certain customers prefer to settle with bills; (iii) an increase in debt investments at fair value through other comprehensive income, which was attributable to the increase in bank accepted bills with high credit rate used by our customers to settle our receivables, which were not discounted; and (iv) a decrease in interest-bearing bank and other borrowings due to our repayment of prior interest-bearing bank borrowings. Our net current assets increased from RMB53.1 million as of December 31, 2024 to RMB87.8 million as of May 31, 2025, primarily due to (i) an increase in inventories as we expanded our production to meet the growing market demand; (ii) an increase in prepayments, other receivables and other asset; and (iii) a decrease in trade and other payables due to a decrease in payables for construction equipment and other payables caused by the completion of certain construction projects for constructing new production line of refractory mullite products. For details on the movement of our net current liabilities and net current assets, please see “Financial Information — Working Capital.”

SUMMARY

Our net assets increased from RMB353.6 million as of December 31, 2022 to RMB407.7 million as of December 31, 2023, due to (i) an increase in the profit and total comprehensive income for the year of RMB43.6 million, (ii) issue of shares of RMB11.0 million, and partially offset by an increase in share issue expenses of RMB0.5 million. Our net assets further increased to RMB460.3 million as of December 31, 2024, and grew to RMB478.3 million as of May 31, 2025, primarily due to an increase in the net profit during the period.

Summary of Cash Flows Data

The following table sets forth a summary of our statements of cash flows.

	Year ended 31 December			Five months ended May 31,	
	2022	2023	2024	2024	2025
				(unaudited)	
				(RMB in thousands)	
Net cash flows from/(used in) operating activities	<u>45,624</u>	<u>11,971</u>	<u>36,650</u>	<u>(24,641)</u>	<u>27,519</u>
Net cash flows used in investing activities	<u>(131,313)</u>	<u>(204,956)</u>	<u>(69,545)</u>	<u>(37,597)</u>	<u>(21,762)</u>
Net cash flows from/(used in) financing activities	<u>121,242</u>	<u>130,463</u>	<u>72,019</u>	<u>49,627</u>	<u>(14,972)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>35,553</u>	<u>(62,522)</u>	<u>39,124</u>	<u>(12,611)</u>	<u>(9,215)</u>
Cash and cash equivalents at beginning of year/period	59,378	95,085	32,564	32,564	71,694
Cash and Cash Equivalents at End of Year/Period	<u>95,085</u>	<u>32,564</u>	<u>71,694</u>	<u>19,954</u>	<u>62,478</u>

We recorded net cash inflows from operating activities of approximately RMB45.6 million, RMB12.0 million, RMB36.7 million and RMB27.5 million in 2022, 2023, 2024 and the five months ended May 31, 2025, respectively. We recorded net cash outflows of RMB24.6 million in the five months ended May 31, 2024, primarily due to (i) a decrease in trade and other payables of RMB24.2 million as we settled the payment primarily in cash in the first half of the year; (ii) an increase in inventories of RMB18.2 million, primarily due to the increased work-in-progress resulting from our production expansion for growing market demand; and (iii) an increase in trade and bills receivables and debt investments at fair value through other comprehensive income of RMB9.7 million, which was attributable to the increase in bank acceptance bills with high credit rate used by our customers to settle our receivables.

SUMMARY

Summary of Key Financial Ratios

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

	Year ended December 31,			As of May 31,
	2022	2023	2024	2025
Current ratio ⁽¹⁾	0.88	0.91	1.33	1.66
Gearing ratio ⁽²⁾	16.2%	37.5%	42.3%	39.6%
Return on total assets ⁽³⁾ . . .	4.2%	5.9%	5.7%	2.0% ⁽⁵⁾
Return on equity ⁽⁴⁾	6.9%	10.7%	11.4%	3.8% ⁽⁵⁾

Notes:

- (1) Current ratio equals current assets divided by current liabilities as of the same date.
- (2) Gearing ratio equals to net debt divided by total capital plus net debt. The Company includes, within net debt, interest-bearing bank and other borrowings, financial liabilities included in trade and other payables, less cash and cash equivalents. Capital represents equity attributable to owners of the parent.
- (3) Return on total assets equals to profits for the year/period divided by total assets as of the end of the year/period and multiplied by 100%.
- (4) Return on equity equals to profits for the year/period divided by total equity as of the end of the year/period and multiplied by 100%.
- (5) Such ratios for the five months ended May 31, 2025 are not meaningful as such ratios do not reflect a full year of operations.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the entire net proceeds of the Global Offering will be approximately HK\$124.3 million (after deduction of underwriting fees and commissions and other estimated expenses payable by us in connection with the Global Offering), assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK\$7.3 per Offer Share. If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds that we receive from the offering of these additional Shares will be approximately HK\$25.7 million, after deducting the relevant expenses and Offer Price of HK\$7.3 per Offer Share. We plan to allocate the net proceeds from the Global Offering in the following manner:

- (i) approximately 70.8%, or HK\$88.0 million will be used for the deep processing project of mullite-based aluminosilicate materials;
- (ii) approximately 20.6%, or HK\$25.6 million will be used for the establishment of new aluminosilicate material engineering and technology research center;
- (iii) approximately 0.6%, or HK\$0.8 million will be used to repay the aggregate principal amounts and interests accrued on several of our bank loans; and
- (iv) approximately 8.0%, or HK\$9.9 million will be allocated for working capital and general corporate purposes.

SUMMARY

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. A detailed discussion of all the risk factors involved are set forth in the section headed “Risk Factors” in this prospectus and you are advised to read the whole section carefully and evaluate the specific risks set forth therein before you decide to invest in the Offer Shares. We believe a few of the more significant risks relating to our business are as follows:

- The mining industry inherently has a high level of risks, and we may experience accidents or disruptions in our mining and manufacturing process, which could damage our reputation, subject us to liability claims and result in substantial costs.
- We face industry competition, and failure to compete effectively with our competitors may adversely affect our business, financial condition and results of operations.
- Our operations are currently concentrated on one kaolin mine and we are exposed to uncertainties in relation to such mine.
- Our Mineral Resources and Ore Reserves estimates are based on a number of assumptions, which, if changed, may require us to lower our estimates.
- We may not be able to meet our estimated kaolin production volume.
- Our existing mining operations have a finite life and eventual closure of our operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.
- We may fail to obtain, maintain or renew the government permits, licenses and approvals required for our mining activities.
- We are subject to risks relating to product concentration as we derived the majority of our revenue from the sales of precision casting mullite products and refractory mullite products.
- Changes in the market price of precision casting mullite products, refractory mullite products and other related products will affect our business, financial condition and results of operations.
- Our success depends on the quality and characteristics of our products. If we fail to achieve or maintain broad market acceptance for our products, our business, financial condition and results of operations could be materially and adversely affected.

THE IMPACT OF COVID-19

In 2020, the outbreak of the COVID-19 led to an international public health crisis and, our business operations were briefly impacted by the outbreak in early 2020. However, we resumed normal business operations after the initial disruptions in early 2020. During the COVID-19 pandemic, we relied on a stable and diversified customer base across various regions of China to ensure a continuous inflow of orders. We maintained cooperative relationships with multiple transportation companies to guarantee the timely delivery of goods. Additionally, we implemented strict internal epidemic prevention and control measures to ensure the smooth operation of our production processes. Our flexible sales strategies helped sustain stable sales growth, while strengthened cost control measures improved cost efficiency. These measures effectively responded to external challenges and ensured the stable growth of production and sales, without causing any material adverse impact on our business operation or financial performance during the Track Record Period.

SUMMARY

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Huaibei Mining Group, directly and indirectly through its wholly-owned subsidiary Wanhui Investment, is entitled to control the exercise of 60.13% of the voting rights of our Company. Huaibei Mining Group was held as to 62.96% by Anhui SASAC and 37.04% by Anhui Energy Group, which is wholly owned by Anhui SASAC. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Huaibei Mining Group, directly and indirectly through its wholly-owned subsidiary Wanhui Investment, will be entitled to control the exercise of approximately 45.09% of the voting rights of the Company. As such, each of Huaibei Mining Group, Wanhui Investment and Anhui Energy Group constitutes a Controlling Shareholder of our Company.

In addition, as of the Latest Practicable Date, Huaibei Jiaotou is entitled to control the exercise of 39.87% of the voting rights of our Company. Huaibei Jiaotou is wholly owned by Huaibei Jiantou Holding. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Huaibei Jiaotou will be entitled to control the exercise of approximately 29.91% of the voting rights of the Company. Considering, among others, (i) the historical voting patterns of Huaibei Mining Group and Huaibei Jiaotou with respect to major issues of the Company have been consistent, and (ii) Huaibei Mining Group is controlled by Anhui SASAC and Huaibei Jiaotou is controlled by Huaibei SASAC, which is under the supervision of Anhui SASAC, it is not anticipated that any major disagreement will arise between Huaibei Mining Group and Huaibei Jiaotou in terms of major issues to be considered at the general meetings of the Company after the Listing. As such, each of Huaibei Jiaotou and Huaibei Jiantou Holding constitutes a Controlling Shareholder of our Company. See “Relationship with our Controlling Shareholders” for further details.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in our H Shares to be issued pursuant to the Global Offering on the basis that we satisfy the profit test under Rule 8.05(1) of the Listing Rules.

DIVIDENDS

We declared the dividends of approximately RMB55.3 million for the year ended December 31, 2022, and we did not declare any other dividend during the Track Record Period. All the dividends declared in 2022 were paid in August 2023. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any formal dividend policy with fixed dividend pay-out ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. According to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

SUMMARY

OFFERING STATISTICS⁽¹⁾

	Based on the Offer Price of HK\$7.3 per share
Market capitalization of H Shares ⁽²⁾	HK\$177.4 million
Market capitalization of Domestic Shares ⁽²⁾	HK\$532.1 million
Market capitalization of total Shares ⁽²⁾	HK\$709.5 million
Unaudited proforma adjusted net tangible assets attributable to equity shareholders of the Company per Share ⁽³⁾	HK\$5.27

Notes:

- (1) All statistics in the table are based on the assumption that (i) the Over-allotment Option is not exercised; and (ii) 97,194,316 Shares (including 24,300,000 H Shares and 72,894,316 Domestic Shares) expected to be in issue upon completion of the Global Offering.
- (2) The calculation of market capitalization is based on 97,194,316 Shares (including 24,300,000 H Shares and 72,894,316 Domestic Shares) expected to be in issue immediately upon completion of the Global Offering.
- (3) The unaudited pro forma statement of adjusted net tangible assets attributable to owners of the parent per Share is calculated based on 97,194,316 Shares (including 24,300,000 H Shares to be issued under the Global Offering and 72,894,316 Domestic Shares) were in issue, being the number of Shares expected to be in issue following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately RMB48.4 million (based on the Offer Price of HK\$7.3 per Offer Share and assuming no exercise of the Over-allotment Option), representing 29.9% of the gross proceeds (based on the Offer Price of HK\$7.3 per Offer Share and assuming that the Over-allotment Option is not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB23.6 million, of which RMB0.5 million was charged to the statements of profit or loss and other comprehensive income as administrative expenses and RMB23.1 million have been deducted from equity. We expect to incur listing expenses of approximately RMB24.8 million, of which approximately RMB1.1 million is expected to be recognized in the statements of profit or loss as administrative expenses and approximately RMB23.7 million is expected to be recognized as a deduction in equity directly upon the Listing.

Our Directors do not expect such expenses to materially impact our results of operations in 2024. By nature, our listing expenses are composed of (i) underwriting commission of approximately RMB5.5 million, and (ii) non-underwriting related expenses of approximately RMB42.9 million, which consist of fees and expenses of legal advisors and Reporting Accountant of approximately RMB30.3 million and other fees and expenses of approximately RMB12.6 million.

LEGAL PROCEEDINGS AND COMPLIANCE MATTERS

We may from time to time become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, there were no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material and adverse effect on our business, financial condition or results of operations.

SUMMARY

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, we had not been and were not involved in any material incidents of non-compliance. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We believe that integrating ESG principles into our operations and business decisions is of strategic importance to us, and that good ESG practices are critical to our long-term sustainable growth and to responding to the expectations of our stakeholders. In terms of environmental responsibility, we strictly comply with applicable environmental laws and regulations, and we promote energy conservation and emission reduction while ensuring the compliant discharge of pollutants through regular monitoring and management. Meanwhile, we attach importance to labor rights, occupational health and safety, and supply chain responsibility, and we have established sound systems and monitoring measures to safeguard the interests of employees and business partners. Furthermore, we have adopted stringent internal compliance policies that define the organizational structure and operational mechanisms for compliance management, together with anti-corruption and anti-bribery procedures, so as to ensure the effective operation of internal controls. See “Business — Environmental, Social and Governance.”

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Regulatory Developments

On November 8, 2024, the Mineral Resources Law of the People’s Republic of China (Draft Revision) (the “New Mineral Resources Law”) was deliberated and adopted, which came into force on July 1, 2025. The New Mineral Resources Law is enacted for the purposes of promoting rational development and utilization of mineral resources, strengthening protection of mineral resources and ecological environment, protecting the ownership rights of the state over mineral resources and the legitimate rights and interests of mineral rights holders, promoting high-quality development of the mining industry and ensuring national mineral security. The New Mineral Resources Law mandates that upon establishing a mining right, registration must be filed with the relevant department, which then issues a mining right certificate if conditions are met. Article 33 requires mining right owners to prepare and submit an exploration and mining plan for approval and obtain necessary permits before commencing operations. The law distinguishes between the mining right certificate being a property right and exploration/mining licences being administrative licenses. It introduces separate registration for mining rights and exploration/mining permissions. For details, see “Regulatory Overview — Laws and Regulations Relating to Mineral Resources.” According to Article 3(3) of the Notice on the Implementation of the New Mineral Resources Law issued by the Ministry of Natural Resources of China in December 2024, mining licenses that have been issued prior to the implementation of the New Mineral Resources Law continue to be valid during the validity period and the replacement with the mining right certificate shall not be mandatory. Our PRC Legal Advisors are of the view that after the New Mineral Resources Law comes into force, our mining license, which remains valid until November 20, 2039, will continue to be valid within its current validity period and we do not need to apply for a mining right certificate before the expiry of our mining license, and the implementation of the New Mineral Resources Law will not adversely affect our operation and financial performance. As advised by our PRC Legal Advisors, the Huaibei Municipal Bureau of Natural Resources and Planning, which issued the mining license to us in November 2021 and approved the renewal in March 2024, is the competent authority to issue the mining right certificate to us under the New Mineral Resources Law.

SUMMARY

No Material Adverse Change

Our Directors have confirmed that up to the date of this Prospectus there has been no material adverse change in our financial or trading position or prospects since May 31, 2025, being the end date of the periods reported in Appendix I to this Prospectus, and there is no event since May 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix I to this Prospectus.

Unaudited Financial Information for the Six Months Ended June 30, 2025

We are a company listed on the NEEQ and we have published our semi-annual report on August 27, 2025, containing our unaudited financial statements as of and for the six months ended June 30, 2025 prepared under PRC GAAP. As a result, we have included our unaudited interim condensed financial statements in Appendix IA to this document. Our unaudited interim condensed financial statements have been prepared in accordance with the applicable International Accounting Standard issued by the International Accounting Standard Board and reviewed by our Reporting Accountants in accordance with Hong Kong Standard on Review Engagements 2410. See “Appendix IA — Unaudited Interim Condensed Financial Information.”

Our revenue increased from RMB111.7 million for the six months ended June 30, 2024 to RMB128.5 million for the six months ended June 30, 2025, primarily attributable to our continued sales growth and launch of ceramic fibers, which brought additional revenue stream. Our cost of sales increased from RMB71.1 million for the six months ended June 30, 2024 to RMB82.7 million for the six months ended June 30, 2025, which was in line with our business growth. As a result of the foregoing, our gross profit increased from RMB40.6 million to RMB45.8 million during the same period.

We recorded net cash inflows from operating activities of RMB39.7 million, primarily due to a decrease in trade and bills receivables and debt investments at fair value through other comprehensive income of RMB8.5 million and an increase in depreciation of items of property, plant and equipment of RMB22.9 million, partially offset by an increase in inventories of RMB21.0 million and decrease in trade and other payables of RMB6.1 million.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this prospectus
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Anhui Energy Group”	Anhui Energy (Group) Company Limited (安徽省能源集團有限公司), a limited liability company established under the laws of the PRC on April 9, 1990 and a shareholder of Huaibei Mining Group, one of our Controlling Shareholders
“Articles” or “Articles of Association”	the articles of association of our Company, which was passed by our Shareholders at the Shareholders’ meeting on October 14, 2024, and shall become effective on the Listing Date, as amended, supplemented, or otherwise modified from time to time, a summary of which is set out in Appendix V to this prospectus
“Audit and Risk Committee”	the audit and risk committee of the Board of our company
“Board” or “Board of Directors”	the board of Directors of our Company
“Board Committee(s)”	the board committees of our Company, namely the Audit and Risk Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy and Investment Committee
“Business day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Capital Market Intermediary(ies)” or “CMI(s)”	the capital market intermediaries as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” in this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “the PRC”	the People’s Republic of China for the purpose of this prospectus and for geographical reference only, except where the context requires, references in this prospectus to “China” and the “PRC” do not apply to Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company,” “the Company,” “we,” or “us,”	Anhui Jinyan Kaolin New Materials Co., Ltd. (安徽金岩高嶺土新材料股份有限公司), a limited liability company established under the laws of the PRC on October 25, 2012 and converted into a joint stock limited company on June 17, 2022
“Competent Person” or “Independent Technical Consultant”	SRK Consulting (Hong Kong) Limited, an Independent Third Party
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Huaibei Mining Group, Wanhui Investment, Anhui Energy Group, Huaibei Jiantou Holding and Huaibei Jiaotou details of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Corporate Governance Code”	the Corporate Governance Code in Appendix C1 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Designated Bank”	HKSCC Participant’s EIPO Designated Bank
“Directors”	the directors of our Company
“Domestic Share(s)”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and listed on NEEQ
“EIA”	Environmental Impact Assessment
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“ESG”	environmental, social and governance
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“FINI” or “Fast Interface for New Issuance”	an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant
“Frost & Sullivan Report”	the report commissioned by our Company and independently prepared by Frost & Sullivan, a summary of which is set out in the section headed “Industry Overview” in this prospectus

DEFINITIONS

“General Rules of HKSCC”	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Guide” or “Guide for New Listing Applicants”	the Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“H Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be subscribed for and traded in HK dollars and to be listed on the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
“ HKSCC EIPO ”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant

DEFINITIONS

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Offer Shares”	the 2,430,000 H Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering”) in this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus, as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 24 November 2025 relating to the Hong Kong Public Offering entered into by, among others, the Company and the Hong Kong Underwriters
“Huaibei Jiantou Holding”	Huaibei Jiantou Holding Group Co., Ltd. (淮北市建投控股集團有限公司), a limited liability company established under the laws of the PRC on April 24, 2008, and a shareholder of Huaibei Jiaotou, and one of our Controlling Shareholders
“Huaibei Jiaotou”	Huaibei Jiantou Transportation Investment Co., Ltd. (淮北市建投交通投資有限公司), a limited liability company established under the laws of the PRC on July 19, 2013, and one of our Controlling Shareholders
“Huaibei Mining Group”	Huaibei Mining (Group) Co., Ltd (淮北礦業(集團)有限責任公司), a limited liability company established under the laws of the PRC on March 15, 1993, and one of our Controlling Shareholders
“IASB”	International Accounting Standards Board

DEFINITIONS

“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Independent Technical Report”	the independent technical report prepared by the Competent Person as set out in Appendix VI to this prospectus
“Independent Third Party(ies)”	any entity(ies) or person(s) who to the best of our Directors’ knowledge, information and belief, is not a connected person of our Company within the meaning of the Listing Rules
“International Offer Shares”	the 21,870,000 H Shares being initially offered by us for subscription pursuant to the International Offering (subject to reallocation as described in the section headed “Structure of the Global Offering”) in this prospectus together with any additional H Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option
“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, on and subject to the terms and conditions described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering listed in the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering which is expected to be entered into on or around Monday, December 1, 2025 by, among us, the Company, the Overall Coordinators, the Joint Global Coordinators and the International Underwriters
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors and Parties Involved in the Global Offering” in this prospectus

DEFINITIONS

“Joint Global Coordinators”	the joint global coordinators as named in the section headed “Directors and Parties Involved in the Global Offering” in this prospectus
“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors and Parties Involved in the Global Offering” in this prospectus
“Joint Sponsors”	Guoyuan Capital (Hong Kong) Limited and CMBC International Capital Limited
“Latest Practicable Date”	November 18, 2025, being the latest practicable date prior to the date of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about Wednesday, December 3, 2025, on which the H Shares are to be listed on the Main Board of the Hong Kong Stock Exchange and from which dealings in the H Shares are permitted to commence on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“NEEQ”	National Equities Exchange and Quotations
“Nomination Committee”	the nomination committee of the Board of our company

DEFINITIONS

“Offer Price”	the offer price per Offer Share (exclusive of the brokerage fee of 1.0%, the SFC transaction levy of 0.0027%, the AFRC transaction levy of 0.00015% and the Hong Kong Stock Exchange trading fee of 0.00565%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering as described in the section headed “Structure of the Global Offering” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, collectively, and where relevant, together with any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option
“Overall Coordinators”	the overall coordinators as named in “Directors and Parties involved in the Global Offering” in this prospectus
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters) under the International Underwriting Agreement, to require our Company to allot and issue up to an aggregate of 3,645,000 additional H Shares at the Offer Price, representing approximately 15% of the number of Offer Shares initially available under the Global Offering to, among others, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“Overseas Listing Trial Measures”	the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法)
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“PRC GAAP”	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisors”	Anhui Tianhe Law Firm, our legal advisors as to the laws of the PRC
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Province”	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC
“Receiving Bank”	Industrial and Commercial Bank of China (Asia) Limited
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board of our Company
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SASAC”	The State-owned Assets Supervision and Administration Commission (國有資產監督管理委員會)
“Securities Law” or “PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and modified from time to time
“Shandong Yonganda”	Shandong Yonganda Refractory Technology Co., Ltd. (山東永安達耐材科技股份有限公司), a limited liability company incorporated in China in 2003, a external supplier of processing service of our Company
“Share(s)”	ordinary share(s) with nominal value RMB1.00 each in the share capital of our Company, including both Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of our Share(s)
“Shuoli Mining”	Huaibei Shuoli Mining Company Limited (淮北朔里礦業有限公司), a limited liability company established under the laws of the PRC on December 30, 2010, a previous Shareholder of our Company, and was deregistered on January 26, 2024
“STA”	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Stabilizing Manager”	Guoyuan Securities Brokerage (Hong Kong) Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	member(s) of our Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025

DEFINITIONS

“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.” or “US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“U.S. dollars” or “USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Person”	has the meaning given to it in Regulation S
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“Wanhui Investment”	Huaibei Wanhui Investment Co., Ltd. (淮北皖淮投資有限公司), a limited liability company established under the laws of the PRC on March 30, 2017 and wholly owned by Huaibei Mining Group, and one of our Controlling Shareholders
“ White Form eIPO ”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name by making applications online through the designated website of the White Form eIPO Service Provider at <u>www.eipo.com.hk</u>
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“%”	per cent

In this prospectus, the terms “associate,” “close associate,” “connected person,” “core connected person,” “connected transaction,” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

DEFINITIONS

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this document in connection with our Company and our business. The meaning of these terms may not necessarily correspond to standard industry meaning or the usage of these terms.

“alumina ceramic balls”	high-density, high-hardness ceramic balls made from aluminium oxide, widely used in industrial applications such as grinding, milling, and as catalyst supports due to their excellent wear resistance, thermal stability, and chemical inertness
“associated coal-series kaolin”	coal-series kaolin with separate occurrence in the same deposit from coal, therefore has stable chemical composition with minimal variation in other mineral components
“ball mill”	a type of grinder used to grind or blend materials for use in mineral dressing processes, paints and ceramics
“beneficiation”	a process to upgrade the content of an ore or ore concentrates typically through flotation, gravity or magnetic separation
“bulk density”	a physical property of mineral components, defined by the weight of an object or material divided by its volume, including the volume of its pore spaces
“CAGR”	compound annual growth rate
“ceramic fiber”	a fibrous lightweight refractory material known for its light weight, high-temperature resistance, thermal stability, low thermal conductivity, low specific heat, and resistance to mechanical vibration, widely used in industries such as machinery, metallurgy, chemical engineering, petroleum, ceramics, glass, and electronics
“chamotte”	a type of calcined kaolin used primarily in the production of refractory materials and ceramics. It is characterized by its high thermal stability, low porosity, and high mechanical strength
“coal-series kaolin”	kaolin that occurs in coal seams in the form of interlayers, roof and floor strata, or independent mineral layers

GLOSSARY OF TECHNICAL TERMS

“crystal phase transformation”	the process where the crystal structure of a material changes under different temperature and pressure conditions, affecting its physical and chemical properties
“deposit”	a natural occurrence of a useful mineral or an ore that is sufficient in extent and degree of concentration to invite exploitation
“drilling”	the use of a machine to create holes for exploration
“East China”	the region in the east and related coastal areas of China, and includes Shandong, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Guangdong provinces, and Shanghai municipality
“EPC”	engineering, procurement and construction
“ERP” or “ERP system”	Enterprise Resource Planning system, an operation model for modern enterprise management. An integrated system applied across, corporations usually covering customer relationship, project management, inventory and procurement, supply, production and other management tasks, with a view to maximise resource efficiency and optimise enterprise resources
“exploration”	activities undertaken to prove the location, volume and quality of a deposit
“Huaibei coal field”	a coal field, located in the northwest of Anhui Province, spanning the cities of Huaibei, Suzhou and Bozhou, with an area of approximately 12,350 square kilometers
“Indicated Mineral Resource”	The part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit

GLOSSARY OF TECHNICAL TERMS

“Inferred Mineral Resource”	the part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
“JORC Code”	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2012
“kaolin”	a non-metallic mineral, a type of clay and clay rock mainly composed of clay minerals of the kaolinite group
“kaolin fine powder”	the raw powder of kaolin ore, which is processed by crushing (grinding), grading, iron removal and other processes
“kg”	kilograms
“kt”	thousand tonnes
“KV”	kilovolts
“LoM”	life of mine
“Measured Mineral Resource”	the part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit
“mesh”	a unit of measure for particle and powder size, indicating the number of openings per inch in a screening sieve

GLOSSARY OF TECHNICAL TERMS

“Mineral Resource(s)”	concentration or occurrence of material of intrinsic economic interest on or inside the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge
“mining rights”	the rights to mine mineral resources and obtain mineral products in areas where mining activities are licenced
“mm”	millimetres
“Modifying Factors”	considerations used to convert Resources to Reserves, including but not limited to, mining, processing, economic, legal, environmental, social and governmental factors, in accordance with the JORC code
“Mohs hardness”	a scale used to measure the hardness of minerals, ranging from 1 (talc) to 10 (diamond), introduced by German mineralogist Friedrich Mohs in 1812
“mullite”	with the chemical formula of $3\text{Al}_2\text{O}_3 \cdot 2\text{SiO}_2$, it is a high-quality refractory for its excellent thermal shock stability, high load softening point, and high resistance to chemical corrosion
“mullite-based aluminosilicate material”	a non-metallic material with aluminium oxide and silicon oxide dominated by mullite phase as its basic chemical composition
“mullite crystal phase”	the specific arrangement and structure of mullite crystals
“mullite phase”	a mineral structure containing mullite and consisting primarily of aluminosilicate, with the chemical formula of $3\text{Al}_2\text{O}_3 \cdot 2\text{SiO}_2$ or $2\text{Al}_2\text{O}_3 \cdot \text{SiO}_2$
“new aluminosilicate material”	a non-metallic material with aluminium oxide and silicon oxide as its basic chemical composition
“ore”	a naturally occurring solid material from which a metal or valuable mineral can be extracted economically
“Ore Reserve(s)”	the economically mineable part of a measured and/or indicated mineral resource

GLOSSARY OF TECHNICAL TERMS

“precision casting mullite products”	a high-performance material used in precision casting processes, known for its excellent thermal stability, low thermal expansion, and high resistance to thermal shock and chemical corrosion
“precision casting sand and powder”	shell materials used in precision casting
“Probable Ore Reserve(s)”	the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve
“Proved Ore Reserve(s)”	the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors
“raw coke”	kaolin ore
“raw powder”	kaolin ore powder obtained after crushing and grading
“refractory mullite products”	high-performance refractory materials primarily composed of mullite, widely used in high-temperature industries due to their excellent thermal stability, low thermal expansion, and high resistance to thermal shock
“ROM”	run-of-mine
“rotary kiln”	a thermal processing equipment used to heat materials to high temperatures in a continuous process, consisting of a slightly inclined rotating large cylinder where materials move from the upper end to the lower end, undergoing heating and calcining
“shaft kiln”	a calcining equipment used for production, operating by feeding raw materials from the top, with fuel burning in the middle section, allowing for gradual preheating, calcining and cooling
“shell mold”	the mold shell processed for pouring high-precision precision castings, which is mainly made of precision casting sand and powder and silica sol. It is a one-time casting mold shell

GLOSSARY OF TECHNICAL TERMS

“Shuoli Kaolin Mine”	a mine 100% owned and operated by our company, is located in Shuoli Town, Duji District, Huaibei City, Anhui Province, covering an area of 17.9955 square kilometers, and began production in 2021 after obtaining mining rights
“symbiotic coal series kaolin”	a mineral resource that coexists with coal seams and other minerals, requiring complex separation and purification processes due to significant variations in its mineral composition before processing
“tailings”	materials that are produced after the process of extracting target minerals from ore
“tonne” or “t”	metric ton, a metric unit of weight, being 1,000 kg
“tpa”	tonnes per annum
“underground mining”	mining of a deposit through underground passageways made in the rock
“vibrating screen”	a device made with a screening surface vibrated mechanically with an elliptical vibration track at high speeds that is typically used for screening ore, coal or other fine dry materials
“waste”	the part of an ore deposit that is too low in grade to be of economic value at the time of mining, but which may be stored separately for possible treatment later
“water absorption”	the amount of water that a material can absorb under controlled conditions

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this Prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- various business opportunities that we may pursue; and

FORWARD-LOOKING STATEMENTS

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this Prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this Prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. All forward-looking statements contained in this Prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The mining industry inherently has a high level of risks, and we may experience accidents or disruptions in our mining and manufacturing process, which could damage our reputation, subject us to liability claims and result in substantial costs.

The mining industry in which we operate inherently has a high level of risk. It involves a number of risks and hazards, including industrial accidents, labor disputes, unusual or unexpected geological conditions, mine collapses, fires, explosions, equipment failure, delays in supplies and loss of key inputs, including electricity and water changes in the regulatory environment, environmental hazards and weather and other natural phenomena such as landslides and earthquakes. Such occurrences could result in material damage to, or the destruction of, mineral properties or production facilities, human exposure to pollution, personal injury or death, environmental and natural resource damage, delays in mining, monetary losses and possible legal liability. Should any of the foregoing inherent risks materialize, our operation may be disrupted and our business and results of operations could be materially and adversely affected. See “Business — Our Mineral Assets and Mining Rights — Our Kaolin Mineral Assets – Shuoli Kaolin Mine — Risks Associated with Shuoli Kaolin Mine.”

We face industry competition, and failure to compete effectively with our competitors may adversely affect our business, financial condition and results of operations.

We face competition from other kaolin mining and production companies that produce precision casting mullite products and refractory mullite products targeting similar sales markets to us. Competition in our industry may intensify as our competitors expand their products, or as new competitors enter into the market. Some of our competitors may have greater financial, marketing, distribution, resources level and product development capabilities than we do. As a result, these competitors may be able to devote more resources to the development, promotion and sale of their products. The primary factors driving competition are strong exploration and mining capacities with advanced mining methods and improved

RISK FACTORS

technical equipment, high-quality and stable products, new technology development, sufficient capital investment, professional management, talent retention and obtaining exploration and extraction permits. Other factors that could affect competition in our industry include additional discoveries of kaolin reserves by our competitors, access to and capacity of transportation, political and economic factors and other factors beyond our control. Increased competition could have a material adverse impact on prices at which we can sell precision casting mullite products and refractory mullite products. During the Track Record Period, we had lowered our average selling prices to cope with the intensified market competition. We cannot guarantee that our current or potential competitors will not offer products at more competitive prices or adapt more quickly than we do to evolving industry trends or changing market conditions. There can be no assurance that we will be able to compete effectively or maintain or improve our market position. Our failure to compete effectively could materially and adversely affect our business, financial condition, and results of operations.

Our operations are currently concentrated on one kaolin mine and we are exposed to uncertainties in relation to such mine.

As of the Latest Practicable Date, we had only one kaolin mine, namely, our Shuoli Kaolin Mine in Huaibei City, Anhui Province, China. Our success depends heavily on this kaolin mine, which is subject to various risks and uncertainties.

The Independent Technical Consultant has identified a number of risks and recommendations in estimating our Mineral Resources, Ore Reserves and operations related to our Shuoli Kaolin Mine. See “Appendix VI — Independent Technical Report — 17 Risk Assessment.” The key risks identified by the Independent Technical Consultant included the following:

- locally high Fe_2O_3 impurity content occurs at certain bedding of the estimated domains. The presence of locally high Fe_2O_3 impurity content can impact our Mineral Resources and Ore Reserves. The current cut-off for Fe_2O_3 content is less than 2%. If the Fe_2O_3 content exceeds this threshold locally, it can lead to a reduction in the estimated amount of Mineral Resources, which in turn will affect the estimated amount of Ore Reserves. Higher than estimated Fe_2O_3 content can affect the quality and marketability of the final products. Removing iron impurities may require additional processing to meet industry standards, thereby increasing operational costs. Furthermore, elevated impurity levels can impact metallurgical performance during processing, potentially leading to lower yields and increased waste generation. This, in turn, can affect the long-term planning and sustainability of mining operations;
- failure to meet production targets due to the shortage of mining block preparation development or due to the equipment shutdown;
- insufficient quantity of production equipment as a result of unstable total ROM mined;

RISK FACTORS

- conditions changed significantly, leading to mine plan failure;
- spontaneous combustion/mine fire/dust explosion;
- coal gas explosion/seam gas;
- lack of labor leading to mine plan failure;
- the compatibility of equipment and processed;
- failure to meet the ceramic fiber workshop production plant's annual production target;
- No. 5 coal seam mined out area may increase the difficulty of roof management during kaolin mining;
- roadway deformation caused by the depletion of upper and lower coal seams;
- rib spalling and floor heave;
- undrained water in historical voids, leading to groundwater accidents;
- residual water inflow from the four closed adjacent mines;
- seepage on the mine field boundary coal pillars and artificial partition walls;
- water pollution to the environment;
- air emissions management;
- stakeholder engagement and social aspects;
- price reduction due to decline in demand or increased competition;
- increasing clients' requests for new product specifications;
- client loss;
- production is capped below quantity required to maintain or expand market share;
- restricted/limited market.

Although the Independent Technical Consultant has provided its recommendations to address the above risks, there is no assurance that we can implement such recommendations effectively to mitigate the relevant risks. In the event that the occurrence of any of the above events causes us to operate at a less-than-expected capacity, our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

Our Mineral Resources and Ore Reserves estimates are based on a number of assumptions, which, if changed, may require us to lower our estimates.

Our Mineral Resources and Ore Reserves estimates are based on a number of assumptions. Neither Mineral Resource estimates, nor Ore Reserve estimates, are precise calculations. Ore Reserve estimates are based on available assumptions and considerations regarding the extraction of Measured and Indicated Mineral Resources; and the Mineral Resources estimates are dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The accuracy of the estimates depends on the quantity and quality of available data, the assumptions made, and the judgments used in engineering and geological interpretation, which in each case may prove to be unreliable.

The Ore Reserves estimates in this prospectus indicate the tonnage and grade of kaolin that we believe can be economically mined and processed. These estimates are based on a number of economic and technical assumptions, including costs, expenditures, commodity prices, geological models and resource estimation, mining loss and dilution, processing loss. However, these assumptions may prove inaccurate due to a number of factors, many of which are beyond our control. Ore Reserve estimation is a time-sensitive and the Ore Reserves presented in this prospectus have reflected the considerations and assumptions made being valid on the date of the Independent Technical Report. These considerations and assumptions and modifying factors may need to update in the future and update our Ore Reserves accordingly. If, for instance, our production costs increase or the prices of kaolin decrease and as a result the extraction of a portion (or all) of the Ore Reserves at our mines might become uneconomic. There is no assurance that our estimates will prove accurate or that the Ore Reserves can be mined or processed profitably. See “Appendix VI — Independent Technical Report — 7 Mineral Resource Estimation.”

In addition, compared to Measured or Indicated Mineral Resources, Inferred Mineral Resources have a greater amount of uncertainty as to their existence and as to whether they can be mined economically, as such Mineral Resources are inferred from geological evidence and assumed but not verified. It cannot be guaranteed that all or part of the Inferred Mineral Resources will ever be upgraded to a higher category.

The inclusion of Mineral Resources estimates should not be regarded as a representation that all these amounts can be economically mined or processed, and nothing contained in this prospectus should be interpreted as assurances of the economic viability of the mines to which we hold the mining license or the profitability of our future operations. A reduction of our Mineral Resources or Reserves, including due to any of the above, could have a material adverse effect on our business, financial condition and results of operations.

We amortize our mining rights based on the production method. For the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025, our amortization expenses related to our mining rights amounted to RMB3.0 million, RMB4.8 million, RMB5.7 million and RMB2.8 million, respectively. We review the remaining useful life of our mining

RISK FACTORS

rights in accordance with our production plans and Reserves levels of the mine. Any material decrease in the amount of our Reserves for our mines or changes to our production plans may result in impairment of the carrying value of our mining rights, which may have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to meet our estimated kaolin production volume.

Our production estimates are based on, among other things, Ore Reserves estimates, kaolin process loss and the assumptions regarding ground conditions and physical characteristics of Ore Reserves, our mining schedule, utilization of production facilities, costs of production, conditions of the industry, and the commodity prices. There are uncertainties in our ability to develop sufficient mining flexibility to achieve our mining schedule. Our Ore Reserves estimates are based on the assumed various kaolin product prices, and as a result, our Reserves estimates, production schedule, operation and actual production may be adversely affected if the actual kaolin product prices fall below these assumptions. Actual production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed elsewhere in this prospectus, including, but not limited to: (i) actual ore mined varying from estimates in grade, tonnage and other characteristics; (ii) encountering unusual or unexpected geological conditions; (iii) mining dilution; (iv) actual kaolin processing loss in formal production lower than estimates during the testing; (v) restrictions imposed by government authorities; (vi) industrial accidents; (vii) equipment failures; (viii) natural phenomena such as weather conditions, floods, rock slides and earthquakes; (ix) changes in the costs of utilities; (x) decreases in the price of kaolin which may cause Ore Reserves that are currently economic to become uneconomic; (xi) labor unrest, strikes or turnover; (xii) interference from local communities and competitors; (xiii) socio-economic impact; and (xiv) shortages of supplies needed for operation.

Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to our property or the property of others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable. New mining operations frequently experience unexpected issues during the initial development phase. Delays can often occur in the commencement of production. Estimates of production from properties not yet in production or from operations that are to be expanded are based on similar factors including, in some instances, feasibility studies prepared by our personnel and/or outside consultants, but it is possible that actual facilities' utilization, kaolin recovery rate, cash operating costs and economic returns will differ significantly from those currently estimated. There is no assurance that we will achieve our production estimates. If we are unable to achieve our production estimates, this could have a material and adverse effect on our business, financial condition and results of operations.

RISK FACTORS

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

Our existing mining operations have a finite life and will eventually close. According to the Independent Technical Report, as of May 31, 2025, at the annual production volume of 400,000 tonnes, the estimated LoM of our Shuoli Kaolin Mine is 16 years. The key costs and risks for mine closures are: (i) long-term management of permanent engineered structures; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programs to new owners. The successful completion of these tasks is dependent on our ability to successfully implement negotiated agreements with the relevant government authorities, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to on-going environmental rehabilitation costs and damage to our reputation if a desired outcome cannot be achieved, all of which could materially and adversely affect our business and results of operations.

We may fail to obtain, maintain or renew the government permits, licenses and approvals required for our mining activities.

Our right to exploit mineral deposits is governed by the laws and regulations of the PRC. Under the PRC Mineral Resources Law, all Mineral Resources in the PRC are owned by the State. Mining companies, including our Company, are required to obtain mining and exploration permits prior to undertaking any mining or exploration activities, and the mining and exploration permits are limited to a specific geographic area and a certain time period. Mining enterprises that have, in accordance with law, applied for and obtained the right of mining and are conducting exploration within the designated mining area for the purpose of their own production are not required to separately make an application and registration for the right of exploration. Our mining license is valid for 18 years, and will expire in 2039. We plan to apply to the appropriate authorities for a renewal when our current license expires. In addition, pursuant to relevant PRC laws and regulations, before commencing production, we are required to obtain permits and licenses with respect to production safety and environmental protection, among other things. According to our PRC Legal Advisers, as of the Latest Practicable Date, we had obtained all material approvals, licenses and permits for our current operations in all material aspects.

However, we may not be able to obtain or renew such approvals, licenses or permits, comply with all conditions requested by governmental authorities to maintain those permits, or obtain, retain or renew other approvals, licenses and permits necessary for our business operations in the future, either in respect of our existing mine or at any mines we may operate in the future. In addition, we may require new permit(s), license(s) and/or approval(s) from time to time. On November 8, 2024, the New Mineral Resources Law was deliberated and adopted, which came into force on July 1, 2025. The New Mineral Resources Law mandates that upon establishing a mining right, registration must be filed with the relevant department, which then issues a mining right certificate if conditions are met. The law distinguishes

RISK FACTORS

between the mining right certificate being a property right and exploration/mining licences being administrative licenses. It introduces separate registration for mining rights and exploration/mining permissions. According to Article 3(3) of the Notice on the Implementation of the New Mineral Resources Law issued by the Ministry of Natural Resources of China in December 2024, mining licenses that have been issued prior to the implementation of the New Mineral Resources Law continue to be valid during the validity period and the replacement with the mining right certificate shall not be mandatory. See “Regulatory Overview — Laws and Regulations Relating to Mineral Resources” and “Recent Developments and No Material Adverse Change — Regulatory Developments.” Our PRC Legal Advisors are of the view that after the New Mineral Resources Law comes into force, our mining license, which remains valid until November 20, 2039, will continue to be valid within its current validity period and we do not need to apply for a mining right certificate before the expiry of our mining license. Changes in PRC laws, regulations and policies, including those with respect to mining and exploration activities and environmental protection that are outside of our control, may affect our ability to obtain timely renewals for such permits, licenses and/or approvals, and during such time we may be compelled by law or regulators to cease mining activities in accordance with PRC laws and regulations.

Any failure to obtain, retain or renew, or any delay in obtaining or renewing, such approvals, licenses or permits could subject us to a variety of administrative penalties or other governmental actions and adversely impact our business, financial condition and results of operations.

We are subject to risks relating to product concentration as we derived the majority of our revenue from the sales of precision casting mullite products and refractory mullite products.

We derived the majority of our revenue from sales of precision casting mullite products and refractory mullite products during the Track Record Period. For the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2024 and 2025, revenue generated from the sales of precision casting mullite products and refractory mullite products accounted for approximately 100%, 92.6%, 88.9%, 96.1% and 88.5% respectively, of our total revenue. We expect that manufacturing and sales of precision casting mullite products and refractory mullite products will continue to contribute to a large percentage of our total revenue in the future. Market acceptance of our precision casting mullite products and refractory mullite products is critical to our future success. Any negative changes in the demand for or prices of these products could have a material adverse effect on our business, financial condition and results of operations.

We may plan to expand our product portfolio in the future. There can be no assurance that any products we develop will achieve market acceptance. Any failure to successfully develop, launch and market new products could jeopardize our ability to recover our investments, which in turn may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

Changes in the market price of precision casting mullite products, refractory mullite products and other related products will affect our business, financial condition and results of operations.

Our business is sensitive to fluctuations in the market prices of our precision casting mullite products and refractory mullite products. Mullite product prices have been and may in the future be affected by numerous factors beyond our control including global economic and political conditions, governmental policies, levels of supply and demand, cost of production and technology development. It is not possible for us to predict the aggregate effect of these or other factors. If mullite product prices fall near or below our costs to produce, we may experience losses and our revenue and profit would be materially and adversely affected. We may be forced to curtail or suspend some or all of our operations or reduce operational expenditures in part or completely. In addition, we might not be able to recover any losses incurred during or after such periods. As a result, our businesses, financial condition and results of operations may be adversely affected.

Our success depends on the quality and characteristics of our products. If we fail to achieve or maintain broad market acceptance for our products, our business, financial condition and results of operations could be materially and adversely affected.

Since kaolin is a naturally occurring mineral, the quality and other characteristics of our kaolin ore may differ from those indicated by the records of drill core results or samples currently available to us according to the Independent Technical Report. We cannot assure you that the quality and other characteristics of the kaolin ore mined from our Shuoli Kaolin Mine will be consistent with or similar to the estimation made by the Independent Technical Consultant. If the actual quality and other characteristics of kaolin ore in the future are materially different from our estimates, it will consequently affect our estimates and the quality of our mullite products produced from the kaolin ore. We may not be able to perform our obligations under certain sales framework contracts that we have entered into with our customers and we may fail to achieve or maintain broad market acceptance for these products. As a result, we may have to re-position ourselves in the market and failure in doing so could materially and adversely affect our business, financial condition and results of operations.

Our business requires significant and continuous capital investment. We may incur capital expenditures beyond current estimates and we may not be able to obtain adequate financing for our business in the future.

Our businesses and operations are capital-intensive. We have been undertaking, and may undertake in the future, capital-intensive projects or businesses as part of our growth strategies, which could be delayed or otherwise adversely affected by a number of risks and uncertainties, including those relating to market conditions, policies and regulations of the PRC, availability of sufficient funding, disputes with business partners, technology, equipment and raw material suppliers and other contractors, employees, and local governments and communities, natural disasters, availability of power and other energy supplies, availability of technical or human resources and war or other significant adverse developments in international relations.

RISK FACTORS

Before we commence new projects or businesses, we typically conduct extensive feasibility studies, which may require significant capital outlay. There is no assurance that each project or business, either ongoing, planned or to be undertaken, will ultimately be implemented or will generate any profit. Moreover, actual costs for these projects or businesses may exceed the initial budgets due to factors such as delays, changes in scope, increases in funding costs due to foreign exchange and interest rate volatility and increases in raw material, equipment or labor costs. In addition, these projects or businesses may not be able to achieve the anticipated economic results and commercial viability due to various factors, including but not limited to adverse changes in market conditions, lower-than-expected grade or yield of kaolin reserves, low capacity utilization in respect of production and manufacturing facilities, high construction and production costs, and decreased demand for and prices of our products. If any of these projects or businesses is not completed as planned, exceeds our initial budgets or time limits, or fails to achieve the anticipated economic results or commercial viability, our business, financial condition and results of operations could be materially and adversely affected.

Our operating costs may be higher than expected.

According to the Independent Technical Report, our total operating cash cost of the Shuoli Kaolin Mine was RMB152.9 million, RMB154.5 million, RMB181.5 million and RMB81.5 million, in the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2025, respectively. In 2040, during the ramp-down phase of our mine, the total operation cash cost is projected to be RMB165.7 million. However, such forecasted operating costs are estimates only and are subject to certain key assumptions, including actual operating costs and plant performance from 2022 to May 2025, existing contracts with suppliers, royalty and government charges, and the technical studies included in the Independent Technical Report. See “Appendix VI — Independent Technical Report — 15 Capital and Operating Costs — 15.2 Operating Cost.” If our mining costs, labor costs or other operating costs increase and we cannot increase our average selling price and our production efficiency to offset any such increase or pass any such increase on to our customers, our profitability, business, financial condition and results of operations may be materially and adversely affected.

We may not be able to effectively execute our business strategies. In addition, estimates relating to expansion projects of existing operations are uncertain and we may incur higher costs and lower economic returns than estimated.

The ability to grow our business will depend on the successful implementation of our existing and proposed strategic initiatives. The successful implementation of our strategic initiatives depends upon many factors, including those outside our control, including, but not limited to, (i) delays in the deliveries of major equipment or failure of equipment and machinery to perform according to specifications or our expectations; (ii) the failure of any of our contractors to fulfill their contractual obligations, which would require us to make alternative arrangements, and may cause delays and potentially increase the costs of our expansion plans; (iii) the failure of or delay in obtaining or renewing the required licenses, permits and approvals for our growth and expansion plans; (iv) difficulties in financing our

RISK FACTORS

capital expenditure and working capital requirements; and (v) unforeseen conditions or developments that could substantially delay our planned expansion, including difficult geological conditions, adverse weather conditions and equipment and machinery malfunctions. Any such difficulties, delays or costs could prevent us from fully implementing our business strategy, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, our future expansion may place a significant strain on our managerial, operational, technical and financial resources. In order to better allocate our resources to facilitate our growth, we must hire, recruit and manage our workforce effectively and implement adequate internal controls in a timely manner. If we fail to maintain sufficient internal sources of liquidity and secure external sources of funding for future growth, we may encounter, among other things, significant delays in production and operational difficulties. If we are unable to effectively manage our growth and the associated increased scale of our operations, the efficiency of our operations, our ability to attract and retain key personnel and our business and prospects could be materially and adversely affected.

Our operations may be affected by our research and development capabilities, which may not always produce positive results.

Our ability to improve our mining and production capabilities and launch new products depends largely on our research and development capabilities. We incurred research expenses of RMB7.3 million, RMB7.0 million, RMB12.6 million, RMB4.5 million and RMB4.1 million for the years ended December 31, 2022, 2023, 2024, and the five months ended May 31, 2024 and 2025, respectively, which we believe are important to improve the production efficiency and quality of our products. We cannot assure you that such investment will yield immediate tangible benefits or our research and development efforts will be effective. Even if such efforts are successful, we may be unable to apply our newly developed technologies to our products in ways that are accepted by our customers.

If we are unable to maintain or enhance our research and development capabilities, our competitiveness may be undermined, which could adversely affect our businesses, financial condition, results of operations and future development. We are often engaged to undertake large-scale or complicated projects that require us to develop or adopt new technologies and construction methods, which could put a strain on our research and development resources. The use of new technologies and construction methods may also result in experimental failures, increased costs and unstable work conditions, which may adversely affect the profitability of our businesses.

RISK FACTORS

Our operations are subject to risks relating to occupational hazards and production safety and other operating risks which are beyond our control.

Our operations are subject to a number of operating risks, some of which are beyond our control and cannot be completely eliminated through prevention efforts. These operating risks include (i) unexpected maintenance or technical problems; (ii) inclement or hazardous weather conditions and natural disasters such as landslides and earthquakes; (iii) industrial accidents; (iv) electricity or water supply interruptions; (v) critical equipment failures in our mining operations; (vi) the handling and storage of certain dangerous articles and the use of heavy machinery; and (vii) unusual or unexpected variations in the mine and geological or mining conditions. These risks may result in personal injury, death or property damage, which would disrupt or result in a suspension of our operations, increase production costs, result in liability to us and harm our reputation. Such incidents may also result in a breach of laws and regulations applicable to our operations, or any consent, approvals or authorizations obtained from the relevant authorities, which may result in fines and penalties or even possible revocation of our licenses and permits.

Our operations will also be subject to manufacturing, operating and handling risks associated with the products we will produce and the products we will use in our operations, including the related storage and transportation of raw materials, products, hazardous substances and wastes. We are exposed to hazards including discharges or releases of hazardous substances, exposure to dust and noise and waste water and the operations of mobile equipment and manufacturing machinery. These risks can subject us to potentially significant liabilities relating to personal injury or death or property damage, and may result in civil, administrative or criminal penalties, which could hurt our productivity, profitability and reputation.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any accidents, claims or proceedings in relation to occupational hazards and production safety. Any occurrence of such accidents, claims or proceedings in relation to the occupational hazards and production safety, any disruption to the operations of our Shuoli Kaolin Mine or supporting infrastructure for a sustained period, or any change to the natural environment surrounding our Shuoli Kaolin Mine, may materially adversely affect our business, financial condition and results of operations.

Our operations are exposed to risks in relation to environmental protection and rehabilitation.

Operations of the kaolin mine and production of mullite products are subject to environmental risks and hazards. Our operations are subject to PRC environmental laws and regulations, such as the treatment and discharge of hazardous waste and materials and environmental rehabilitation. These laws and regulations set a series of standards for waste substances that may be discharged into the environment and impose fees for the discharge of such waste substances. We are required to conduct our mining operations in a manner that minimizes the impact on the environment, such as through rehabilitation and re-vegetation of mined land. In the future, we may have rehabilitation obligations in respect of areas we have cleared for mining and production purposes.

RISK FACTORS

Environmental hazards may occur in connection with our operations as a result of human negligence, force majeure or otherwise. As advised by our PRC Legal Advisers, we did not have any material incidents of non-compliance with PRC environmental laws and regulations at our Shuoli Kaolin Mine that resulted in material penalties during the Track Record Period and up to the Latest Practicable Date. We cannot guarantee that our operations will not have environmental risks or hazards in the future. The occurrence of any environmental hazards may delay production, increase production costs, cause personal injuries or property damage, result in liability to us and damage our reputation. Such incidents may also result in breaches of the conditions for our mining and exploration licenses or other approvals, licenses or authorizations, which may result in fines or penalties or even possible revocation of such permits, approvals, licenses and authorizations.

We may experience increased production costs arising from compliance with environmental laws and regulations. Moreover, the development of the PRC's economy and improvements in living standards may lead to heightened awareness of environmental protection. As a result, it is possible that more stringent environmental laws and regulations may be implemented in the future, or the existing environmental laws and regulations may be more strictly enforced. We may not always be able to comply with future laws and regulations in relation to environmental protection and rehabilitation economically. Should we fail to comply with any such laws and regulations, we may be subject to penalties and liabilities under PRC laws and regulations, including, but not limited to, warnings, fines, suspension of production and closure of the facility that fails to comply with the relevant environmental standards.

We are dependent on suppliers and contractors for various services and products in our business.

We rely on third-party suppliers and contractors for various goods and services, including raw materials, utilities and energy, processing and construction services in line with industry practice. We endeavor to source products and services from third-party manufacturers and service providers whom we believe are able to meet our quality, delivery schedule and other requirements. Nevertheless, we may not be able to monitor the performance of these contractors and other third parties as directly and efficiently as we do with our own staff. Therefore, we are exposed to the risk that our third-party service providers may fail to perform our obligations, which may in turn adversely affect our business operations.

We continuously expand our production capacity. Before new production capacity becomes available, we cooperate with and outsource some manufacturing of refractory mullite products to enhance our processing capabilities and meet the demand of our downstream customers. Qualified processing plants, contractors and other third parties may not always be readily available when our needs for outsourcing arise. If we are unable to hire qualified processing plants, contractors and other third parties, our ability to meet market demand and complete projects or other contracts could be impaired. If the amounts we are required to pay to processing contractors and other third parties exceed what we have estimated, especially in the case where contracts with our customers have a pre-agreed price, we may suffer losses on

RISK FACTORS

those contracts. Outsourcing also exposes us to risks associated with non-performance, delayed performance or substandard performance by processing plants, contractors or other third parties. As a result, we may experience deterioration in the quality of our products, incur additional expenses due to delays to or higher costs of the delivery of our products, or be subject to liability under the relevant contract for the non-performance, delayed performance or sub-standard performance of our contractors or other third parties.

Any of the above events could have a material adverse impact on our profitability, financial performance and reputation, and may result in litigation or damage claims against us.

Our operations may be materially and adversely affected by transportation disruption and/or fluctuations in transportation costs.

Our customers for our products are mainly from the PRC and most of our products are transported by road or by sea. Our Shuoli Kaolin Mine is located in the hinterland of East China, at the junction of four provinces, namely, Jiangsu, Shandong, Henan and Anhui, and adjacent to the Yangtze River Delta city cluster. Our Shuoli Kaolin Mine benefits from a well-developed transportation network. It is connected to other parts of Huaibei City via the Anhui Provincial Highway S101 and other paved roads, and extends its reach to Jiangsu, Zhejiang, Fujian, Shandong, Henan, Hubei, Hunan, Jiangxi, Shaanxi and Guizhou Provinces via the G30 and G3 Expressways. We transport our products to customers mainly through the aforementioned highways and paved provincial roads. In addition, our products are delivered to our customers by sea from Jiangsu Province and Shandong Province to Guangdong Province. We have also used road transportation for raw materials purchased.

As of the Latest Practicable Date, we had not experienced any road or sea transportation disruptions that had a material adverse effect on our business, financial condition and results of operations. However, we cannot assure you that adequate road transport capacity will be available to support our operations in the future, or that we will not experience any material delays in transporting our products to our potential customers.

Transportation costs are one of the major components of the costs of purchase for our customers. Fluctuations in transportation costs may have an adverse effect on the demand for our products. Transportation may be disrupted by a number of factors, such as traffic accidents, border control, natural disasters and severe weather conditions. If access to and from our deposit or processing plant is significantly damaged, cut off, suspended for repair or maintenance for an extended period of time, the delivery of our products would be significantly affected, and we may breach our sales contracts and lose our customers in the future. Any difficulties experienced by our customers in transporting our products may reduce demand for our products and cause them to select suppliers closer to their operations and who are able to supply products with quality considerably similar to ours or to demand significant lower prices for our products. Any such adverse development could have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We may not be able to maintain adequate, uninterrupted, timely and specification-compliant supplies of utilities, materials, equipment and service at commercially acceptable prices, or at all.

Natural gas, electricity, coal and water are the main utilities used in our operations. During the Track Record Period, we sourced electricity from the local state grid, obtained natural gas and coal from local public utility companies, and secured water supply from underground water sources. As of the Latest Practicable Date, the water permit for our Shuoli Kaolin Mine was valid. While we do not expect any difficulties in such renewal so long as we meet the applicable requirements and conditions and adhere to the procedures set forth in the relevant laws and regulations, there can be no guarantee that we will be granted such extension, and, if not, we will not be able to continue to access the relevant water resources. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any major shortage or disruption in our utilities supply. There can be no assurance, however, that adequate supply of utilities will be available to us in the future. We expect our demand for utilities to increase as we commence production and our business grows. If restrictions are imposed on the use of electricity due to power shortages, thereby disrupting our power supply, or if there is inadequate natural gas, coal or water supply or we are otherwise unable to obtain adequate supply to meet our production requirements, our operations may be disrupted, and our production and delivery schedules may be adversely affected, which could have a material adverse effect on our business, financial condition and results of operations. In addition, our ability to pass increased costs on to our customers may be limited due to pressures from competition and customer resistance. We cannot assure you that we will be able to recover the substantial cost increases in utilities, if any, by raising the prices of our products. In addition, our Shuoli Kaolin Mine is an underground mine. As a result, an interruption of electricity supply will materially and adversely affect our production and safety by disrupting operations, including water pumping and ventilation.

In addition to utilities, during the Track Record Period we procured various auxiliary materials for our manufacturing operations, primarily including packaging items, sodium bicarbonate, alumina ceramic balls and wooden pallets. See “Business – Suppliers and Contractors – Suppliers of Raw Materials.” We regularly monitor the fluctuations in market prices for the materials used in our operations. However, there can be no assurance that such supplies will not be interrupted or that their prices will not increase in the future. Additionally, if the materials, equipment and services provided by our suppliers do not meet our requirements or specifications, this may lead to production disruptions, safety incidents, legal disputes and financial losses. Such unforeseen hold-ups can disrupt our supply chain, potentially leading to production setbacks and increased costs. Any disruption in the flow of goods could adversely affect our ability to meet market demand and maintain our competitive edge, which could impact existing profit margins and have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Our insurance coverage may be inadequate to satisfy potential claims, and fluctuations in insurance cost and availability could adversely affect our business, financial condition and results of operations.

Mining and production activities involve numerous risks, including, for example, unexpected or unusual geological conditions, fire, floods, earthquakes, severe weather conditions, other environmental occurrences and political and social instability. These risks can result in, among other things, damage to and destruction of mining assets or production facilities, personal injury, environmental harm, financial losses and legal liability.

We maintain insurance for our operations in line with law, regulation and industry practice in the PRC, including, but not limited to, property insurance, safety production liability insurance and automobile insurance for our business operations, as well as endowment insurance, medical insurance, unemployment insurance and work injury insurance for our employees. See “Business — Insurance.” However, in line with industry practice in the PRC, we have elected not to maintain certain types of insurance, such as business interruption insurance. We may become subject to liability against potential claims which we have not insured, cannot insure or have insufficiently insured, or are unable to insure the amount needed due to lack of capacity by insurers in the market, including those in respect of past mining activities. Our insurance may not cover a particular event at all or be sufficient to fully cover any losses we may incur, including, without limitation, as a result of natural disasters, public health emergencies and other events that could disrupt our operations. Our existing liability insurance contains exclusions and limitations on coverage. For example, should we be subject to any regulatory or criminal fines or penalties, such amounts would not be covered under our insurance program, either due to exclusions or limitations, or because it is prohibited by legislation in the PRC.

In addition, insurance may not continue to be available at economically acceptable premiums. The costs of maintaining adequate insurance coverage, most notably property insurance, have increased significantly recently and may continue to do so in the future, thereby adversely affecting our results of operations. If such costs continue to increase, we may be forced to accept lower coverage and higher deductibles, which, in the event of a claim, could require significant, unplanned expenditures of cash and inhibit our ability to maintain our profitability.

In the event that we incur substantial losses or liabilities and insurance is unavailable or our insurance is inadequate to cover such losses or liabilities, our business, financial condition and results of operations could be materially and adversely affected.

We rely on the continued service of our senior management and technically skilled employees, and we may experience labor shortages, disputes, unrest or strikes.

Our ability to operate or expand effectively depends largely on the experience, skills and performance of our senior management team and technically skilled employees. We rely on the expertise, experience and leadership of our directors and senior management. Their extensive

RISK FACTORS

knowledge and experience in the mining industry, extensive managerial experience, as well as their established relationships with our customers and their experience dealing with local government authorities, have played a major role in our attainments. Additionally, the market for employees with industry experience and technical skills can be highly competitive. There can be no guarantee that the services of our senior management and a sufficient number of technically skilled employees in the PRC will continue to be available to us. If one or more of our senior management and other key personnel are unable or unwilling to continue to serve in their present positions, we may not be able to replace them with qualified personnel in a timely manner. Any senior management departures or unavailability (due to death, injury, illness or other reasons) or technically skilled worker shortages could adversely affect our operational efficiency and production levels. We may be unable to hire or retain appropriate management personnel or technically skilled employees or may have to pay higher levels of remuneration than we currently project and intend. In particular, qualified personnel may be scarce in the region where our mine is located. If we are unable to hire and retain appropriate management and technically skilled personnel, or if there are inadequate succession plans in place, our business may be materially and adversely affected.

In addition, we may be involved in labor disputes in the ordinary course of our business. During the Track Record Period, we had not been involved in labor disputes regarding termination of employment agreements, work-related injury compensation, etc. There can be no guarantee that labor disputes will not occur in the future. In the event that we experience such incidents, our mining activities and production levels may be affected, which may have an effect on our business, financial condition, results of operations, reputation and future prospects.

We are exposed to natural disasters, epidemics, acts of war or terrorism or other factors beyond our control, which may have a material adverse effect on our business, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. For example, our operations may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power, water or fuel shortages, critical equipment failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or may be susceptible to epidemics, potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets, reduction in our productivity and/or disruption of our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect the economy and financial markets. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and/or destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

RISK FACTORS

We cannot guarantee that we will not be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, health and safety accidents, environmental matters, breach of contract, employment or labor disputes and infringement of intellectual property rights. As of the Latest Practicable Date, we were not involved in any litigation and legal proceedings in the PRC that may materially affect our business and results of operations. If we are found to be liable in respect of any claims, we would have to incur a charge against our current earnings to the extent that a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance coverage. Claims brought by us against our customers may include claims for additional costs incurred in excess of current contract provisions arising out of delays and changes in the initial scope of work. Both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realized from our customers or other claims by us could differ materially from the balances included in our financial statements, resulting in a charge against earnings to the extent profit has already been accrued on a project or other contract. Charges associated with claims brought against us and write-downs associated with claims brought by us could have a material adverse impact on our business, financial condition, results of operations and cash flow. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and damage our prospects to secure contracts in the future.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties, and any actual or alleged misconduct may lead to censure, penalties, fines, sanctions, loss of licenses or permits and may negatively impact our reputation.

We are not aware of any instances of fraud, theft and other misconduct involving our employees and other third parties that had any material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. However, there can be no assurance that there will not be any such instances in the future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and financial condition.

Meanwhile, our risk management systems and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions promptly, or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective. Therefore, we are subject to the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This may materially and adversely affect our business, financial condition and prospects.

RISK FACTORS

Our risk management and internal control systems may involve human errors or mistakes.

Since our risk management and internal control systems depend on their implementation by our employees, there can be no assurance that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially and adversely affected.

Our historical results may not be indicative of our future performance and our results of operations, and we may not be able to manage future growth effectively.

Our business grew rapidly during the Track Record Period. Our revenue increased from RMB190.4 million in 2022 to RMB204.7 million in 2023, and increased from RMB204.7 million in 2023 to RMB267.1 million in 2024. Our revenue further increased from RMB88.3 million in the five months ended May 31, 2024 to RMB104.9 million in the five months ended May 31, 2025. Our net profit increased from RMB24.4 million in 2022 to RMB43.6 million in 2023, and increased from RMB43.6 million in 2023 to RMB52.6 million in 2024. Our net profit further increased from RMB14.5 million in the five months ended May 31, 2024 to RMB18.0 million in the five months ended May 31, 2025. Our historical growth and past results of operations may not be indicative of our future performance. In addition, we cannot assure you that we can successfully continue to implement our business model. These changes may not achieve expected results and may have a material and adverse impact on our results of operations and financial condition. We cannot assure you that we will be able to achieve similar results or grow at the same rate as we have in the past, or at all. Rather than relying on our historical operating and financial results to evaluate us, you should consider our business prospects in light of the risks and difficulties we may encounter, including, among other things, the market fluctuation of prices and demand for our products, our ability to ensure sufficient supply of raw materials for production, our ability to provide high-quality products and our ability to anticipate and adapt to changing market conditions. We may not be able to successfully address these risks and difficulties, which could significantly harm our business, results of operations and financial condition.

We recorded net operating cash outflows in the five months ended May 31, 2024. If we continue to record net operating cash outflows in the future, we may face liquidity risks.

For the five months ended 31 May 2024, we recorded a net cash outflow from operating activities of RMB24.6 million. While we actively seek to manage our working capital requirements, we cannot assure investors that we will be able to align the timing and amounts of our cash inflows with our payment obligations and other cash outflows. Consequently, we may experience periods of net cash outflow in the future. Should our operations fail to generate adequate cash flows, or if we are otherwise unable to secure sufficient funding to support our

RISK FACTORS

business activities, our liquidity position and overall financial condition could be materially and adversely affected. We cannot guarantee the availability of sufficient cash from alternative sources to meet our operational needs. In the event we need to pursue additional financing, this would entail further costs, and there is no assurance that we will be able to obtain such financing on commercially acceptable terms, or at all.

We recorded net current liabilities during the Track Record Period, and there is no guarantee that we will not incur net current liabilities in the future, which may expose us to liquidity risks, materially affecting our financial condition.

During the Track Record Period, we recorded net current liabilities of approximately RMB22.5 million and RMB12.3 million as of December 31, 2022 and 2023, respectively. Our net current liability position was primarily attributable to our trade and other payables, as well as interest-bearing bank and other borrowings. Although we recorded net current assets of approximately RMB53.1 million and RMB87.8 million as of December 31, 2024 and May 31, 2025, respectively, we cannot assure you that we will not incur net current liabilities in the future, which may expose us to liquidity risk. If we incur net current liabilities in the future or if we encounter any liquidity issues in the future, our ability to make necessary capital expenditure or develop business opportunities may be restricted, and our business, financial condition and results of operations may be materially and adversely affected.

We face inventory obsolescence risks.

As of 31 December 2022, 2023 and 2024 and 31 May 2025, our inventories amounted to RMB27.9 million, RMB41.2 million, RMB47.3 million and RMB68.1 million, respectively. For the same periods, our inventory turnover days were 74 days, 95 days, 96 days and 130 days, respectively. As our business expands, the scale of our inventories is expected to increase, which may heighten the risk of inventory obsolescence. We cannot assure investors that we will be able to maintain optimal inventory levels for our raw materials, work-in-progress and finished goods. Our inventory management relies on internal forecasts of customer demand, and any inaccuracies in these forecasts could expose us to significant risks. If our forecasted demand exceeds actual demand, we may accumulate excess inventory, leading to elevated holding costs, increased exposure to obsolescence or the need for write-offs. Conversely, if our forecasted demand falls short of actual demand, we may experience stock shortages, resulting in lost sales opportunities and potential erosion of market share to competitors. As such, any failure to effectively manage our inventories could have a material adverse effect on our business, financial condition and results of operations.

We are subject to credit risk in collecting the trade and bills receivables due from our customers.

We generally require our customers to pay in advance of delivery. However, based on their scale, fiscal condition, operational results and historical contractual performance, we engaged in credit sales with certain customers during the Track Record Period and generally granted credit terms of 30 to 60 days, with a maximum of 90 days. In addition, we allow certain

RISK FACTORS

customers to settle our receivables by bills issued by banks, which normally have a maturity period of 180 days after the receiving date. As a result, for the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025, our trade and bills receivables turnover days were approximately 51 days, 61 days 65 days and 67 days, respectively. As of December 31, 2022, 2023 and 2024 and May 31, 2025, we had recorded trade and bills receivables of approximately RMB26.6 million, RMB42.3 million, RMB53.0 million and RMB40.0 million, respectively, representing approximately 15.9%, 33.0%, 24.5% and 18.1% of our total current assets, respectively. See “Financial Information — Working Capital — Trade and Bills Receivables.”

If our customers’ creditworthiness declines or a substantial number fail to fully pay their trade and bills receivables for any reason, we could face impairment losses, materially and adversely affecting our business, financial condition and results of operations. Additionally, payment delays from customers beyond their credit terms may also lead to impairment loss provisions. There is no guarantee that we will fully recover our trade and bills receivables or that payments will be made promptly.

We may not continue to enjoy preferential tax treatments or receive government grants.

Our results of operations and profitability are affected by changes in tax rates in the PRC. We enjoy certain preferential income tax treatment. For example, our Company was certified by the PRC government authorities as a High-tech Enterprise, and therefore enjoyed preferential enterprise income tax rates of 15% from 2016 to the end of 2024. Our effective tax rates may change from year to year due to the availability or expiration of any preferential tax treatments. We cannot assure you that the policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated.

For the years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2024 and 2025, we recorded government grants of RMB1.1 million, RMB5.0 million, RMB2.8 million, RMB0.6 million and RMB0.3 million, respectively. We received these government grants from local government authorities to support our daily operations. Most of these government grants are non-recurring in nature. The award of government grants may be discretionary and subject to certain selection criteria and procedures stipulated by the local governments, which we may not qualify for in the future. There can be no assurance whether and when we will be able to receive any such government grants in the future, or at all. In the future, if we do not receive government grants at the same level as we did during the Track Record Period, our profitability may be adversely affected.

We may incur impairment losses related to our mining rights and related assets, which may adversely affect our results of operations.

Based on our accounting policy, our subsurface use rights are amortized using the production method, based on Proved and Probable Ore Reserves, from the time of the beginning of kaolin ore mining. The process of Reserve estimate is inherently uncertain and

RISK FACTORS

complex, and requires significant judgments and decisions based on available geological, engineering and economic data. If the value of our mining rights is over-estimated, the over-estimated amounts will be recognized as impairment losses, which in turn may have a material adverse effect on our result of operations. The carrying amount of the property, plant and equipment, including evaluation assets, is tested by us for impairment whenever facts and circumstances indicate assets' impairment in accordance with our accounting policy. Any material decrease of our Ore Reserves may result in impairment on the carrying value of our mining rights and related assets, and this may have a material adverse effect on our business, financial condition and results of operations.

Any failure to maintain an effective quality control system for our construction, production and other operational activities could have a material adverse effect on our business, financial condition and results of operations.

As the quality of our products is critical to the success of our businesses, we must maintain an effective quality control system for our construction, production and other operational activities. The effectiveness of our quality control system depends significantly on a number of factors, including the design of the system and the related training programs, as well as our ability to ensure that our employees adhere to our quality control policies and guidelines.

Any failure or deterioration of our quality control systems could result in defects in our projects or products, which in turn may subject us to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. Furthermore, if any such claims were ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

Any negative publicity regarding our Company, Directors, employees or products, regardless of its nature or veracity, could adversely affect our business.

As an established brand, our image is sensitive to the public's perception of us as a business in entirety, which includes not only the quality of our products, but also our corporate management and culture. We cannot guarantee that no one will, intentionally or incidentally, disseminate information about us, including the quality of our products, our internal management matters and negative information about our management, that may result in negative perception of us by the public. Although we have promptly taken clarification or rectification measures when we faced negative publicity in the past, we cannot assure you that such measures will always be effective in the future. Any negative publicity about our Company, Directors, employees or products, regardless of nature or veracity, could lead to potential loss of customers or investors' confidence or difficulty in retaining or recruiting talents that are essential to our business operations. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

RISK FACTORS

Negative publicity related to the kaolin industry, especially that concerning the environmental impact of the production process, could materially and adversely affect our business operations.

As of the Latest Practicable Date, our manufacturing facilities comply with the material PRC laws and regulations applicable to our production. However, we cannot assure you that our production and operation activities will not have an adverse impact on the local environment or cause tension between us and the local community due to reasons that may be beyond our control, including natural disasters, human negligence or errors during operation, repair or maintenance. If any environmental-related accidents occur or our relationship with the local community deteriorates, our business, financial condition, results of operations and growth prospects may be adversely and materially affected.

In addition, our operations of the Shuoli Kaolin Mine and production of mullite products may in the future experience negative reports and publicity in relation to their negative environmental impacts and their tension with the local communities. In general, companies in the kaolin industry may from time to time be subject to negative reports and publicity in relation to their environmental impacts, which in turn may adversely affect our business reputation. These reports and negative publicity have further caused NGOs, markets and investors to form a negative impression of the kaolin mining process and our industry in general. Regardless of whether such negative publicity can be substantiated by data and facts, this may adversely impact our operations.

Our business depends on our ability to protect our intellectual property rights. Our intellectual property rights may be infringed upon by third parties, and we may also be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damage awards and incur other costs.

We rely primarily on a combination of our patents, trademarks and employee and third-party confidentiality agreements to protect our intellectual property rights. As of the Latest Practicable Date, we had 50 registered patents, 13 copyrights and four trademarks in the PRC, and we are also in the process of applying for the registration of 18 patents. As of the same date, we were not aware of any material violation or infringement of our patents, trademarks and other intellectual property rights. However, we cannot assure you that infringement of our intellectual property rights by other parties does not exist now or will not occur in the future. To protect our intellectual property rights and maintain our competitive advantage, we may engage in legal proceedings against parties who we believe are infringing upon our intellectual property rights. Legal proceedings are often costly and may divert management attention and other resources, including time and money, away from our business. In certain situations, we may have to initiate legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings and the amount of damages that we can recover. In addition, we have no insurance coverage against litigation costs and will have to bear all costs arising from such litigation to the extent that we are unable to recover from other parties.

RISK FACTORS

Our success also depends on our ability to use, develop and protect our technology and know-how without infringing the intellectual property rights of third parties. We cannot assure you that we will not be subject to claims of infringement upon the intellectual property rights of third parties. The validity and scope of any potential claims relating to our production technology and know-how involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming, and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we are a party may subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation may also result in our customers or potential customers deferring or limiting their purchase of our products until resolution of such litigation.

RISKS RELATING TO THE PRC

Changes in the economic, political and social conditions in the PRC may affect our business, financial condition and results of operations.

All of our assets and operations are located in the PRC. Accordingly, our business, financial condition and results of operations may be influenced by the general political, economic and social conditions in the country where we operate. The PRC government has implemented, and may continue to introduce, among others, various policies and measures to encourage economic growth and guide the allocation of resources. The kaolin industry in the PRC in general is affected by macro-economic factors, including national, regional and local economic conditions, trade relationships and supply and demand dynamics. Changes in these factors may have an adverse effect on our business, financial condition and results of operations.

Our business is subject to various and developing laws and regulations. Any adverse changes in the regulatory regime relating to the areas where we operate businesses may limit our ability to provide product offerings, thereby affecting our business, financial condition and results of operations.

The operations of our businesses are subject to various laws, rules and regulations at the national and regional levels of China's kaolin industry. Such laws, rules and regulations mainly relate to the Company Law, the Production Safety Law, the Mineral Resource Law, the Rules for the Implementation of the Mineral Resources Law and the Administrative Measures for the Registration of Mineral Resources Exploitation, among other things. New laws or regulations or developments to laws and regulations could impose additional compliance costs, reduce our revenue and require us to change our operations to ensure compliance or otherwise change our business.

RISK FACTORS

In recent years, the PRC government has, on many occasions, introduced new laws, rules and regulations relevant to our businesses and amended or replaced the current applicable regulations, requiring us to conduct business with newly enacted oversight and regulatory compliance. Any developments in the applicable laws, rules and regulations could require us to obtain newly enacted licenses, permits, approvals, or certificates, increase our operational expenses or result in the invalidation of licenses, permits, approvals, or certificates we currently have.

Newly promulgated laws and regulations may be subject to further variations in application, interpretation and implementation. As a result, we may not become aware in a timely manner that we have violated certain policies and rules. There can be no assurance that we can adapt to the developments in the regulatory environment swiftly enough or in a cost-efficient manner, failure of which may adversely affect our operations and lead to substantial compliance costs. Meanwhile, we may need to implement changes in our facilities, equipment, personnel, or services to comply with the latest laws and regulations in light of developments in the regulatory environment, and such may increase our capital expenditures and operating expenses, thereby adversely affecting our business, financial condition and results of operations.

The remittance of Renminbi into and out of the PRC and governmental regulations on currency conversion may affect our ability to pay dividends and other obligations.

The PRC government regulates the convertibility of Renminbi into foreign currencies. We receive most of our revenue in Renminbi. We also have a small amount of export revenue denominated in US dollars. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations. Shortages in the availability of foreign currency may affect our ability to remit sufficient foreign currency or otherwise satisfy our foreign currency-denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If we are unable to convert Renminbi into foreign currencies for any of the aforementioned purposes in compliance with PRC foreign exchange regulations, our ability to pay dividends and fulfil other foreign currency obligations may be adversely impacted.

RISK FACTORS

We are a PRC enterprise and we are subject to PRC tax on our global income, and any dividends paid to investors and gains on the sale of our H Shares by our investors may be subject to PRC tax.

As a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of up to 25% on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20%. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) (財稅[2009]167號) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) (財稅[2010]70號). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of listed shares of PRC

RISK FACTORS

resident enterprises on overseas stock exchanges. However, there is no assurance as to whether further implemented laws, regulations, or practices in the future would result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Pursuant to the EIT Law and its implementing rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), issued by the SAT, non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in such PRC companies, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees and payments through CCASS). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of any such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

If any PRC income tax is collected from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected.

Payment of dividends is subject to restrictions under PRC law and regulations.

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

RISK FACTORS

Investors may have limited recourse in effecting services of legal process or enforcing overseas judgments against us or our directors, supervisors and executive officers who reside in the PRC, depending on the degree of judicial cooperation between the jurisdiction where the investors are located and the legal jurisdiction of China.

We are a company incorporated under the laws of the PRC and all of our assets are located in the PRC. The majority of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management also may be located within the PRC. As a result, it may be difficult and time-consuming to effect service of process upon our Directors, Supervisors and senior management outside the PRC. Moreover, investors may also experience difficulties in enforcing judgments due to lack of reciprocal recognition and enforcement of judicial rulings and awards of other jurisdictions.

Furthermore, although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the listing of our H Shares on the Stock Exchange, the holders of the H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law, and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with our future capital raising activities.

On February 17, 2023, the CSRC released the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and five relevant guidelines, which became effective on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies which, after the overseas offering and listing, offer subsequent securities in the same overseas market or conduct offering and listing in other overseas markets (the “Future Offerings”), either directly or indirectly, shall complete the filing procedures of, and report relevant information to, the CSRC. See “Regulatory Overview — Laws and Regulations Relating to Overseas Securities Offering and Listing by Domestic Companies.”

Based on the foregoing, for the Future Offerings after the proposed Listing, we may be required to comply with the filing procedures of the CSRC. It is uncertain whether we can, or how long it will take us to, complete filings procedures in connection with the Future Offerings.

RISK FACTORS

Fluctuations in exchange rates may result in foreign currency exchange losses.

Fluctuations in exchange rates between the Renminbi and the Hong Kong dollar, the U.S. dollar and other currencies may be affected by, among other things, changes in the PRC's political and economic conditions, as well as international economic and political developments. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, the H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable cost. Furthermore, we are also currently required to obtain the SAFE's local branch's registration and open a specialized foreign exchange account for overseas listing before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the H Shares in foreign currency terms.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares and an active trading market may not develop.

Prior to the Global Offering, there has been no public market for our H Shares. The Offer Price for our H Shares was the result of negotiations among us and the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for the H Shares following the Global Offering. We have applied to list and deal in the Shares on the Stock Exchange. We cannot assure you that the Global Offering will result in the development of an active, liquid public trading market for the H Shares. In addition, the price and trading volumes of the H Shares may be volatile. The following factors may affect the trading volume and market price of our H Shares: (i) actual or anticipated fluctuations in our operating and financial results, such as turnover, earnings and cash flow; (ii) changes in earnings estimate or recommendations by financial analysts; and general market conditions or other developments affecting us or our industry; (iii) potential litigation or regulatory investigations; (iv) the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and (v) the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by us or other Shareholders.

RISK FACTORS

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. Such fluctuations, whether caused by market, industry or political factors, may materially and adversely affect the market price and trading volume of our Shares.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The market price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, could cause large and sudden changes to the market price and trading volume at which our H Shares will trade, such as: (i) variations in our revenue, earnings and cash flow; (ii) announcement of new investments, strategic alliances or acquisitions; (iii) any unexpected business interruptions resulting from natural disasters or power shortages; (iv) any major changes in our key personnel or senior management; (v) our inability to obtain or maintain regulatory approval for our operations; (vi) our inability to compete with our competitors effectively; (vii) political, economic, financial and social developments; (viii) fluctuations in market prices for our products or raw materials; or (ix) the removal of the restrictions on H share transactions.

The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that is not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

Purchasers of our H Shares will experience immediate dilution and may experience further dilution if we issue additional H Shares in the future.

The Offer Price of the H Shares is higher than the net tangible book value per H Share immediately prior to the Global Offering. Therefore, purchases of the H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value, and our existing Shareholders will receive an increase in the pro forma adjusted net tangible asset value per H Share of their H Shares. In addition, holders of our H Shares may experience further dilution of their interests if we obtain additional capital in the future through equity offerings.

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

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

RISK FACTORS

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

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

There can be no assurance if and when we will pay dividends in the future.

We cannot assure you when, if and in what form or size we will pay dividends in the future. Our Board of Directors determines the frequency and amount of dividend distributions mainly based on our results of operations, cash flow and financial position, capital adequacy ratios, business prospects, regulatory restrictions on the payment of dividends and other factors that our Board of Directors deems relevant. See “Financial Information — Dividends and Dividend Policy.” We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we are not able to guarantee that we will make any dividend payments on our H Shares in the future.

Our Controlling Shareholders may exert substantial influence over our operations and may not act in the best interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. The concentration of voting power and the substantial influence of our Controlling Shareholders over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their H Shares as part of a sale of our Company and reduce the price of our H Shares. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise substantial influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions which conflict with the best interests of our other Shareholders.

RISK FACTORS

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

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

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

We have derived certain facts, forecasts and statistics in this prospectus relating to China, Hong Kong and their respective economies, as well as the kaolin industry, from various government publications. While we have taken reasonable care in the reproduction of this information, neither we nor any other parties involved in the Global Offering have prepared or independently verified these facts, forecasts and government statistics, which may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside of China.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics derived from government publications herein may be inaccurate or may not be comparable with statistics produced relating to other economies, and therefore we cannot assure you of the accuracy or reliability of the information derived from government publications. Accordingly, you should not place undue reliance on such information as a basis for making your investment in our H Shares.

RISK FACTORS

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry and/or the Global Offering.

We may be subject to press and media coverage prior to the publication of this prospectus, and subsequent to the date of this prospectus but prior to the completion of the Global Offering. The Global Offering may include certain financial information, industry comparisons, profit forecasts and other information about us that does not appear in this prospectus.

You should rely solely upon the information contained in this prospectus and any formal announcements made by us in Hong Kong in making your investment decision regarding the Global Offering. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding ourselves or the Global Offering.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, reports or publications. Accordingly, prospective investors should not rely on any such information, reports or publications in making their investment decisions regarding the Global Offering.

In making their decisions as to whether to purchase our H Shares, prospective investors in the Global Offering should only rely on the financial, operational and other information included in this prospectus. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES

In preparation of the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Given that (i) our core business operations are principally located, managed and conducted in the PRC under the supervision of executive Directors and senior management; and (ii) our executive Directors and senior management principally reside in the PRC, our Company considers that it would be more practical for the executive Directors and senior management of our Company to remain ordinarily resident in the PRC where our Company has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

- (a) we have appointed Mr. Zhang Kuang (張礦) and Ms. Sze Suet Ling (施雪玲) (“**Ms. Sze**”) as the authorized representatives (the “**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange and would be readily contactable by phone and email to deal promptly with enquiries from the Hong Kong Stock Exchange. The Authorized Representatives possess valid travel documents and are able to renew such travel documents when they expire in order to visit Hong Kong, and accordingly, they will be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice;
- (b) to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details of our Directors (i.e. mobile phone number, office phone number, email address and fax number (as applicable)). In the event that any of our Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives, so that the Authorized Representatives would be able to contact all our Directors (including the proposed independent non-executive Directors) promptly at all times if and when the Hong

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES

Kong Stock Exchange wishes to contact our Directors. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange; and

- (c) we have appointed Guoyuan Capital (Hong Kong) Limited and Goldlink Capital (Corporate Finance) Limited as our joint compliance advisors (the “**Joint Compliance Advisors**”) in compliance with Rule 3A.19 of the Listing Rules. The Joint Compliance Advisors will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of our Company with the Stock Exchange during the period from the Listing Date to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. The Joint Compliance Advisors will be available to answer enquiries from the Stock Exchange and will act as an additional channel of communication with the Stock Exchange when the Authorized Representatives are not available.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our Company must appoint an individual, who, by virtue of her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles they played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES

- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Mr. Wang Wei (王巍) (“**Mr. Wang**”) as one of the joint company secretaries of our Company. Mr. Wang currently serves as the Board secretary, Deputy General Manager and Chief Financial Officer of the Company and has substantial experience in handling corporate, legal and regulatory compliance and administrative matters but does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, our Company has appointed Ms. Sze Suet Ling (“**Ms. Sze**”), who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Mr. Wang for an initial period of three years from the Listing Date to enable Mr. Wang to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See “Directors, Supervisors and Senior Management” in this prospectus for further biographical details of Mr. Wang and Ms. Sze. The following arrangements have been, or will be, put in place to assist Mr. Wang in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

- (a) Mr. Wang will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Company’s Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;
- (b) Both Mr. Wang and Ms. Sze have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;
- (c) Ms. Sze will assist Mr. Wang to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company;
- (d) Ms. Sze will communicate regularly with Mr. Wang on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Sze will work closely with, and provide assistance to, Mr. Wang in the discharge of his duties as a company secretary, including organizing our Company’s Board meetings and Shareholders’ general meetings;

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES

- (e) Prior to the expiry of Mr. Wang's initial term of appointment as the company secretary of our Company, we will evaluate his experience in order to determine if she has acquired the qualifications required under Rules 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Mr. Wang's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules; and
- (f) The Company has appointed Guoyuan Capital (Hong Kong) Limited and Goldlink Capital (Corporate Finance) Limited as its Joint Compliance Advisors pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Stock Exchange (for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date, or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to the Company (including Mr. Wang) as to the compliance with the Listing Rules and all other applicable laws and regulations.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when (i) Mr. Wang ceases to be assisted by a person with qualifications under Rules 3.28 and 8.17 of the Listing Rules, or (ii) if there are material breaches of the Listing Rules by us. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Wang, having had the benefit of Ms. Sze's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for the Company under the Listing Rules after Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with (i) the announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions — Non-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)"; and (ii) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions — Non-exempt continuing connected transactions (subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements)". For more information, see "Connected Transactions."

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors (including any proposed Director who is named as such in this Prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Company.

Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Prospectus 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 in this Prospectus misleading.

CSRC FILING

On October 16, 2025, the CSRC has issued a notification on our Company's completion of the PRC filing procedures for the listing of our H Shares on the Stock Exchange and the Global Offering. In completing such filing procedure, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus.

As advised by our PRC Legal Advisor, our Company has completed all necessary filings with the CSRC in the PRC in relation to the Global Offering and the Listing.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 2,430,000 H Shares and the International Offering of initially 21,870,000 H Shares (subject, in each case, to reallocation on the basis referred to under the section headed "Structure of the Global Offering" in this Prospectus).

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around Monday, December 1, 2025. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed "Underwriting" in this Prospectus.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus and any information or representation not contained herein and therein must not be relied upon as

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

having been authorized by the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and Capital Market Intermediaries, any of their respective directors, officers, employees, partners, agents, or advisers or any other party involved in the Global Offering.

Neither the delivery of this Prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as of any date subsequent to the date of this Prospectus.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering,” and the procedures for applying for our Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this Prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this Prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates of any of our Directors, Supervisors or existing Shareholder or a nominee of any of the foregoing.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING OF THE H SHARE ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, the H Shares to be issued by us pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-Allotment Option) and the H Shares to be converted from the Unlisted Shares.

Dealings in the H Shares on the Stock Exchange are expected to commence on Wednesday, December 3, 2025. Save as disclosed in this prospectus and that our Domestic Shares are listed on the NEEQ, no part of our share capital was listed on or dealt in on any other stock exchange and no such listing or permission to list was being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this Prospectus. All the Offer Shares will be registered on our H Share register of members in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Capital Market Intermediaries, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-Allotment Option and stabilization are set out under the sections headed “Underwriting” and “Structure of the Global Offering” in this Prospectus.

H SHARE REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Dealings in the H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty. See “Statutory and General Information — 6. Other Information — H. Taxation of Holders of H Share” in Appendix VIII to this Prospectus. Investors should seek professional tax advice for further details of Hong Kong stamp duty.

Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our H Share register of members in Hong Kong, by ordinary post, at the Shareholders’ risk in Hong Kong dollars to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements and how such arrangements will affect your rights and interests as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this Prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this Prospectus.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ROUNDING

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars and vice versa, in this prospectus was made at the following rate set by the PBOC prevailing on the Latest Practicable Date:

HK\$1.00 : RMB0.9115

No representation is made that any amounts in HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

MARKET SHARE DATA CONVENTION

The statistical and market share information contained in this Prospectus has been derived from official government publications and other sources, including information or data provided by Frost & Sullivan. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC. While reasonable caution has been made in the process of reproducing the data and statistics extracted from such official government publications or other sources, our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our and their respective directors, supervisors, officers, representatives, employees, advisers or any other persons or parties involved in the Global Offering make no representation to the appropriateness, accuracy, completeness or reliability of any such statistical and market share information.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

For further information on our Directors and Supervisors, see “Directors, Supervisors and Senior Management” of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhang Kuang (張礦)	Room 602, Building 21 Phase II, Emerald Island Xiangshan District, Huaibei Anhui Province, PRC	Chinese
Ms. Wang Yuli (王玉麗)	Room 802, Unit 1, Building 11 Guogou Plaza C Area Xiangshan District, Huaibei Anhui Province, PRC	Chinese
Ms. Chen Yan (陳艷)	Room 301, Unit 1, Building 2 No. 93 Huaihaizhong Road Xiangshan District, Huaibei Anhui Province, PRC	Chinese
Non-executive Director		
Mr. Jiao Daojie (焦道傑)	Room 707, Building 47, Hupanyujing Xiangshan District, Huaibei Anhui Province, PRC	Chinese
Mr. Yang Chong (楊沖)	Room 303, Building 14 Huanhuhuayuan South Xiangshan District, Huaibei Anhui Province, PRC	Chinese
Mr. Li Zhuangzhi (李壯志)	Room 1304, Building 3 Jinyuehuating Xiangshan District, Huaibei Anhui Province, PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Independent non-executive Directors		
Mr. Jiang Weidong (蔣衛東)	Room 0401, Building G1 Small high-rise China University of Mining and Technology Quanshan District, Xuzhou Jiangsu Province, PRC	Chinese
Mr. Li Chenhui (李晨輝)	No. 77-102, East 3rd Area of Yujiashan Hongshan District, Wuhan Hubei Province, PRC	Chinese
Mr. Miao Guanghong (繆廣紅)	Room 1501, Unit 1, Building 18 Anli Home Community Shannan New District, Huainan Anhui Province, PRC	Chinese
Mr. Chan Ngai Fan (陳毅奮)	1/F, 8 Ho Tung Road Kowloon Tong, Kowloon Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Mr. Ding Haojie (丁浩傑)	Room 89, Building 1 Second Area of Yingshanzhong Road Xiangshan District, Huaibei Anhui Province, PRC	Chinese
Mr. Hu Yuhong (胡於紅)	No. 1702, Zhuzhuangkuang Labour No. 9 Village Duji District, Huaibei Anhui Province, PRC	Chinese
Mr. Zhu Jianqiang (朱堅強)	Room 501, Building 96 Shuolikuang West Village Duji District, Huaibei Anhui Province, PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Guoyuan Capital (Hong Kong) Limited

17/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

CMBC International Capital Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

**Overall Coordinators,
Joint Global Coordinators,
Joint Bookrunners and
Joint Lead Managers**

**Guoyuan Securities Brokerage
(Hong Kong) Limited**

17/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower,
3 Connaught Road Central
Central
Hong Kong

DBS Asia Capital Limited

73/F, The Center
99 Queen's Road Central
Central
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners and Joint Lead
Managers****China Sunrise Securities (International)
Limited**

1501 & 1503, YF Life Centre
38 Gloucester Road
Wan Chai
Hong Kong

First Shanghai Securities Limited

19/F, Wing On House
71 Des Voeux Road Central
Central
Hong Kong

**Futu Securities International (Hong
Kong) Limited**

34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

ICBC International Securities Limited

37/F, ICBC Tower
3 Garden Road
Central
Hong Kong

**Shenwan Hongyuan Securities (H.K.)
Limited**

Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

uSmart Securities Limited

Unit 2405-06 & 2606, 24/F & 26/F
308 Des Voeux Road Central
Sheung Wan
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditor and Reporting Accountants**Ernst & Young***Certified Public Accountants**Registered Public Interest**Entity Auditor*

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

Legal Advisors to the Company*As to Hong Kong law***Clifford Chance**

27/F, Jardine House

One Connaught Place

Central

Hong Kong

*As to PRC law***Anhui Tianhe Law Firm**

34-35/F, Tower A, Landmark Plaza

No. 288 Huaining Road

Shushan District

Hefei, Anhui Province, PRC

**Legal Advisors to the Joint Sponsors
and the Underwriters***As to Hong Kong law***Zhong Lun Law Firm LLP**

4/F, Jardine House

No. 1 Connaught Place

Central

Hong Kong

*As to PRC law***Zhong Lun Law Firm**

22-31/F, South Tower of CP Center

20 Jin He East Avenue

Chaoyang District

Beijing

China

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**
Room 2504, Wheelock Square
1717 West Nanjing Road
Jing'an District
Shanghai, PRC

Independent Property Valuer

**Asia-Pacific Consulting and Appraisal
Limited**
Block A, 12/F, Qiaofu Commercial Building
300 Lockhart Road
Wanchai, Hong Kong

Independent Technical Consultant

SRK Consulting (Hong Kong) Limited
Suite 1818, 18/F, V Heun Building
138 Queen's Road Central
Central, Hong Kong

Joint Compliance Advisors

Guoyuan Capital (Hong Kong) Limited
17/F, Three Exchange Square
8 Connaught Place
Central, Hong Kong

**Goldlink Capital (Corporate Finance)
Limited**
28/F, Bank of East Asia Harbour
View Centre
56 Gloucester Road
Wanchai, Hong Kong

Receiving Bank

**Industrial and Commercial Bank of China
(Asia) Limited**
33/F, ICBC Tower
3 Garden Road
Central, Hong Kong

CORPORATE INFORMATION

Registered Office	50 meters north of Shuobei Road Shuoli Town, Duji District, Huaibei Anhui Province, PRC
Head Office and Principal Place of Business in the PRC	50 meters north of Shuobei Road Shuoli Town, Duji District, Huaibei Anhui Province, PRC
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
Company's Website	<u>https://www.grkaolin.com/</u> (The information on the website does not form part of this prospectus)
Joint Company Secretaries	Mr. Wang Wei (王巍) Room 1206, Building 22, Biguiyuan Yinqiao District, Suzhou Anhui Province, the PRC Ms. Sze Suet Ling (施雪玲) <i>ACG (CS, CGP); HKACG (CS, CGP)</i> 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
Authorized Representatives	Mr. Zhang Kuang (張曠) Room 602, Building 21 Phase II, Emerald Island Xiangshan District, Huaibei Anhui Province, PRC Ms. Sze Suet Ling (施雪玲) <i>ACG (CS, CGP); HKACG (CS, CGP)</i> 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong

CORPORATE INFORMATION

Audit and Risk Committee

Mr. Jiang Weidong (蔣衛東) (*Chairman*)
Mr. Yang Chong (楊沖)
Mr. Chan Ngai Fan (陳毅奮)

Remuneration and Appraisal Committee

Mr. Miao Guanghong (繆廣紅) (*Chairman*)
Mr. Jiang Weidong (蔣衛東)
Mr. Li Zhuangzhi (李壯志)

Nomination Committee

Mr. Li Chenhui (李晨輝) (*Chairman*)
Mr. Jiang Weidong (蔣衛東)
Ms. Wang Yuli (王玉麗)

Strategy and Investment Committee

Mr. Zhang Kuang (張礦) (*Chairman*)
Mr. Li Chenhui (李晨輝)
Mr. Miao Guanghong (繆廣紅)

H Share Registrar

**Computershare Hong Kong Investor
Services Limited**
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Principal Bank

**Industrial and Commercial Bank
of China Huabei Huitong Branch**
No. 159, Huili Road, Huabei
Anhui Province, PRC

INDUSTRY OVERVIEW

This section and elsewhere in this prospectus contain certain information, statistics and data which are derived from various official government publications and other publicly available publications, and a report commissioned by us and prepared by our industry consultant, Frost & Sullivan. We believe that the sources of the information in this section and elsewhere in this prospectus are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy.

SOURCES OF INFORMATION

Frost & Sullivan was commissioned to conduct research, provide an analysis of, and to produce a report on the kaolin industry in China, and other related economic data. We agreed to pay Frost & Sullivan a fee of RMB580,000 for the preparation of the Frost & Sullivan Report, and our Directors consider that such fee reflects market rates and are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Founded in 1961, Frost & Sullivan has more than 45 global offices with more than 3,000 industry consultants, market research analysts, technology analysts, and economists. Our Directors confirm, to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan conducted primary research that involved discussing the status of the industry with industry participants and industry experts, as well as secondary research that involved reviewing company reports, independent research reports and Frost & Sullivan's own database.

The Frost & Sullivan Report was compiled based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) relevant key industry drivers are likely to drive the Kaolin market in China during the forecast period; and (iii) there is no extreme force majeure or unforeseen set of industry regulations in which the market may be affected in either a dramatic or fundamental way.

OVERVIEW OF THE KAOLIN RESOURCES MARKET

Definition of Kaolin

Kaolin is a non-metallic clay and claystone primarily composed of minerals from the kaolinite family. It is also called dolomite due to its white and delicate appearance. Kaolin is known as one of the four major non-metallic minerals, alongside mica, quartz and calcium carbonate. The main components of kaolin are silica and alumina, along with oxides of potassium, sodium, calcium, magnesium, iron and titanium. Pure kaolin is a mineral in white, fine size and soft texture. It possesses excellent physical and chemical properties, including good plasticity and high refractoriness.

INDUSTRY OVERVIEW

Classification of Kaolin

According to the paper “*Mineralization Characteristics and Resource Potential Assessment of Kaolin Deposits in China*” jointly published by the Chinese Academy of Geological Sciences and the Ministry of Natural Resources. Kaolin ores can be generally classified into hard kaolin, soft kaolin and sandy kaolin based on their physicochemical properties. Among them, sandy kaolin accounts for the largest proportion of total reserves, exceeding 60%, while hard kaolin represents the smallest share, at approximately 5%. Within the hard kaolin category, unlike the deposits in Shanxi and Inner Mongolia which are primarily symbiotic coal-series kaolin resources, the hard coal-series kaolin held by our company is of the associated type and can be directly processed, making it a scarce and valuable resource. Geological reserve data for such kaolin types is published exclusively by national authorities, and no further quantitative disclosures are currently available; related assessments are primarily based on qualitative research. Based on the geological formation, kaolin can be categorized into coal-series kaolin and non-coal-series kaolin. Within the coal-series kaolin category, there are further subdivisions into symbiotic coal-series kaolin and associated coal-series kaolin. Symbiotic coal-series kaolin, which is found alongside with other minerals, requires separation and purification processes before deep-processed due to its variable mineral composition and the separation difficulties. Associated coal-series kaolin coal and other minerals are independent as they are deposited independently within the same ore bed. After mining, kaolin is classified by type and specification and can proceed directly to deep-processed procedure without the need for additional purification.

Classification		Features	Example of Application	Mine Distribution
By Physicochemical Properties	Hard Kaolin*	<ul style="list-style-type: none"> Hard (Mohs hardness 3~4) No plasticity Plasticity only after crushing and fine grinding 	<ul style="list-style-type: none"> Refractories Precision casting Paper Coatings 	<ul style="list-style-type: none"> Huaibei, Anhui Datong, Shanxi Jungar, Inner Mongolia
	Sandy Kaolin	<ul style="list-style-type: none"> Soft soil General plasticity High plasticity after sand removal Sand content $\geq 50\%$ 	<ul style="list-style-type: none"> Ceramics Paper Coatings 	<ul style="list-style-type: none"> Longyan, Fujian Maoming, Guangdong Hepu, Guangxi
	Soft Kaolin	<ul style="list-style-type: none"> Soft soil Commonly high plasticity Sand content $< 50\%$ 	<ul style="list-style-type: none"> Paper Chemical catalysts 	<ul style="list-style-type: none"> Suzhou, Jiangsu Beihai, Guangxi
By Geological Formation	Coal-series kaolin*	<ul style="list-style-type: none"> Contains carbonaceous matter Low iron and titanium content High whiteness after calcination Good dispensability Fine particle size 	<ul style="list-style-type: none"> Precision casting Paper Rubber Refractories 	<ul style="list-style-type: none"> Anhui Shanxi Shaanxi Inner Mongolia
	Non-coal-series Kaolin	<ul style="list-style-type: none"> Formed by weathering of feldspar or other silicate minerals Varies depending on the source 	<ul style="list-style-type: none"> Ceramics Paper Coatings Catalyst carriers 	<ul style="list-style-type: none"> Guangxi Jiangxi Fujian Hunan

Source: Chinese Academy of Geological Sciences, China Geological Survey, Frost & Sullivan Report

INDUSTRY OVERVIEW

Note:

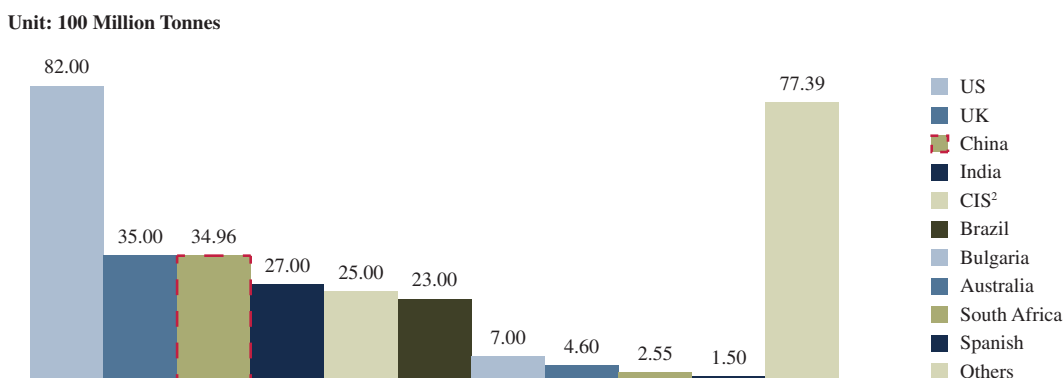
* Our Company owns coal-series hard kaolin mineral resources.

The quality of kaolin ore is classified by the concentrations of Al_2O_3 , Fe_2O_3 and TiO_2 in terms of chemical compositions. According to the Appendix E.1 of DZ/T 0206-2002 “Specifications for Kaolinite, Bentonite, Refractory-Clay Mineral Exploration” (《高嶺土、膨潤土、耐火黏土礦地質勘查規範》), the industrial standard weight percent of Al_2O_3 should be higher than 30%, weight percent of Fe_2O_3 plus TiO_2 should be less than 2%, besides TiO_2 should be less than 0.6%. There is no industry standard to specify the weight of SiO_2 in kaolin ore. The Company’s kaolin ore consists of 38.1% Al_2O_3 , 1.5% Fe_2O_3 plus TiO_2 and 0.5% TiO_2 in weight. All specifications are better than industrial standard, indicating the kaolin ore in deposits has a high effective content of Al_2O_3 , less impurities, and relatively high refractoriness.

Global and China Kaolin Reserves Analysis

According to the USGS¹, the global proven reserves of kaolin are approximately 32 billion tonnes. These reserves are mainly distributed in the United States, the United Kingdom, China, India and other regions. The United States ranks first with reserves of 8.2 billion tonnes, while China holds nearly 3.5 billion tonnes of kaolin reserves, positioning it as one of the foremost countries globally in terms of kaolin reserves.

Global Major Countries Kaolin Reserves



Source: USGS, Frost & Sullivan Report

Notes:

1. USGS refers to the United States Geological Survey, founded as the Geological Survey, is an agency of the U.S. Department of the Interior whose work spans the disciplines of biology, geography, geology, and hydrology.
2. CIS refers to the Commonwealth of Independent States. It includes nine member countries: Azerbaijan, Armenia, Belarus, Kyrgyzstan, Moldova, Kazakhstan, Russia, Uzbekistan, and Tajikistan.

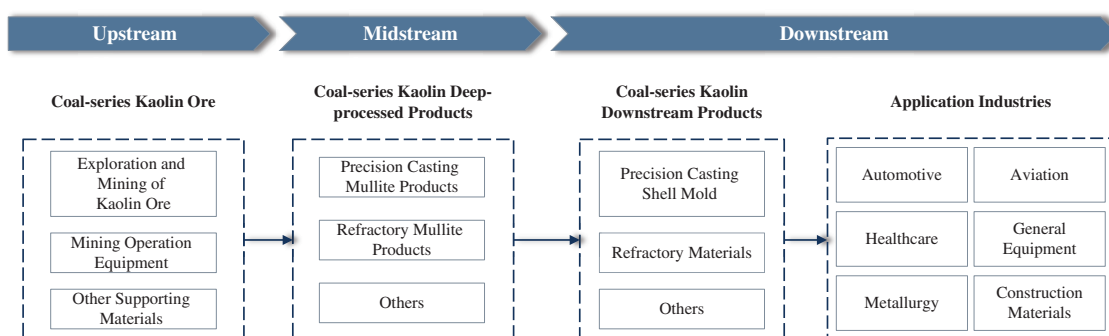
China’s kaolin resources are widely distributed across whole nation. However, the resources are predominantly concentrated. The south central region of China holds the largest kaolin mineral reserves, with Guangxi Province holding 49.5% of the country’s total reserves. This is followed by Jiangxi Province, Guangdong Province and Fujian Province. In the ranking of kaolin reserves in China by province, Anhui Province ranks fifth, accounting for 1.46% of the total reserves.

INDUSTRY OVERVIEW

The types of kaolin ore in China, based on texture, kaolin ores can be classified into hard kaolin, soft kaolin and sandy kaolin. In terms of reserves in 2022, sandy kaolin is the dominant type, accounting for over 60% of the total reserves. Soft kaolin and hard kaolin account for approximately 6% and 5% of the total reserves respectively, while other unspecified types of kaolin account for about 27% of the total reserves. Therefore, hard kaolin resources are the scarcest. The kaolin of the company belongs to hard coal-series kaolin. Coal-series kaolin exhibits specific physical and chemical properties, including high purity, high chemical stability, and high refractoriness. Within the limited reserve of coal-series kaolin, there are further subdivisions into symbiotic coal-series kaolin and associated coal-series kaolin. Upon extraction, associated coal-series kaolin can be proceed directly to deep process without requiring further purification. It can achieve lower production costs. As a high-quality kaolin resource, associated coal-series kaolin has certain unique characteristics and differs from most of the symbiotic coal-series kaolin resources in Shanxi and Inner Mongolia deposits.

Coal-Series Kaolin Supply Chain Analysis

The following chart illustrates the industry chain of coal-series kaolin.



Source: Expert Interview, Frost & Sullivan Report

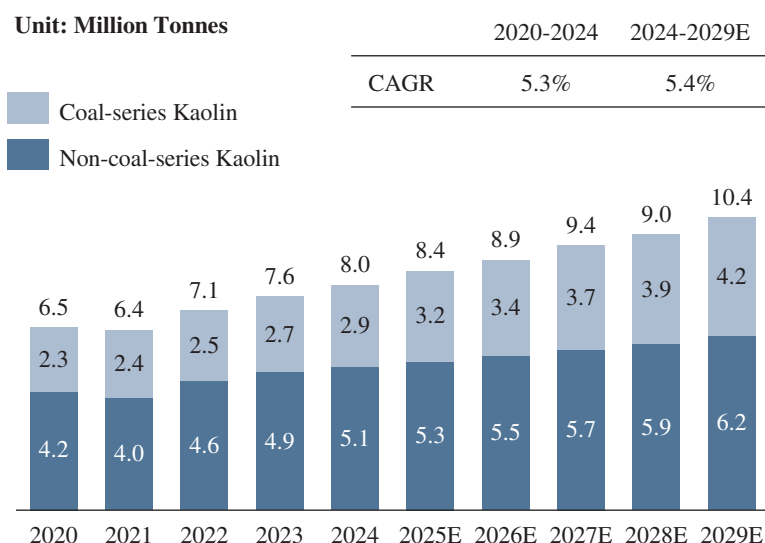
The upstream segment mainly includes mining and initial processing of the kaolin ore. After kaolin mining operations are completed, the kaolin ore undergoes initial processing and is converted into raw coke and raw powder. Midstream participants are kaolin processed products manufacturers who use calcination processes to process these products into precision casting mullite products and refractory mullite products, and other materials for sale to downstream customers. Midstream kaolin deep-processed manufacturers without their own mineral resources typically need to procure raw coke and raw powder or coal by-product ores from resource-owning enterprises as raw material sources for further deep-processed. Manufacturers with kaolin mining resources possess a resource advantage, enabling them to acquire high-quality raw materials at lower costs. Sales models of midstream kaolin deep-processed manufacturers include sales to end customers and sales to traders. Due to the broad and fragmented downstream customer base, kaolin deep-processed manufacturers typically rely on traders to more effectively meet the diverse application needs and market demands of various downstream industries. It covers a wide range of downstream industry chains, mainly involving broad application fields, including automotive, aviation, healthcare, general equipment, metallurgy, construction materials, and others.

INDUSTRY OVERVIEW

Kaolin Production Volume in China

The production volume of kaolin in China is experiencing steady growth, driven by technological innovations, supportive policies and the expansion of global trade. According to Frost & Sullivan, China's kaolin production showed a growth trend from 2020 to 2024, with particularly strong increases in 2022 and 2024. In 2021, with the release of the “14th Five — Year Plan for Industrial Green Development” (《「十四五」工業綠色發展規劃》) during China's “14th Five — Year Plan” period, the tightening of environmental law enforcement led to an increase in enterprise environmental compliance costs and a slight decline in kaolin production volume. The production volume is expected to reach 10.4 million tonnes in 2029, representing a CAGR of 5.4% from 2024 to 2029. Due to the ever-increasing application of kaolin in both the high-end sectors of traditional fields and in emerging fields, the production volume of kaolin ore in China will continuously increase.

China Kaolin Production Volume, 2020-2029E



Source: Expert Interview, Frost & Sullivan Report

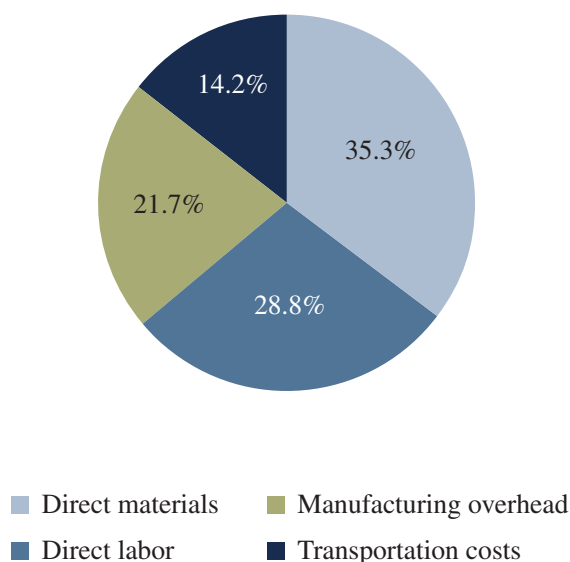
Major Cost Structure and Price of Coal-series Kaolin

The cost of coal-series kaolin ore in China is mainly composed of four parts: direct materials, direct labor, manufacturing expenses and transportation expenses. Direct materials mainly include mineral and auxiliary materials consumed in the production process. Direct labor refers to labor costs such as wages, subsidies, bonuses and social security directly attributable to production workers. Manufacturing expenses mainly include depreciation and amortization, equipment rental fees, electricity fees, natural gas fees, salaries of production management personnel. Transportation expenses are the transportation fees borne in the actual sales process.

In 2024, the cost structure of China coal-series kaolin ore was as follows: direct materials constituted 35.3%, direct labor accounted for 28.8%, while manufacturing overhead and transportation costs accounted for approximately 21.7% and 14.2%.

INDUSTRY OVERVIEW

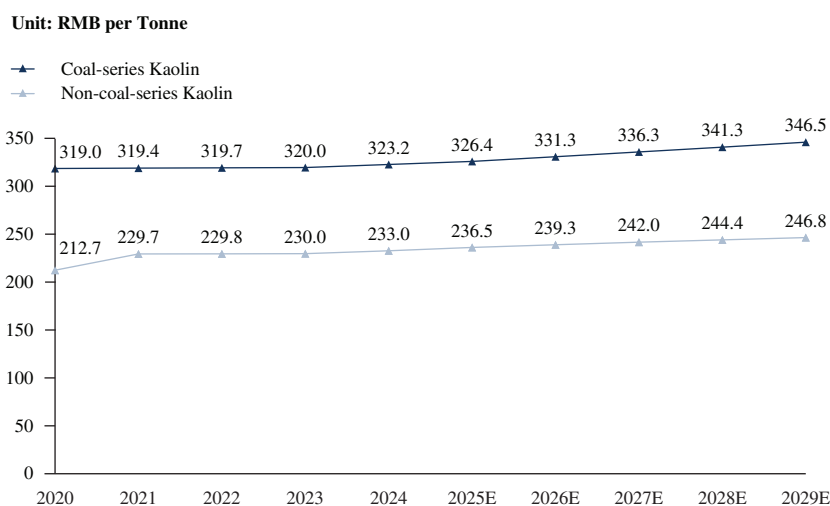
Major Cost Structure of China Coal-Series Kaolin Ore, 2024



Source: Expert Interview, Frost & Sullivan Report

As the scarcity of high-grade, non-renewable kaolin resources increases, along with the implementation of stricter environmental policies and rising extraction and production costs, the price of kaolin ore has been steadily rising year by year. From 2020 to 2024, the price of coal-series kaolin ore has shown a relatively stable trend. It started at RMB319.0 per tonne in 2020 and is projected to reach RMB346.5 in 2029, due to (1) kaolin is a non-renewable resource, giving it a certain degree of scarcity that supports stable price performance; (2) easily extractable kaolin ore will be prioritized for mining in the short term, and in the future, the industry may need to shift to relatively hard-to-extract reserves — this shift is expected to push up mining costs, which in turn will exert upward pressure on prices; (3) long-term market demand for kaolin will remain on an upward trajectory, providing support for price growth. The prices of coal-series and non-coal-series kaolin ore are varied based on certain specifications and quality.

Average Price of Kaolin Ore (2020-2029E)



Source: Expert Interview, Frost & Sullivan Report

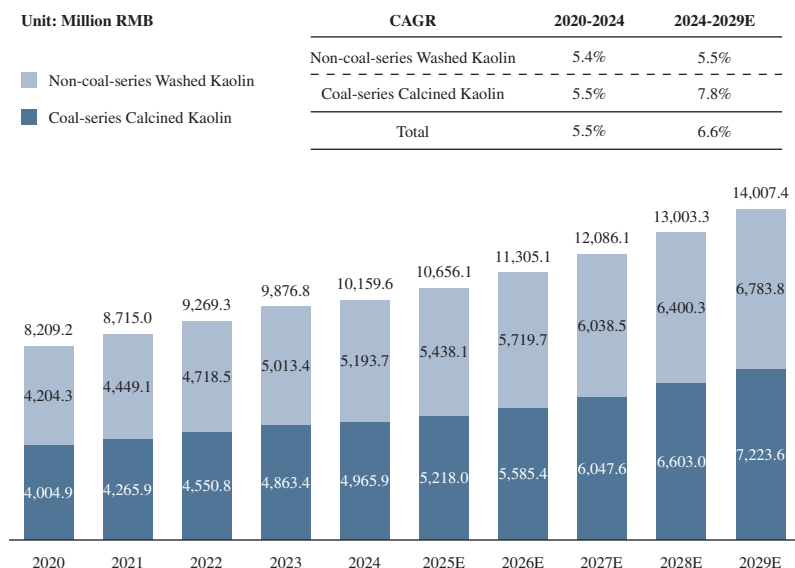
INDUSTRY OVERVIEW

Kaolin Market Size in China, Measured by Value of Deep-Processed Products

Deep-processed kaolin products are generally categorized into two processes: washing and calcination. Washed kaolin undergoes physical treatment, a complex technological process for the continuous processing of kaolin ore, including pulping and desanding, classification and purification, dehydration and drying without changing the properties of the kaolin ore, mainly applied for non-coal-series kaolin. Washed kaolin is the optimal raw material for ceramic production. In contrast, high-temperature calcination for carbon removal and whitening is a typical processing method for purifying coal-series kaolin ore. Calcined type is mainly utilized in fields such as refractory materials, precision casting and coatings.

Due to the diverse range of deep-processed kaolin products and their extensive downstream applications, the market for these products is experiencing stable growth. According to Frost & Sullivan, the market for kaolin deep-processed products increased from RMB8,209.2 million in 2020 to RMB10,159.6 million in 2024. It is expected to reach RMB14,007.4 million, with a CAGR of 6.6% by 2029. Within the category of non-coal-series washed kaolin products, the market increased from RMB4,204.3 million in 2020 to RMB5,193.7 million in 2024, with a CAGR of 5.4%. This segment is expected to reach RMB6,783.8 million in 2029, representing a CAGR of 5.5% from 2024 to 2029. The coal-series calcined kaolin products market in China increased from RMB4,004.9 million in 2020 to RMB4,965.9 million in 2024, representing a CAGR of 5.5%, and is expected to reach RMB7,223.6 million in 2029, representing a CAGR of 7.8% from 2024 to 2029. In the future, with the growth of high-end manufacturing, the demand for high-performance materials is expected to increase, raising requirements for the physical and chemical properties of deep-processed kaolin products, such as high whiteness, refractoriness and fineness. This trend will drive the market demand for deep-processed kaolin products. Additionally, continuous progress has been made in the deep processed technologies of kaolin. For instance, the application of techniques such as ultra-fine pulverization, surface modification and calcination has improved the performance of kaolin, enabled kaolin to be widely applied in more fields, increased the added value of the products and further driving market growth.

China Kaolin Market Size, Measured by Deep-processed Products



Source: Expert Interview, Frost & Sullivan Report

INDUSTRY OVERVIEW

Market Drivers of Kaolin Market

- **Policy support and guidance highlighted:** In recent years, China has successively introduced policies such as the Industrial Structure Adjustment Guidance Catalog (2024 Edition) (《產業結構調整指導目錄(2024年本)》), the Catalog of Industries Encouraging Foreign Investment (《鼓勵外商投資產業目錄》), and the 14th Five-Year Development Plan and 2035 Vision for the Non-Metallic Mineral Industry (《非金屬礦行業「十四五」發展規劃及2035年遠景目標》). These policies explicitly support the comprehensive development and utilization of non-metallic minerals and strongly promote the progress and development of related downstream industries, including precision casting and refractory materials. Additionally, the Three-Year Action Plan for Promoting High-Quality Development of the Non-Metallic Mineral Industry (2023-2025) (《推動非金屬礦工業高質量發展三年行動計劃(2023-2025年)》) outlines that by 2025, the scale and economic benefits of the non-metallic mineral industry will continue to grow, with a targeted total industry output value of RMB1.2 trillion. The plan also emphasizes accelerating R&D in key areas, including projects related to kaolin and other non-metallic minerals.

The Industrial Structure Adjustment Guidance Catalogue (2024 Edition) (《產業結構調整指導目錄(2024年本)》) proposes encouraging green technology innovation and the development of environmentally friendly industries, promoting energy conservation, carbon reduction, and green transformation in key sectors, while firmly curbing the blind expansion of high-energy-consuming, high-emission, and low-level projects. This policy promotes the elimination of enterprises in the kaolin processing industry that are energy-intensive, heavily polluting, and low in added value. It guides enterprises toward orderly competition and encourages investment in energy-saving equipment and intelligent upgrades. The Company has actively invested in environmental protection and sustainable development, thereby gaining greater growth potential and market competitiveness under this policy.

The Catalogue of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》) emphasizes support for foreign investment in green environmental protection, new materials, and related fields. These policy orientations provide development opportunities for the non-metallic mineral industry, especially for enterprises that prioritise environmental protection and technological innovation. The Company's investment in green mining and energy efficiency within the non-metallic minerals sector not only enhances our access to policy support but also strengthen our competitive edge in the market. The government promotes foreign investment improves the overall business environment for the entire sector. This includes strengthening infrastructure, promoting industry-wide technological exchanges, and setting higher-standard industry norms. For domestic company, these improvements mean better access to resources and a more stable market environment. However, the strict standards set for foreign-invested enterprises will gradually become the norm for the whole industry. By proactively meeting more standardized guidelines, domestic company, including the Company, can not only gain more recognition from the government but also establish itself as a high-quality enterprise in the market, thereby driving long-term business growth.

The 14th Five-Year Development Plan and 2035 Vision for the Non-metallic Mineral Industry (《非金屬礦行業「十四五」發展規劃及2035年遠景目標》) notes that during the 13th Five-Year Plan period, China's non-metallic mineral mining and processing industry experienced rapid growth in both deep processing output and value, accelerated industrial cluster development, increased concentration, and continuous structural optimization. On one hand, the policy clearly encourages extending non-metallic mineral products into deep processing and higher value-added segments, signalling the

INDUSTRY OVERVIEW

government's strong support for downstream demand expansion. For companies processing high-quality hard coal-series kaolin, this presents greater market opportunities in the automotive, healthcare and aviation, contributing to increased product sales and output value. On the other hand, the policy promotes improved industry concentration and structural optimization, which facilitates the formation of an orderly competitive landscape. As low-efficiency and fragmented enterprises are phased out, the Company with stronger technical capabilities, standardized management, and integrated resource advantages are likely to achieve steady development and long-term growth under policy guidance.

The Three-Year Action Plan for Promoting High-Quality Development of the Non-metallic Mineral Industry (2023-2025) (《推動非金屬礦工業高質量發展三年行動計劃(2023-2025年)》) sets the goal of continuously improving the scale and economic efficiency of the non-metallic mineral industry, aiming for total output value to reach RMB1.2 trillion by 2025. This policy helps direct resources and supportive measures toward specific sub-sectors. Kaolin, as a representative non-metallic mineral especially hard coal-series kaolin, has been included in the scope of policy support due to its wide applicability in industries such as automotive, aerospace, and medical. This inclusion not only enhances the likelihood of favourable resource allocation but also facilitates the accelerated implementation of the Company's projects.

- ***Increasing demand for high-end and deep-processed kaolin products:*** As increasing demand of high-performance materials in downstream fields such as precision casting, renewable energy and new materials, the kaolin industry is expected to gradually shift from traditional low-value-added products to high-end deep-processed products. Calcined kaolin, known for its high whiteness, low iron content, and excellent thermal and physical properties, is anticipated to become a key focus for industry development. Its applications are expected to expand further in precision casting, renewable energy (such as building phase change thermal storage materials and solar energy thermal storage materials), and advanced materials.
- ***Improved standardization of kaolin processing industry:*** In the past, the kaolin processing industry faced low resource utilization rates and lacked orderly development due to inadequate regulations and weak corporate compliance awareness. In recent years, policy guidance and technological advancements have promoted higher standardization. In 2024, the implementation of national standards such as the Method for Determining Dispersion Performance of Water Treatment Agents — Part 1: Dispersed Kaolin Method (《水處理劑分散性能測定方法第1部分:分散高嶺土法》) and the “Three Rates” Indicator Requirements for Mineral Resources — Part 13: Clay Minerals (《礦產資源「三率」指標要求第13部分:黏土類礦產》) provided unified quality control and performance testing standards for kaolin processing enterprises. These efforts comprehensively enhanced the industry's standardization, enabling kaolin processing manufactures to steadily progress toward high-quality development.

Market Trends of Kaolin Industry

- ***The accelerated advancement of kaolin deep-processed technology:*** As kaolin processing technology continues to advance, its applications are expanding. Deep-processed techniques for kaolin, including calcination, iron removal, grinding and blending, are improving the physical and chemical properties of the product. The improvements in whiteness, fineness and plasticity contribute to higher product quality and stability.

INDUSTRY OVERVIEW

- **Promotion of smart and automated production:** With the widespread adoption of smart manufacturing technologies, kaolin production is expected to gradually become more automated and intelligent. By introducing advanced mining equipment, automated production lines and intelligent management systems, companies can improve production efficiency, reduce costs and optimize resource utilization. Additionally, smart production can reduce manual intervention, enhancing product stability and consistency.
- **Technological change driven by strengthening environmental awareness:** In 2020, China announced its “dual carbon goals” to reach carbon peaking by 2030 and carbon neutrality by 2060, thereby enhancing society’s focus on environmental protection and sustainability. With stricter environmental regulations, the coal-series kaolin industry is undergoing technological transformation in mining and deep-processed. Companies are progressively adopting cleaner production technologies while actively exploring pathways for resource recycling.

Market Entry Barrier and Key Success Factor

- **The high technology barriers of deep processing technologies:** China’s kaolin resources have complex geological origins, and the production process for coal-series kaolin products involves multiple stages such as calcination, crushing, air blowing and screening, each with significant variability. This requires companies not only to master deep-processed technologies for kaolin but also to continuously optimize and innovate their production processes to ensure consistent product quality. As a result, the high technical demands serve as a barrier for new entrants in the industry, limiting access for companies with insufficient technical expertise.
- **Strict environmental protection requirements:** In 2024, the government issued regulations related to the mining industry. Notably, the Ministry of Natural Resources and other relevant departments released the “*Notice on Further Strengthening the Construction of Green Mines*” (《關於進一步加強綠色礦山建設的通知》) and the “*Notice on Fully Implementing Green Exploration in the New Round of Strategic Prospecting Breakthrough Actions*” (《關於在新一輪找礦突破戰略行動中全面實施綠色勘查的通知》). These policies aim to achieve the coordinated development of mining and ecological environmental protection by enhancing mine environmental construction, resource development and utilization, ecological protection, enterprise management, and cultural development. Companies are required to adopt green production methods, improve processes and use eco-friendly materials to minimize environmental impact and improve resource utilization efficiency. The investment in environmentally friendly technologies also creates a barrier to new entrants.
- **The capital required for large-scale production:** Coal-series kaolin processing requires substantial investment in equipment, facilities, raw material procurement and operations. The industry exhibits economies of scale, where larger companies can gain a competitive advantage by increasing capacity, reducing marginal costs and lowering product prices. The expanding application fields and increasing diversity in customer demands require companies to enhance their supply capabilities. For new entrants, the initial investment is substantial and large production capacity is difficult to establish in the short term.
- **The scarcity of high-quality kaolin resources:** High-quality kaolin resources are relatively scarce in China’s kaolin mineral reserves. There are significant differences among production enterprises regarding resource grade, scale, and mining conditions. These disparities result in considerable price variations for kaolin of different grades. Low-grade kaolin will incur higher costs in the mining and processing procedure, thus increasing the burden of enterprise operations. Therefore, possessing reserves of high-quality kaolin has become a key factor for enhancing a company’s competitiveness.

OVERVIEW OF THE PRECISION CASTING MULLITE PRODUCTS MARKET

Definition and Classification of Casting

Casting is a manufacturing process in which a liquid material, typically metal or alloy, is poured into a pre-shaped mold and allowed to cool and solidify into the desired shape. This process is fundamental for producing complex components and is widely used across industries such as automotive, aviation, healthcare and general equipment.

Precision casting is a type of casting technology, where a wax pattern is coated with a refractory material to form a shell mold. The wax is subsequently melted out, allowing molten metal to be poured into the cavity, thereby producing highly detailed and accurate metal parts.

The Application of Precision Casting Mullite Products

Kaolin mullite is one of the main deep-processed products of coal-series kaolin. During the calcination process, kaolin will undergo a series of physical and chemical changes. In the high-temperature stage, dehydration and decomposition reactions will occur. Subsequently, the alumina and silica in kaolin will react, resulting in the formation of the mullite crystal phase and the transformation into mullite.

In precision casting, kaolin mullite products are used for the precision casting shell mold due to their refractory properties. These properties allow the shell mold to endure high temperatures during pouring and solidification processes. Additionally, the stability of mullite helps maintain the cavity's shape and dimensions, which is significant for manufacturing high-quality and defect-free precision casting parts. Such characteristics render mullite materials important in automotive, shipbuilding, healthcare, aviation and energy industries. Most of precision casting mullite products are made by calcining coal-series kaolin.

Compared with other precision casting mullite products on the market, our company's products have a higher content of Al_2O_3 and thus possess higher refractoriness. They also have a lower content of other impurities and better thermochemical stability. The shell molds prepared with them are of high strength and good collapsibility.

Precision Casting Market Size in China

In 2024, the market size of China's precision casting was measured at RMB381.0 billion. From 2020 to 2024, it had a CAGR of 8.7%. This growth in the precision casting market across the country is due to the growing prevalence of precision casting. The rising popularity of precision casting is driven by its capacity to meet high-end manufacturing needs, technical merits, integration with emerging technologies and the impetus from industrial upgrading and policy support.

Precision casting is widely applied in industries like automotive, aviation, medical equipment, etc., which demand high-precision and high-performance parts. In the automotive industry, its upgrade, especially the pursuit of lightweight and high-performance solutions, boosts the demand for precision-cast components. China's automotive production is projected to grow from 31.3 million units in 2024 to 35.5 million in 2029, driving market expansion. The aviation field also shows strong demand, as IATA forecasts China will require about 8,000 new passenger aircraft over the next two decades, and the development of C919 (China's independently designed and manufactured commercial aircraft) and UAM (Urban Air Mobility Network, such as electric vertical take-off and landing aircraft) projects drives the demand for high-performance parts. In the medical sector, rising demand for high-end equipment, like

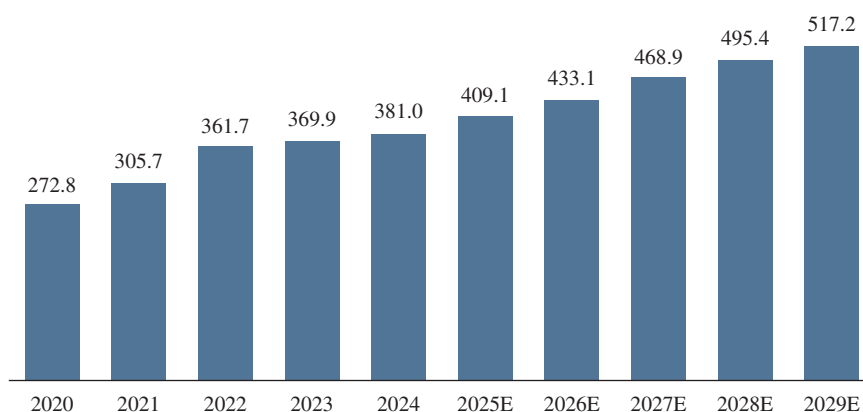
INDUSTRY OVERVIEW

artificial joints and pacemaker casings, serves as a driving force for market growth. In 2024, China's medical device market was RMB1,090 billion, with precision casting related high-end equipment accounting for 10%, expected to reach RMB160.9 billion in 2029, with a CAGR of 8.1%. Looking forward, the automotive, aviation, and medical industries will drive China's precision casting market growth in the coming years. It is expected to have a CAGR of 6.3% during 2024-2029.

China's Precision Casting Market Size, by Sale Revenue of Castings

Unit: Billion RMB

	CAGR	2020-2024	2024-2029E
Precision Casting		8.7%	6.3%



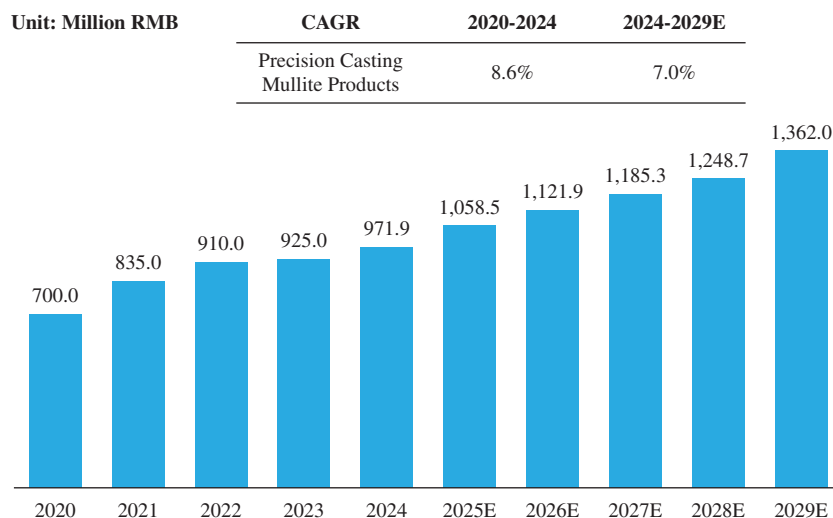
Source: China Foundry Association, Frost & Sullivan Report

Precision Casting Mullite Products Market Size in China

In 2024, China's precision casting mullite products market size was valued at RMB971.9 million. Among them, over 95% of the mullite products for precision casting on the market are derived from kaolin, only very few products are made from bauxite and synthetic mullite. Due to its mature technology, and stable performance, the calcined kaolin process is currently the mainstream method for preparing mullite products for precision casting. Mullite, with high-temperature stability and excellent corrosion resistance, endows castings in precision casting with a compact dimensional structure and a fine surface. It is thus widely used in manufacturing precision components and machine parts across industries, spurring the growth of the precision casting mullite products market. As the complexity, dimensional accuracy, and surface quality of castings keep increasing, the demand for mullite in precision casting will rise rapidly, at a pace faster than that of the precision casting market. The market is expected to grow to RMB1,362.0 million by 2029, exhibiting a CAGR of 7.0% during the forecast period.

INDUSTRY OVERVIEW

China's Precision Casting Mullite Products Market Size, by Sale Revenue of Mullite Products



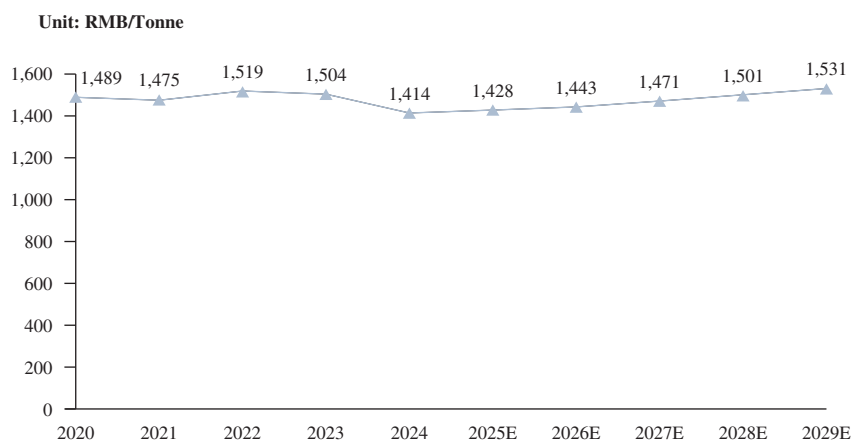
Source: Expert Interview, Frost & Sullivan Report

The average tax-excluded price of China's precision casting kaolin mullite products (RMB/tonne) experienced slight fluctuations but remained relatively stable from 2020 to 2024, reaching 1,504 RMB/tonne in 2023. Due to the intensifying market competition, the average price of precision casting kaolin mullite products declines slightly by 6% compared to 2023, reaching 1,414 RMB/tonne in 2024. This is mainly attributed to the competitive strategy of price-cutting sales adopted by several leading enterprises in the market to expand their market share. Kaolin ore serves as the raw material for kaolin mullite used in precision casting, and it is one of the key factors influencing the price of kaolin mullite for precision casting. The average market price of kaolin ore has maintained long-term stability with a slight upward trend. For instance, the CAGR of the average market price of coal-series kaolin ore was 0.3% from 2020 to 2024, and it is projected to have a CAGR of 1.4% from 2024 to 2029. The stable raw material price has become the foundation for sustaining the long-term stability of kaolin mullite for precision casting. Therefore, the price decline of kaolin mullite for precision casting is only applicable in the short term.

In the long run, development of the precision casting industry may lead to a continuous increase in demand for kaolin mullite, especially for high-performance and high-quality products, thereby driving the price upward. The price increase of coal-series kaolin ore, as the raw material for kaolin mullite, due to policy changes, geological issues or environmental factors, may raise the production cost of precision casting mullite products, thereby potentially driving its price upward. In addition, given that labor costs and energy costs are expected to remain stable or rise slightly in the future, while the market will continue to expand moderately, it is expected that these factors will drive the price of kaolin mullite for precision casting to increase slightly, with a CAGR of 1.6% from 2024 to 2029, reaching 1,531 RMB/tonne in 2029, assuming policy, geological issues or environmental protection regulation factors remain unchanged.

INDUSTRY OVERVIEW

Average Price (Tax-excluded) of Precision Casting Kaolin Mullite Products in China



Source: Expert Interview, Frost & Sullivan Report

Market Drivers of Precision Casting Mullite Products Market

- **Growing demand fuelled by industry development:** The development of automotive, healthcare, aviation and energy industries drive the precision casting mullite products market. For example, in the automotive industry, there is a significant demand for lightweight and high-performance precision-cast components. The healthcare industry relies on precision-cast biocompatible parts. In aviation and energy, there is an increasing need for high-performance heat-resistant components. Kaolin mullite materials, possessing excellent thermal stability, low thermal expansion and wear resistance, are essential for fabricating precision-cast parts that can endure high stress and harsh environments without deterioration or distortion, thereby fueling market growth.
- **New opportunities created by technological integration:** Technological innovation has created new opportunities for mullite materials in precision casting. A noteworthy development is the combination of 3D printing and precision casting. 3D-printed wax patterns can be directly used in casting, increasing design flexibility and enabling the production of complex shapes. This integration reduces production time and accelerates product launch. As a result, the demand for high-quality mullite materials has risen as they are suitable for this new production method and ensure product quality and performance.
- **The rapid development of complex precision castings:** In the process of the vigorous development of modern industry, the structures of castings such as automobile and aviation components are evolving towards increasing complexity. Castings with complex structures usually have a significantly enlarged surface area, and this characteristic directly leads to a rapid increase in the amount of kaolin mullite used in their casting shells. Moreover, such castings with complex structures also put forward more stringent requirements for dimensional accuracy and surface quality. As the application range of these high-precision castings expands, the demand for precision casting mullite products is bound to increase significantly, presenting a notable growth opportunity.
- **The Advantages of Mullite under strict environmental requirements:** In modern industrial progress, environmental considerations are increasingly significant, granting mullite materials particular benefits in the precision casting market. Stringent global environmental regulations lead manufacturers to emphasize the environmental features of materials. Kaolin mullite materials can withstand chemical reactions from environmental substances during precision casting with chemical emissions or corrosive exposures, averting harmful by-products and performance decline. This reduces on wastes associated with material damage or reactions. As a result, kaolin mullite is an attractive option for precision casting enterprises seeking cost reduction and sustainable growth.

INDUSTRY OVERVIEW

Market Trends of Precision Casting Mullite Products Market

- **Technological innovations in production techniques:** Technological innovations have enhanced kaolin mullite's precision casting properties across various industries. Its composites with other materials enhance thermal shock stability during temperature changes in casting. For example, it provides higher thermal stability for aerospace and energy and greater mechanical strength for automotive. Future technological progress will continue to improve kaolin mullite's properties and application value in precision casting.
- **Emphasis on sustainable development:** With the growing focus on sustainable development, the environmental advantages of kaolin mullite in casting are becoming more prominent. While mullite shell molds in precision casting cannot be directly reused, after being crushed, subjected to magnetic separation and sieved, the mullite sand in precision casting shells can be recycled and reused, thereby reducing waste and environmental impact. This recyclability aligns with the industry's goal of reducing carbon emissions and adopting sustainable practices. It is significant for enterprises to reduce their carbon footprint and furthering the development of precision casting mullite products market in terms of sustainability and environmental protection.

OVERVIEW OF THE REFRACTORY MULLITE PRODUCTS MARKET

Definition and Classification of Refractory Material

Refractory materials are materials that are resistant to high temperatures, capable of withstanding extreme heat without melting, breaking down, or losing their strength. They are typically used in furnaces, kilns, reactors and other high-temperature industrial applications, providing essential thermal insulation and structural stability. Refractory materials are essential in industries such as metallurgy, construction materials and chemical industry, where they protect equipment from heat and thermal shock.

Refractory materials are categorized into several classifications, including silica, aluminosilicate, magnesia and dolomite products. Aluminosilicate products consist of cristobalite, mullite and corundum. The mullite products for refractory material can be calcined from coal-series kaolin, or processed from sillimanite, bauxite, as well as mixtures of alumina and silica sand.

The Application of Refractory Mullite Products

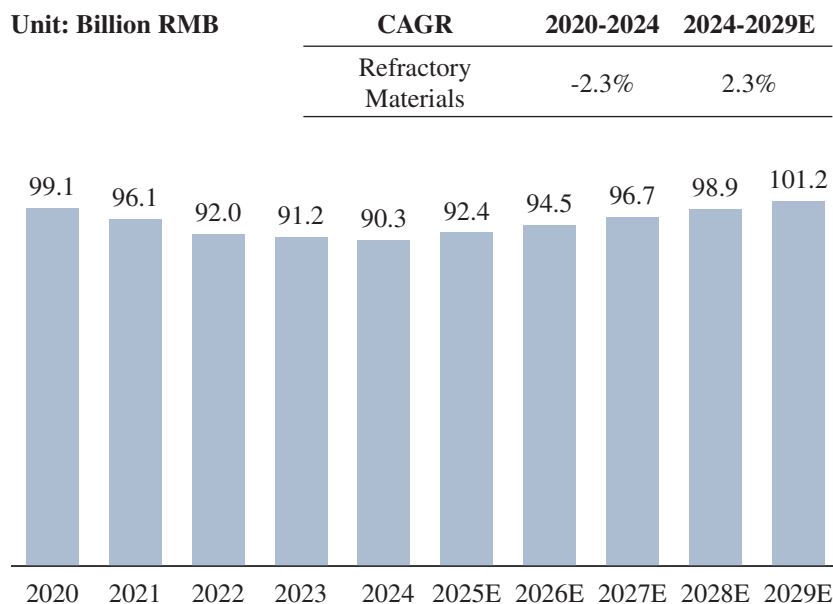
As a refractory material, kaolin mullite is used to prepare mullite refractory bricks, mullite refractory aggregates or mullite refractory castables. Most of the mullite refractory materials are used to make the front chamber of high-temperature furnaces and can also be used as the lining of various kilns. In the metallurgical industry, mullite refractory materials are mainly used to make hot blast stove bricks and kiln furniture bricks. In addition, due to the good airtightness and corrosion resistance of mullite materials, mullite materials can also be applied to heat-resistant materials such as crucibles, thermocouple tubes and protective tubes.

INDUSTRY OVERVIEW

Refractory Material Market Size in China

China's refractory materials market size fluctuated from RMB99.1 billion to RMB90.3 billion from 2020 to 2024. The market was generally stable but slightly decreased due to downward trend in some sectors such as cement and steel. The market is expected to expand slightly in the coming years due to the increased demand from high-temperature industries, the progress in refractory and insulation technology, energy-saving and environmental protection policies, and the optimization of raw material resources. The market size in 2029 is projected to increase to RMB101.2 billion with a CAGR of 2.3% from 2024 to 2029.

China's Refractory Materials Market Size, by Sale Revenue of Refractory Materials



Source: The Association of China Refractories Industry, Frost & Sullivan Report

Refractory Mullite Products Market Size in China

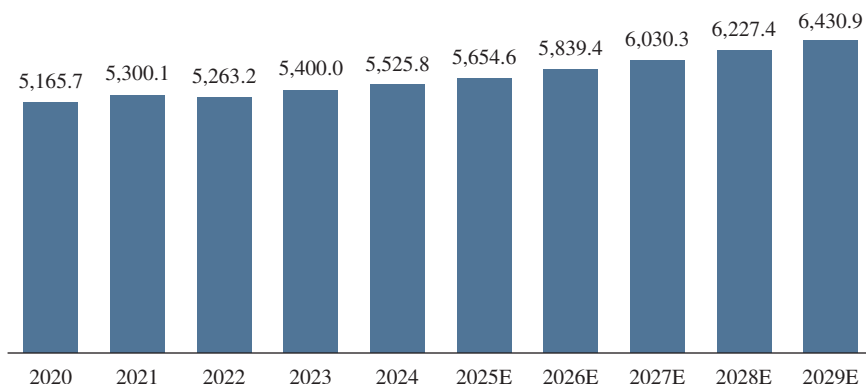
From 2020 to 2024, China's market size of refractory mullite products increased from RMB5,165.7 million to RMB5,525.8 million with a CAGR of 1.7%. Among them, the market size of refractory kaolin mullite in China was approximately RMB884.1 million in 2024. Due to outstanding performance advantages, expanded application fields and technological progress and innovation, the refractory mullite products market witnesses growth. It is expected that the market size to grow to RMB6,430.9 million in 2029, with a CAGR of 3.1% from 2024 to 2029.

INDUSTRY OVERVIEW

China's Refractory Mullite Products Market Size, by Sale Revenue of Mullite Products

Unit: Million RMB

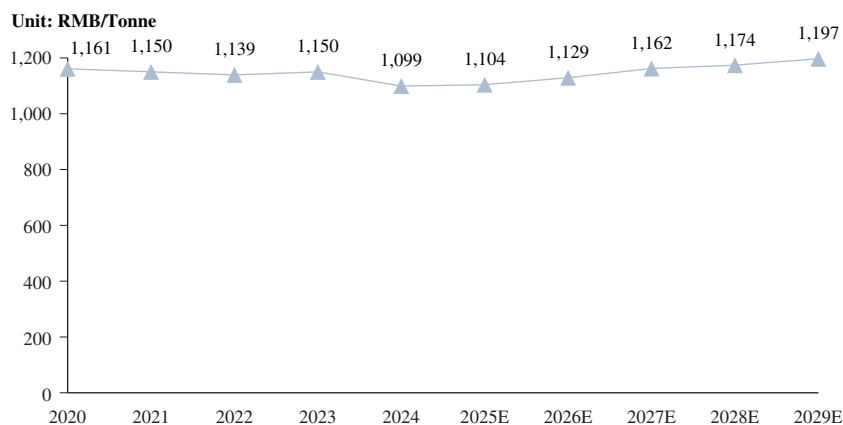
CAGR	2020-2024	2024-2029E
Mullite Materials for Refractory Materials	1.7%	3.1%



Source: Expert Interview, Frost & Sullivan Report

Among the refractory mullite products, the average tax-excluded price of refractory kaolin mullite products in China has experienced slight fluctuations in recent years. In 2024, the average price was 1,099 RMB/tonne. With the continuous development of high-temperature industries such as steel, cement and glass, the demand for refractory materials is expected to increase steadily. Kaolin mullite is widely used in these industries due to its excellent fire-resistance, thermal-shock resistance and low thermal-expansion coefficient, which will support its price. Due to the slight price increase of coal-series kaolin ore and the stable market demand for refractory kaolin mullite products, the price of refractory kaolin mullite products is expected to rise slightly in the future, with a CAGR of 1.7% from 2024 to 2029. It is predicted that the price of this material will show an overall upward trend from 2024 to 2029, reaching 1,197 RMB/tonne by 2029 assuming policies and regulations, market competition and production process costs remain unchanged.

Average Price (Tax-excluded) of Refractory Kaolin Mullite Products in China



Source: Expert Interview, Frost & Sullivan Report

INDUSTRY OVERVIEW

Market Drivers of Refractory Mullite Products Market

- ***Steady Growth Driven by High-Temperature Industries:*** The demand for refractory mullite products is experiencing a consistent upward trend. High-temperature industries rely on the distinctive properties of refractory mullite products to maintain uninterrupted production. Due to its remarkable thermal stability, corrosion resistance and chemical resistance, kaolin mullite has become the preferred option for high-temperature applications in steel, glass and ceramic industries. The steadily developing industrial activities, along with the expansion of downstream applications, drive the demand for refractory mullite products.
- ***Performance and Cost Optimization promoted by Calcination Technology:*** Technological progress play a crucial role in driving the refractory mullite products market. Specifically, advancements in calcination technology and the development of composite high-temperature refractory materials significantly impact refractory mullite products. These innovations enhance the high-temperature and anti-corrosion performance of kaolin mullite, increase production efficiency and improve cost-effectiveness in large-scale applications, thus boosting its market competitiveness and promoting its wide use.
- ***Strict Regulations and Resource Utilization Jointly Promote Market Development:*** Environmental protection is a major market driver for refractory mullite products. Stricter regulations and increased environmental awareness are encouraging industries to adopt sustainable production practices. Kaolin mullite products are favored for their eco-friendliness. A key trend involves associated coal-series kaolin or mining by-products to manufacture high-performance mullite materials, which reduces costs and environmental impact thereby supporting sustainable development.

Market Trends of Refractory Mullite Products Market

- ***Technological Innovation:*** Technological advancements have been achieved in the field of refractory mullite products. The continuous innovation of production technologies, especially the improvements in calcination techniques and manufacturing processes, has improved the quality, performance, strength and thermal stability of kaolin mullite. These enhancements enable kaolin mullite to meet the requirements of more demanding application scenarios and have a greater cost-effectiveness advantage, thereby further expanding its application range in the industrial field.
- ***Sustainability in Focus:*** Sustainability is the core concern in the refractory mullite products market. Due to strict environmental regulations, industries are inclined towards products with minimal environmental impact. Refractory kaolin mullite products are widely favored as they meet performance and sustainability standards. Additionally, the trend of recycling and reusing kaolin and other raw materials in refractory production is obvious, aligning with the global circular economy and sustainable resource management trend.

OVERVIEW OF THE CERAMIC FIBER MARKET

Definition and Classification of Ceramic Fiber

Ceramic fiber is a kind of fibrous lightweight refractory material. It is renowned for its light weight, high temperature resistance, good thermal stability, low thermal conductivity, low specific heat capacity, and resistance to mechanical vibration. It is widely applied in industries such as machinery, metallurgy, chemical engineering, petroleum, ceramics, glass, and electronics.

INDUSTRY OVERVIEW

Ceramic fiber is a lightweight fiber prepared from ceramic materials through melt spinning process or colloid spinning process. It has excellent characteristics such as high temperature resistance, low thermal conductivity, small bulk density, good flexibility, and easy construction. It is an energy-saving and environmentally friendly refractory material.

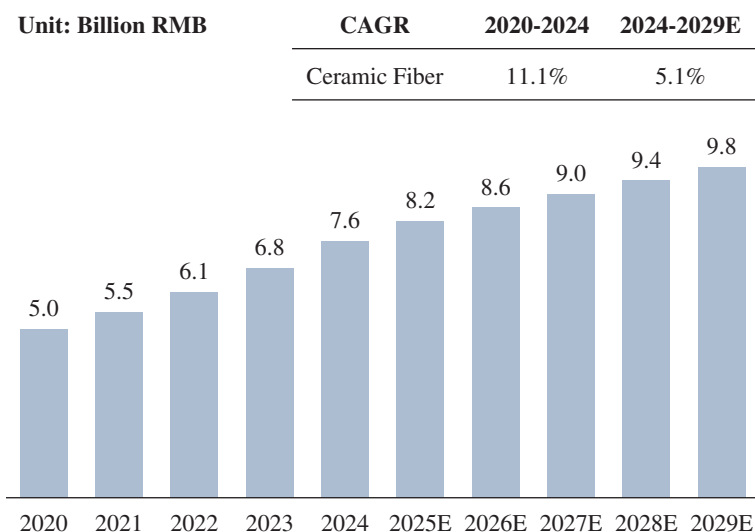
The Application of Ceramic Fiber

The downstream applications of ceramic fibers are extensive. They are often used as lining materials for high-temperature furnaces, hydrogen pipelines, and kilns in industries such as metallurgy, petrochemicals, and ceramics to achieve heat-preservation and heat-insulation effects. Meanwhile, they are applied in the power industry, and their low thermal conductivity ensures the stable operation of equipment. They are also used in thermal protection systems in building materials, aerospace, and the automotive field to reduce energy consumption.

Ceramic Fiber Market Size in China

Over the past five years, China's ceramic fiber market has grown steadily. Driven by the dual-control policy for both the total amount and intensity of carbon emissions, the lightweight needs of new-energy vehicles, and emerging applications in aerospace, concentrated solar power, etc., the market size reached RMB7.6 billion in 2024, with a CAGR of 11.1% from 2020 to 2024. In the next five years, with the deepening of energy-saving policies, ceramic fiber, due to its good fire-resistance and heat-insulation properties, will expand its replacement of low-grade refractory materials. Meanwhile, technological upgrades will increase the share of high-end products, further growing the market. It is expected to reach RMB9.8 billion in 2029, with a GAGR of 5.1%.

China's Ceramic Fiber Market Size, by Sale Revenue of Ceramic Fiber



Source: Expert Interview, Frost & Sullivan Report

Due to the difference in its aluminum content, ceramic fiber can be adapted to working environments within different temperature ranges from 800°C to 1600°C. And the price range of ceramic fiber products is quite broad. There is a obvious price gradient for ceramic fiber products from low-end to high-end. Among them, the aluminum content, the content of slag balls, and the bulk density value are all performance indicators that affect the product price. In 2024, the average tax-exclusive price of most ceramic fiber products were between 5,000 and 15,000 RMB/tonne. At the same time, ceramic fiber products also show a trend of developing towards high-end. In the selection of raw materials for high-end ceramic fiber products, the usage amount of aluminum oxide will be increased. In recent years, the market price of aluminum oxide materials has been on the rise, which undoubtedly promotes the increase in the production cost of ceramic fiber and, in turn, causes the average price of ceramic fiber to rise. With the acceleration of the high-end process of products, the cost and price of ceramic fibers will further increase. It is expected that the price of ceramic fibers will grow at a CAGR of about 2.3% in the next three years. However, the price of ceramic fiber is also affected by other factors such as policies and regulations, market competition, and production process costs.

Market Drivers and Trends of the Ceramic Fiber Market

- ***Policy-oriented Energy-saving Transformation:*** The implementation of China's "dual carbon" goals and the dual-control policy of carbon emissions on energy consumption has prompted industrial enterprises to accelerate the adoption of high-efficiency energy-saving materials. Due to its excellent thermal insulation performance, ceramic fiber can significantly reduce the heat energy losses of industrial furnaces, pipelines and other equipment. In recent years, through policies such as the "Action Plan for Industrial Energy Efficiency Improvement" (《工業能效提升行動計劃》), the government has explicitly required high-energy-consuming industries to promote the substitution of traditional refractory bricks with ceramic fiber, further stimulating market demand.
- ***Industrial Upgrading and Expansion of Emerging Application Scenarios:*** As traditional manufacturing upgrades to high-end and intelligent, demand for heat-resistant, lightweight materials surges. Equipment renewal and process improvement in metallurgy, petrochemicals, and power boost ceramic fiber application in high-temperature insulation and equipment protection. Meanwhile, booming building fire prevention, new energy vehicles, and concentrated solar power drive new ceramic fiber demands. Material property requirements in these sectors push the industry towards diversification and customization.
- ***Technological Innovation and High-end Breakthroughs:*** The industry continuously breaks through the bottlenecks of material performance through technological research and development. For example, it develops fiber products with higher temperature resistance and stronger corrosion resistance, as well as biodegradable and safe fibers. Technological upgrades not only broaden the application of ceramic fibers in high-end fields such as aerospace and new energy, but also enhance the overall added value of the industry.

INDUSTRY OVERVIEW

OVERVIEW OF COMPETITIVE LANDSCAPE OF KAOLIN MARKET

Ranking of Coal-series Calcined Kaolin Companies

In 2024, the market size for kaolin deep-processed products in China reached RMB10,159.6 million. The market size for coal-series calcined kaolin products accounted for RMB4,965.9 million, representing 48.9% of the overall market. In terms of revenue of coal-series calcined kaolin companies in 2024, the top five participating companies in the market had a combined market share of 50.8%. Among them, our Company ranked fifth with a market share of 5.4%. The following table presents the ranking of China's coal-series calcined kaolin companies, as measured by the revenue of kaolin products in 2024.

Ranking	Company	Revenue (Million RMB)	Market Share
1	Manufacturer A ¹	970	19.5%
2	Manufacturer B ²	500	10.1%
3	Manufacturer C ³	496	10.0%
4	Manufacturer D ⁴	290	5.8%
5	Our Company ⁵	267	5.4%

Source: Company website, Expert Interview, Frost & Sullivan Report

Ranking of Manufacturers of Precision Casting Mullite Products

In 2024, the market size of precision casting mullite products in China reached RMB971.9 million. In terms of revenue of precision casting mullite products in 2024, the top five participating companies in the market had a combined market share of 48.6%. Among them, our Company ranked 1st with the market share of 19.1%. The following table presents the ranking of manufacturers of precision casting mullite products, as measured by revenue of precision casting mullite products in 2024.

-
- ¹ Manufacturer A, established in 2007 and located in Shanxi Province, is a company specializing in the development, production, and sales of calcined kaolin products. Its products are primarily applied in the fields of paper, coatings, and rubber.
 - ² Manufacturer B, established in 2002 and located in Shanxi Province, is a company specializing in the production of calcined kaolin products. Its products are applied in the fields of paper, coatings, ceramics, and refractory materials.
 - ³ Manufacturer C, established in 2012 and located in Inner Mongolia Autonomous Region, specializes in the research, development, and production of ultrafine calcined kaolin and calcined kaolin products. These products are widely used in coatings, paper, plastics and rubber, ceramics, and refractory materials.
 - ⁴ Manufacturer D, established in 2009 and located in Inner Mongolia Autonomous Region, specializes in producing ultrafine, high-whiteness calcined kaolin products. Its products are widely used in paper, coatings, wires and cables, plastics, rubber, and ceramics.
 - ⁵ Our Company, a coal-series kaolin company in China, with integrated capabilities spanning the entire value chain from mining, R&D, processing to production and sales. The products mainly include precision casting mullite products and refractory mullite products, which are essential materials for precision casting and refractory materials applications.

INDUSTRY OVERVIEW

Ranking	Company	Revenue (Million RMB)	Market Share
1	Our Company ⁵	186	19.1%
2	Manufacturer E ⁶	105	10.8%
3	Manufacturer F ⁷	98	10.1%
4	Manufacturer G ⁸	53	5.5%
5	Manufacturer H ⁹	30	3.1%

Source: Company website, Expert Interview, Frost & Sullivan Report

Ranking of Manufacturers of Refractory Mullite Products

The market size of refractory mullite products in China reached RMB5,525.8 million in 2024. In terms of revenue of refractory mullite products in 2024, the top three participating manufacturer in the market, namely manufacturers I, J and K, have a combined market share of 9.2%. Our Company's market share in the refractory mullite products market is 0.94%. The market is relatively fragmented, with a majority of players being small to medium-sized enterprises. The following table presents the top three manufacturers of refractory mullite products, as measured by revenue of refractory mullite products in 2024.

Ranking	Company	Revenue (Million RMB)	Market Share
1	Manufacturer I ¹⁰	180	3.3%
2	Manufacturer J ¹¹	175	3.2%
3	Manufacturer K ¹²	152	2.8%

Source: Company website, Expert Interview, Frost & Sullivan Report

- 6 Manufacturer E was founded in 2021, and is located in Shandong Province. Its principal business lies in the special refractory materials. The products are widely used in the precision casting of various alloys.
- 7 Manufacturer F was established in 1958. It is located in Shandong Province. It is mainly engaged in the production, processing and sales of refractory-related products. The company's products are widely used in high-temperature manufacturing industries such as metallurgy and building materials.
- 8 Manufacturer G, established in 2017, is located in Shanxi Province. The company mainly produces kaolin products through calcination. The company's products are widely used in industries such as ceramics, glass fiber, precision casting, calcining saggars for lithium battery materials and refractory materials.
- 9 Manufacturer H was founded in 2004 and is located in Hubei Province. Its main products include mullite sand, mullite powder, kaolin suitable for precision casting, and calcined kaolin, etc. The products are mainly applied in precision casting industries.
- 10 Manufacturer I, established in 1999 and located in Shanxi Province, is a company focused on the refractory materials sector. It primarily engages in the production and sales of high-performance refractory materials such as mullite, with products widely used in metallurgy, building materials, and chemical industries.
- 11 Manufacturer J, established in 2003 and located in Inner Mongolia Autonomous Region, is an enterprise that utilizes local mineral resources to process kaolin and produce mullite for refractory use. Its products are mainly applied in the steel and construction materials industries.
- 12 Manufacturer K, established in 2005 and located in Jiangsu Province, is a company specializing in the research, production, and sales of high-purity, high-temperature synthetic refractory raw materials. Its main products include sintered mullite, sintered alumina, and magnesia-alumina spinel, which are widely used in industries such as steel, cement, glass, ceramics, and petrochemicals.

REGULATORY OVERVIEW

This section sets forth a summary of the laws and regulations applicable to our Company's business and operations in the PRC, the jurisdiction which our Company operates. As this is a summary, it does not contain detailed analysis of laws in this jurisdiction which is relevant to our Company's business.

OVERVIEW

PRC enterprises are subject to extensive PRC laws and regulations and government supervision. We are mainly supervised and regulated by the following PRC government bodies:

The State Council, as the highest administrative body, is responsible for formulating and reforming the Chinese government's investment system, approval system and investment project catalog for governmental approval.

National Development and Reform Commission ("NDRC") is responsible for (1) formulating and implementing main policies on China's economic and social development; (2) planning the major construction projects and distribution of productive forces; and (3) examining and approving investment projects with expenditure exceeding certain amount or in special industrial sectors. The competent investment departments of all levels of local governments are responsible for (1) implementing the specific policies formulated by NDRC; (2) examining and approving investment projects that are not examined and approved by NDRC; and (3) the filing of other enterprise investment projects that do not require examination and approval.

MIIT is responsible for (1) formulating the planning, industrial policies and standards of industry and information and other sectors (including the mining industry); (2) setting the access conditions of industry and information and other sectors (including the mining industry); and (3) organising and implementing the access conditions of such industries (including the mining industry). The competent departments of industry and information of all levels of local governments are responsible for the production and supervision of the enterprises of industry and information (including the mining industry) within their administrative divisions.

MNR is responsible for (1) granting the land use right certificate and the mining right licence; (2) approving the transfer and lease of mining rights; and (3) reviewing the mining fees and reserves assessment. The competent departments of natural resources of all levels of local governments are responsible for the land and mining administration within their administrative divisions.

MEE is responsible for (1) formulating guidelines, policies and regulations of national environmental protection; and (2) conducting environmental impact assessment of the major economic and technological policies, development plans and major economic development plans. The competent ecology and environment departments of all levels of local governments are responsible for the supervision and inspection of the "Three Simultaneities" of the construction projects within their administrative divisions, as well as the permit and supervision of the sewage of the industrial and mining enterprises.

REGULATORY OVERVIEW

MEM is responsible for the national supervision and administration of work safety to ensure the implementation of relevant national laws and regulations on work safety. The competent emergency management departments of all levels of local governments are responsible for the supervision and administration of work safety of industrial and mining enterprises within their administrative divisions, and the supervision and inspection of work safety of the construction projects in terms of the “Three Simultaneities”.

SAMR is responsible for leading national product quality administration, product technology supervision, standardisation and other items. The competent administration for market regulation departments of all levels of local governments are responsible for the supervision and administration of product quality of the industrial and mining enterprises within their administrative divisions.

LAWS AND REGULATIONS RELATING TO MINERAL RESOURCES

According to the PRC Mineral Resources Law, which was promulgated by the Standing Committee of the National People’s Congress on 19 March 1986, became effective on 1 October 1986, and was amended on 29 August 1996, 27 August 2009 and 18 November 2024 respectively, all mineral resources of the PRC are owned by the State. The geology and mineral resources department of the State Council, which is now the MNR, is responsible for the supervision and administration of the exploration and mining of mineral resources nationwide. The natural resources departments of the local governments above the county level, in conjunction with relevant departments, are responsible for the supervision and administration of the exploration and mining of mineral resources within their own jurisdictions.

Where a mining right is established, an application for registration of the mining right shall be made to the mining right transferring department. If the conditions for registration are met, the mining right transferring department shall record the relevant matters in the mining right register, and issue the mining right certificate to the mining right owner. After acquiring the mining right, the owner of the mining right shall, before carrying out the exploration and mining operations of the mineral resources, prepare an exploration and mining plan, submit it to the department that granted the original mining right for approval, and obtain the exploration permits, mining permits; No exploration or mining operation shall be carried out without obtaining a permit.

According to the Notice on the Implementation of the New Mineral Resources Law issued by the Ministry of Natural Resources of China (Zi Ran Zi Fa [2024] No. 289) on 19 December 2024, in accordance with the principle of “no change in rights, no replacement of certificates”, the connection between the old and new certificates shall be made. To ensure that the exploration permits and mining permits issued before the implementation of the New Mineral Resources Law continue to be valid within the validity period, and shall not be forced to replace the certificates.

REGULATORY OVERVIEW

According to the Interim Measures for the Supervision and Administration of Mineral Resources (《礦產資源監督管理暫行辦法》), promulgated by the State Council and implemented on 29 April 1987, calculation and mining of mineral reserves by the mining enterprises shall be based on the approved industrial indicators regarding mineral reserves calculation, which could not be arbitrarily altered.

According to the Regulation for Registering to Explore for Mineral Resources Using the Block System (《礦產資源勘查區塊登記管理辦法》), effective as of 12 February 1998 and amended on 29 July 2014, and the Procedures for Administration of Registration of Mining of Mineral Resources (《礦產資源開採登記管理辦法》), effective as of 12 February 1998 and amended on 29 July 2014, exploration or mining of mineral resources must file registration and obtain exploration or mining licences, as the case may be.

Rights and obligations of holders of mining licences

According to the Implementation Rules for the PRC Mineral Resources Law (《中華人民共和國礦產資源法實施細則》), the rights exercisable by the holder of a mining licence include, among other things, the following: (1) engaging in mining activities in the designated mining area and within the term prescribed under the mining licence; (2) selling the mineral products, except for those minerals which shall be sold to designated units as required by the State Council; (3) constructing production facilities and amenities within the mining area; and (4) acquiring the land use right attaching to the mine construction in accordance with law.

The obligations of a holder of a mining licence include, among other things, the following: (1) conducting mine construction or mining within the term prescribed in the mining licence; (2) effectively protecting, rationally mining and comprehensively utilising the mineral resources; (3) paying resource tax and resources compensation fee pursuant to law; (4) complying with the PRC laws and regulations regarding work safety, water and soil conservancy, land recovery and environmental protection; and (5) accepting the supervision and administration from both the competent authorities in charge of geology and mineral resources and the other relevant competent authorities, completing and delivering the mineral reserves tables as required and submitting reports relating to mineral resources utilisation.

Usage fees and renewal of mining licences

The holder of an mining licence is subject to exploration right usage fees and mining right usage fees. In accordance with the Procedures for Administration of Registration of Mining of Mineral Resources (《礦產資源開採登記管理辦法》), the mining right usage fee shall be paid on an annual basis. The rate of mining right usage fee shall be RMB1,000 per square kilometre per year.

Pursuant to the Procedures for Administration of Registration of Mining of Mineral Resources (《礦產資源開採登記管理辦法》), the validity period of a mining licence shall be determined according to the scale of the mine. The maximum validity period of the initial term of a mining licence for a big-scale mine, medium-scale mine and small-scale mine shall be 30

REGULATORY OVERVIEW

years, 20 years and 10 years, respectively. The mining licence can be renewed within 30 days prior to its expiration, upon compliance with the prescribed extension procedure. If the holder of a mining licence fails to renew its licence in time, such mining licence shall be automatically annulled upon expiration.

Related resource tax and resource compensation fee

Pursuant to the Resource Tax Law of the PRC (《中華人民共和國資源稅法》), which was promulgated on 26 August 2019 and became effective on 1 September 2020, the tax rate on non-metallic kaolin ore (including kaolin ores or beneficiation) ranges from 1% to 6% according to different tax items, if the tax is levied on an ad valorem basis, the tax payable is calculated by the sales volume of taxable resource products multiplied by the specific applicable tax rate; if the tax is levied on a quantity basis, the tax payable shall be calculated by the sales volume of the taxable product multiplied by the specific applicable tax rate. The specific methods of levying taxes shall be proposed by the people's governments of provinces, autonomous regions and municipalities directly under the Central Government, subject to approval by the standing committee of the people's congress at the same level and filing with the Standing Committee of the National People's Congress and the State Council.

Pursuant to the Notice on Comprehensively Promoting Reform of Resource Tax (《關於全面推進資源稅改革的通知》) and the Notice on Issues on Specific Policies on the Reform of Resource Tax (《關於資源稅改革具體政策問題的通知》) issued by the MOF and the SAT, both of which became effective on 1 July 2016, the tax rate of kaolin ore is 1%-6%. Resource tax shall be calculated and collected upon the sale or self-use of taxable products. The Announcement of the MOF and the SAT on the Implementation Criteria of Issues Related to Resource Tax (《財政部、稅務總局關於資源稅有關問題執行口徑的公告》), which came into effect on 1 September 2020, has abolished the above two documents and set out criteria for the determination of "taxable product" and "sales amount" of such taxable products in respect of resource tax.

Pursuant to the Rules for the Administration of Collection of Mineral Resource Compensation Fees (《礦產資源補償費徵收管理規定》), promulgated by the State Council on 27 February 1994 and amended on 3 July 1997, the holder of a mining licence shall pay the mineral resource compensation fees from sale proceeds of mineral products on a pro rata basis. According to the Notice of the State Council on Issuing the Reform Plan for the Mineral Resources Royalty System (Guo Fa [2017] No. 29) (《國務院關於印發礦產資源權益金制度改革方案的通知》) issued and implemented by the State Council on April 13, 2017, the mineral resources compensation fees are incorporated into the resource tax in accordance with the principle of the change from administrative fees into tax.

As a result, the mineral resource compensation fee rate for all mineral resource categories in Anhui Province has currently been set at zero, with the compensation fee fully integrated into resource tax collection framework. And the mineral resource compensation fee rate has been kept nil fee rate throughout the Track Record Period.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The PRC laws and regulations relating to environmental protection mainly include: Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (revised on 24 April 2014 and implemented on 1 January 2015), Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) (revised on 27 June 2017 and implemented on 1 January 2018), Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) (revised and implemented on 26 October 2018), Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) (revised on 29 April 2020 and implemented on 1 September 2020), Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) (revised and implemented on 26 October 2018), Implementation Regulation on the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法實施條例》) (announced on 25 December 2017 and implemented on 1 January 2018), Measures for Pollutant Discharge Permitting Administration (《排污許可管理辦法》) (announced on 1 April 2024 and implemented on 1 July 2024), Law of the PRC on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》) (revised and implemented on 29 December 2018, and was abolished and replaced by Law of the PRC on Noise Pollution Prevention and Control (《中華人民共和國噪聲污染防治法》) which became effective on 5 June 2022), and Provisions for the Protection of Geological Environment in Mines (《礦山地質環境保護規定》) (revised and implemented on 24 July 2019).

Pursuant to the aforesaid laws and regulations, enterprises that discharge and dispose of toxic and dangerous substances such as wastewater, waste gas and solid wastes shall comply with the national and local standards of usage and shall declare to and register with the relevant environmental protection administration authorities and pay pollution discharge fees according to law where applicable.

Pursuant to the Law on Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》), which came into effect on 1 September 2003 and was amended on 2 July 2016 and 29 December 2018 respectively, construction entities should prepare or fill in the environment impact reports, reporting forms or registration forms of the environment impact according to the degree of environmental impact caused by the construction projects as follows: (1) if the environmental impact may be significant, an environmental impact report shall be required, which shall thoroughly appraise the potential environmental impact; (2) if the environmental impact may be gentle, an environmental impact report form of analysing or appraising the specific potential environmental impact shall be required; and (3) if the environmental impact may be so slight that it is unnecessary to conduct an appraisal of the environmental impacts, an environmental impact registration form shall be filled in and submitted.

Pursuant to the Interim Measures for Environmental Protection Acceptance of Completed Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) effective as of 20 November 2017 and the Regulations on the Administration Construction Project Environmental Protection (《建設項目環境保護管理條例》), which was revised on 16 July 2017 and implemented on 1

REGULATORY OVERVIEW

October 2017, after the completion of a construction project for which an environmental impact report or an environmental impact report form is required, the construction entity shall, according to standards and procedures prescribed by the environmental protection administrative authorities, conduct environmental protection completion acceptance check and compile an acceptance check report. A construction project for which an environmental impact report or an environmental impact report form is required shall not be put into production or use until the environmental protection completion acceptance check has been passed.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The PRC government has formulated a relatively comprehensive set of laws and regulations on production safety, including the Work Safety Law of the PRC (《中華人民共和國安全生產法》) (effective as of 1 November 2002 and revised on 27 August 2009, 31 August 2014 and 10 June 2021, respectively), the Mine Safety Law of the PRC (《中華人民共和國礦山安全法》) (effective as of 1 May 1993 and revised on 27 August 2009) as well as the Regulations for the Implementation of the Mine Safety Law of the PRC (《中華人民共和國礦山安全法實施條例》) (effective as of 30 October 1996) promulgated by the State Council, covering mineral resources exploration, mining and mine construction. The PRC government applies a work safety licensing system for production safety to mining enterprises under the Regulations on Work Safety Permits (《安全生產許可證條例》) (effective as of 13 January 2004 and revised on 18 July 2013 and 29 July 2014, respectively). No mining enterprise may engage in production activities without holding a valid work safety licence. Any mining enterprise which fails to satisfy the production safety conditions set out in the Regulations on Work Safety Permits may not obtain a work safe licence and carry out any production activity. Mining enterprises which have obtained the work safety licences shall not lower their production safety standards, and shall be subject to the supervision and inspection by the licensing authorities from time to time. If the licensing authority is of the opinion that any of such enterprises no longer satisfy the production safety requirements, the work safety licence may be withheld or revoked. The valid period for a work safety licence shall be 3 years. The enterprise may apply for extension of the licence within 3 months prior to expiration of the licence, and if the licenced enterprise has been strictly complied with the relevant laws and regulations in relation to work safety and free of any fatal accident during the term of the licence, with the consent of the licensing authority, the licence could be renewed without examination procedure. The primary person in charge and the work safety management personnel of a mining enterprise shall pass the assessment on their work safety knowledge and management capabilities conducted by the competent work safety authority.

The PRC government has also formulated a set of national standards on production safety for the mining industry. For example, the mine design shall comply with production safety requirements and industry practice; mining enterprises must establish and improve the safe production responsibility system. Managers of mines shall be responsible for the safe production in their respective enterprises. Mining enterprises must give safety education and training to their workers and staff; those without receiving safety education and training may not take up a post of duty.

REGULATORY OVERVIEW

Pursuant to the relevant requirements of the Mine Safety Law of the PRC (《中華人民共和國礦山安全法》), the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (《生產安全事故報告和調查處理條例》), the Notice on Regulating the Inspection for Acceptance upon Completion of Safety Facilities in Metal and Non-metal Mine Construction Projects (《關於規範金屬非金屬礦山建設項目安全設施竣工驗收工作的通知》), the authorities in charge of mining enterprises under the people's governments at or above the county level shall exercise the following functions and responsibilities with respect to the control of safety work in mines: (1) to inspect the implementation of laws and regulations on safety in mines by mining enterprises; (2) to examine and approve designs of safety facilities in mine construction projects; (3) to supervise the inspection for acceptance upon completion of safety facilities in mine construction projects; (4) to manage the training of managers of mines and personnel in charge of safety work in mining enterprises; (5) to investigate and handle material work safety accidents at mines; and (6) other controlling functions and responsibilities provided for in laws and administrative rules and regulations.

Upon occurrence of accidents, mining enterprises shall immediately take measures to rescue their workers and report any casualty to the relevant authority. In the event of a general mine accident, the mining enterprise shall be responsible for investigating and handling the case. In the event of a fatal accident, the government, the relevant authority, the labour union and the mining enterprise shall conduct investigation and handle the case together. In addition, mining enterprise shall pay compensation to any staff who was injured or died in the accident in accordance with the national requirements. Such mining enterprise may only resume production after the relevant danger at the scene has been eliminated.

Pursuant to Measures on the Implementation of Work Safety Permit for Non-Coal Mining Enterprises (《非煤礦山企業安全生產許可證實施辦法》) (which came into effect on 17 May 2004 and revised on 8 June 2009 and 26 May 2015), non-coal mining enterprises must obtain the production safety permit and are prohibited from engaging in any production activities without obtaining the permit.

LAWS AND REGULATIONS RELATING TO LAND

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), which was promulgated on 25 June 1986 and was revised on 29 December 1988, 29 August 1998, 28 August 2004 and 26 August 2019 respectively, and the Regulations on the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》), which was promulgated on 27 December 1998 and was revised on 8 January 2011, 29 July 2014 and 2 July 2021, land in the PRC is either state-owned or collectively-owned. Land owned by the state and collectively-owned by villagers may be allocated to units or individuals for use according to law. Lawfully registered land ownership and land use rights are protected by law. In the case of temporary use of state-owned land or land collectively-owned by farmers for construction projects or by geological survey teams, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural economic collective organisations or village committees for the temporary use of land,

REGULATORY OVERVIEW

depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years. The state shall establish a territorial spatial planning system, and territorial spatial plans approved in accordance with the law shall be the primary basis for various activities of land development, protection, and construction. Where a territorial spatial plan has been worked out, the comprehensive plan for land utilisation and the urban-rural plan shall no longer be effective. Before a territorial spatial plan is determined, the existing overall plan for land utilisation and urban-rural plan legally approved shall continue to be effective. The results of land surveys are of great importance in the preparation of territorial spatial plans, as well as the management, protection and utilisation of natural resources.

Pursuant to the PRC Mineral Resources Law and the Measures for the Administration of the Examination and Approval of the Use of Woodlands by Construction Projects (《建設項目使用林地審核審批管理辦法》), which was promulgated on 31 March 2015 and was amended on 22 September 2016, in mining mineral resources, a mining enterprise or individual must observe the legal provisions on environmental protection to prevent pollution of the environment. In mining mineral resources, a mining enterprise or individual must economise on the use of land. In construction projects occupying forest land, the forest land shall be used in a reasonable, economical, and intensive manner in accordance with the protection and use plan. In case cultivated land, grassland or forest land is damaged due to mining, the mining enterprise concerned shall take measures to utilise the land affected, such as by reclamation, tree and grass planting, as appropriate to the local conditions. Anyone who, in mining mineral resources, causes losses to the production and well-being of other persons shall be liable for compensation and shall adopt necessary remedial measures.

Pursuant to the Regulation on Land Reclamation (《土地復墾條例》) which was promulgated and came into effect on 5 March 2011 and the Measures for the Implementation of the Regulation on Land Reclamation (《土地復墾條例實施辦法》), which came into effect on 1 March 2013 and was amended on 16 July 2019, the production and construction entities or individuals shall be responsible for the reclamation of the land destroyed by their production and construction activities. A land user shall, when handling the application for a piece of construction land or handling the application for the mining right, submit the plan for land reclamation for approval. Where the plan for land reclamation does not meet the relevant requirements, the construction land use right or the mining licence cannot be obtained. If a land user implements land reclamation in accordance with the land reclamation plan, he shall report to the competent land and resources authorities of the local people's governments at or above the county level for examination and acceptance.

LAW AND REGULATIONS RELATING TO PRODUCT QUALITY

The principal legal provisions governing product liability are set out under the Product Quality Law of the PRC 《中華人民共和國產品質量法》 (the “Product Quality Law”) issued on February 22, 1993 and amended recently on December 29, 2018. The Product Quality Law requires that producers shall establish and improve its internal product quality management systems, and strictly implement position quality specification, quality responsibility and

REGULATORY OVERVIEW

relevant measures for their assessment. Producers shall be responsible for the quality of products they produce in accordance with the Product Quality Law and they shall be liable for failing to meet the prescribed quality standards. Products shall meet the following quality requirements: (i) constituting no unreasonable threats to safety of people and property, and conforming to the national standards or the industrial standards for ensuring human health, personal safety and safety of property, where there are such standards; (ii) possessing the properties as required, except for those with directions stating their functional defects; and (iii) conforming to the product standards marked on the products or on the packages thereof, and to the quality conditions indicated by way of, among others, product directions and samples. Producers and sellers shall be liable for compensation for damages which are caused by the defects of their products. Producers or sellers that violate the Product Quality Law may be subject to fines and be ordered to cease the production or sale of unlawfully produced products, and their illegal earnings may be confiscated. If the circumstances are serious, the business licence shall be revoked by the competent authorities. If the case constitutes a crime, the producer and/or seller shall be prosecuted for criminal responsibility. Pursuant to the Civil Code of the PRC 《中華人民共和國民法典》 issued on May 28, 2020 and became effective on January 1, 2021, a producer shall be responsible for the quality of the products it produces. If a seller fails to identify the manufacturer or the supplier of the defective products, the relevant seller shall bear tort liability. In the event of damage being caused by a defective product, the victim shall be entitled to demand compensation from either the manufacturer or the seller. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. Where any harm is caused by a defective product, the victim may claim for compensation either from the producers or sellers and the sellers holds the right to recover their losses from the producers. If the liability lies on the sellers while the compensation has been paid by the producers, the producers have the right to recover their losses from the sellers. Being set out under the Product Quality Law of the PRC 《中華人民共和國產品質量法》 (the “Product Quality Law”) issued on February 22, 1993 and amended recently on December 29, 2018. The Product Quality Law requires that producers shall establish and improve its internal product quality management systems, and strictly implement position quality specification, quality responsibility and relevant measures for their assessment. Producers shall be responsible for the quality of products they produce in accordance with the Product Quality Law and they shall be liable for failing to meet the prescribed quality standards. Products shall meet the following quality requirements: (i) constituting no unreasonable threats to safety of people and property, and conforming to the national standards or the industrial standards for ensuring human health, personal safety and safety of property, where there are such standards; (ii) possessing the properties as required, except for those with directions stating their functional defects; and (iii) conforming to the product standards marked on the products or on the packages thereof, and to the quality conditions indicated by way of, among others, product directions and samples. Producers and sellers shall be liable for compensation for damages which are caused by the defects of their products. Producers or sellers that violate the Product Quality Law may be subject to fines and be ordered to cease the production or sale of unlawfully produced products, and their illegal earnings may be confiscated. If the circumstances are serious, the business licence shall be revoked by the competent authorities. If the case constitutes a crime, the producer and/or seller shall be prosecuted for criminal responsibility. Pursuant to the Civil Code of the PRC 《中華

REGULATORY OVERVIEW

人民共和國民法典》issued on May 28, 2020 and became effective on January 1, 2021, a producer shall be responsible for the quality of the products it produces. If a seller fails to identify the manufacturer or the supplier of the defective products, the relevant seller shall bear tort liability. In the event of damage being caused by a defective product, the victim shall be entitled to demand compensation from either the manufacturer or the seller. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. Where any harm is caused by a defective product, the victim may claim for compensation either from the producers or sellers and the sellers holds the right to recover their losses from the producers. If the liability lies on the sellers while the compensation has been paid by the producers, the producers have the right to recover their losses from the sellers.

LAWS AND REGULATIONS RELATED TO THE ENTERPRISE INCOME TAX

Pursuant to the EIT Law which became effective on 1 January 2008 and was amended on 24 February 2017 and on 29 December 2018 respectively, and the EIT Regulation which became effective on 1 January 2008 and amended on 23 April 2019, enterprises lawfully incorporated in the PRC or enterprises incorporated according to the laws of foreign countries (regions) but with de facto management organisation located in the PRC are resident enterprises. Resident enterprises shall pay enterprise income tax on all income sourced within and outside the PRC at the tax rate of 25%. For industries and projects which receive key support and encouragement for development from the State, preferential treatment on enterprise income tax will be available; qualified small enterprises with thin profit will be levied enterprise income tax at a reduced tax rate of 20%; high-tech enterprises receiving key support from the State will be levied enterprise income tax at a reduced tax rate of 15%.

LAWS AND REGULATIONS RELATED TO LABOUR AND PERSONNEL

In accordance with the revised Labour Law of the PRC (《中華人民共和國勞動法》) which became effective on 1 January 1995 and was amended on 27 August 2009 and on 29 December 2018 respectively, labour contract shall be entered between the employer and all of its employees, and the policy that the wages shall be paid according to performance, equal pay for equal work, lowest wage protection and special labour protection for female worker and juvenile workers shall be implemented. The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) which became effective on 1 January 2008 and was amended on 28 December 2012, and the Implementing Regulations of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which became effective on 18 September 2008, regulate the relationship between the employer and the employee as well as the entering, execution, performance, modification, withdrawal or termination of labour contracts, improve the labour contractual system, clarify the respective rights and obligations of both parties to labour contracts, and protect the legal rights of the employer and the employee.

In accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which came into effect on 1 July 2011 and was amended on 29 December 2018, and the Several Provisions on Implementing the Social Insurance Law of the PRC (《實施中華人民共

REGULATORY OVERVIEW

和國社會保險法若干規定》) implemented on 1 July 2011, the State establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance and unemployment insurance so as to protect the rights of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. Employers and individuals within the territory of the PRC shall pay their social insurance premiums in accordance with relevant PRC laws and regulations.

In accordance with the Regulation on the Management of Housing Provident Fund (《住房公積金管理條例》) which came into effect on 3 April 1999 and was amended on 24 March 2002 and 24 March 2019 respectively, the employer shall make deposit registration with the local management centre of housing provident fund and establish housing provident fund account in an entrusted bank for each of its employees. For any new employee, the deposit registration shall be undertaken by the employer within 30 days from the date of the employment, and establishment or transfer of housing provident fund account of the new employee shall be handled.

LAWS AND REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES

Pursuant to the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and five supporting guidelines promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023, PRC domestic enterprises that seek to offer and list securities in overseas markets are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions and other relevant documents, and state the shareholders’ information and other matters in a truthful, accurate and complete manner.

The Overseas Listing Trial Measures also provide that where an issuer submits an application for initial public offering or listing to the competent overseas authorities, the issuer shall also file with the CSRC within 3 business days upon submission of the overseas initial offering and listing application.

Reforms of investment system by the State Council

Pursuant to the Decision of the State Council on the Reform of Investment System (《國務院關於投資體制改革的決定》), which came into effect on 16 July 2004, significant changes have been made to the government approval regime for major investment projects in the PRC. Projects without utilizing governmental funds no longer require examination and approval of the government, but require approval and filing. With respect to non-government funded projects, approval would only be required for major or restricted project, while other projects, regardless of the scale, will only be subject to a filing requirement.

REGULATORY OVERVIEW

Laws Related to Intellectual Property

In accordance with the Patent Law of the People's Republic of China (《中華人民共和國專利法》) promulgated on March 12, 1984, became effective on April 1, 1985, amended on October 17, 2020 and the Detailed Rules for the Implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》) promulgated on June 15, 2001, became effective on July 1, 2001 and last amended on December 11, 2023, there are three types of patents in the PRC, namely invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent, ten years for a utility model patent, and 15 years for a design patent, commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activities in infringement of a patent without prior authorization of the patent holder shall pay compensation to the patent holder and is subject to disciplines, confiscation or fines imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with laws. In addition, according to the Patent Law, where an entity or individual that applies for a patent in a foreign country for the invention or utility model accomplished in China, he/she/it shall report in advance to China National Intellectual Property Administration for confidentiality review.

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated on August 23, 1982, became effective on March 1, 1983, last amended on April 23, 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. A trademark registrant intending to continue to use the registered trademark upon expiry of the period of validity shall undergo the renewal formalities within 12 months before expiry according to the relevant provisions. If failing to do so, the trademark registrant may be granted a six-month grace period. The period of validity of each renewal is ten years, commencing from the day after the expiry date of the last period of validity. If the renewal formalities are not undergone within the grace period, the registration of the trademark shall be cancelled. The administrative department for industry and commerce has the authority to investigate any conduct that infringes the exclusive right to use a registered trademark. In the event that a crime is suspected to have been committed, the administrative department for industry and commerce shall promptly transfer the case to the judicial department to be dealt with in accordance with the law.

According to the Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated on 7 September 1990 and was revised on 27 October 2001, 26 February 2010 and 11 November 2020 respectively, and the Implementation Rules of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》), which was promulgated on 2 August 2002 and was revised on 8 January 2011 and 30 January 2013 respectively, computer software shall be included in the forms of "Works" under protection of the Copyright Law of the PRC.

REGULATORY OVERVIEW

According to the Regulation on Computer Software Protection (《計算機軟件保護條例》), which was promulgated on 20 December 2001 and was revised on 8 January 2011 and 30 January 2013 respectively, Chinese citizens, legal entities or other organizations enjoy copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items.

According to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), which was promulgated on 24 August 2017 and became effective on 1 November 2017, domain name registration services shall, in principle, be subject to the principle of “apply first, register first”. In the process of providing domain name registration services, an applicant for the registration of a domain name shall provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration information.

SUMMARY OF THE JORC CODE

SUMMARY OF JORC CODE

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

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

- **Inferred Mineral Resource** – is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes;
- **Indicated Mineral Resource** – is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered; and
- **Measured Mineral Resource** – is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered.

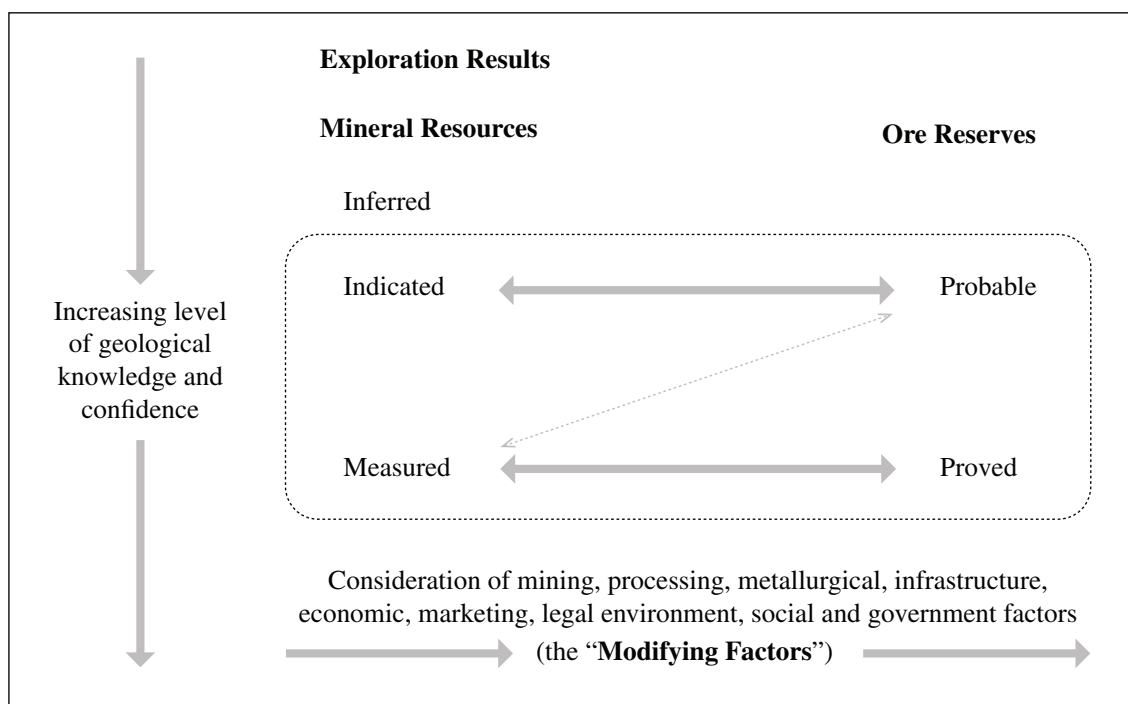
SUMMARY OF THE JORC CODE

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

Ore reserves are sub-divided into the following categories:

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

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



Source: JORC Code, 2012

SUMMARY OF THE JORC CODE

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

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Overview

We are a coal-series kaolin company in China, with integrated capabilities spanning the entire value chain from mining, R&D and processing to production and sales. As a prominent producer of calcined kaolin products in China, our business is anchored by our abundant and high-quality coal-series kaolin mineral assets. Our products mainly include precision casting mullite products and refractory mullite products, which are essential materials for precision casting shell mold and refractory materials. We also sell raw coke and raw powder to customers for further processing.

Our Company was established as a limited liability Company under the PRC laws on October 25, 2012 under the former name of Anhui Jinyan Kaolin Technology Company Limited (安徽金岩高嶺土科技有限公司). Upon our establishment, our Company was wholly owned by Shuoli Mining. On June 17, 2022, our Company was converted into a joint stock company and was renamed as Anhui Jinyan Kaolin New Material Co., Ltd. (安徽金岩高嶺土新材料股份有限公司). The shares of our Company were subsequently listed and traded on the NEEQ (stock code: 872844) on November 22, 2022. As of the Latest Practicable Date, our Company has an issued share capital of RMB72,894,316 with 72,894,316 shares with a nominal value of RMB1.00 each.

Milestones of Development

The following table sets out the key milestones of our business development:

Year	Event
2012	Our Company was established.
2014	Our Company was elected as an entity member of Association of China Refractories Industry.
2016	Our Company obtained its first certificate of High and New Technology Enterprise (高新技術企業證書).
2019	Our Company was selected into The List of Small and Medium Technology Enterprise of Anhui Province (安徽省科技型中小企業名單) by the Department of Science and Technology of Anhui Province.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Event
2022	<p>Our Company was awarded as Science and Technology Reform Model Enterprise in SOE Reform (國企改革“科改示範企業”) by the SOE Reform Leading Group Office of the State Council.</p> <p>Our Company completed the conversion into a joint stock company. Our Company was recognized as one of the fourth batch of National Specialized and Innovative “Little Giant” Enterprise (國家級專精特新“小巨人”企業) by the Ministry of Industry and Information Technology.</p> <p>Our Shares were listed and traded on the NEEQ.</p>
2024	<p>Our Company was selected into the List of Anhui Industrial Excellence (安徽工業精品名單) by the Department of Industry and Information Technology of Anhui Province.</p> <p>Our Company was awarded Anhui Excellence Brand Model Enterprise (“皖美品牌”示範企業) by the Administration for Market Regulation of Anhui Province.</p> <p>Our Company was selected into the List of 2024 Single Champion of Manufacturing Enterprises of Anhui Province (安徽省製造業單項冠軍培育企業名單) by Department of Industry and Information Technology of Anhui Province.</p>

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

(1) Establishment of our Company

Our Company was established as a limited liability Company under the PRC laws on October 25, 2012 with a registered capital of RMB26,000,000. Upon establishment, our Company was wholly owned by Shuoli Mining, which was then controlled by Huaibei Mining Group, a company controlled by Anhui Province State-owned Assets Supervision and Administration Commission (“**Anhui SASAC**”). Prior to obtaining the mining rights of the Shuoli Kaolin Mine from Shuoli Mining in 2021, the Company was primarily involved in the processing of kaolin, which was purchased from Shuoli Mining, as well as sale of kaolin and related products.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(2) Major Shareholding Changes of our Company Before Conversion into Joint Stock Limited Company

(a) *Equity Transfer in October 2021*

Pursuant to the equity transfer agreement entered into between Shuoli Mining and Huaibei Mining Group on September 27, 2021, Shuoli Mining transferred 100% of the equity interests of our Company to Huaibei Mining Group at the consideration of RMB131,393,800. Such consideration was determined with reference to the valuation of our Company as of December 31, 2020 appraised by an independent third-party valuer. Upon completion of the share transfer, our Company was wholly owned by Huaibei Mining Group.

The Company entered into an asset transfer agreement on October 10, 2021, and a supplemental agreement on December 15, 2021 with Shuoli Mining, pursuant to which the Company acquired the Shuoli Kaolin Mine and its mining license. The consideration for the transaction was approximately RMB202.4 million, which was based on the valuation of the mining right and related assets of Shuoli Kaolin Mine as of November 30, 2021 by an independent third-party valuer. The consideration was recognized as our property, plant and equipment and other intangible assets. Upon completion of such asset transfer, the Company started to engage in the mining of kaolin.

(b) *Capital Increase in December 2021*

Pursuant to the capital increase agreement and the supplemental capital increase agreement entered into between Huaibei Mining Group and Huaibei Jiaotou, a company controlled by Huaibei Municipality State-owned Assets Supervision and Administration Commission (“**Huaibei SASAC**”), on December 27, 2021, Huaibei Jiaotou subscribed for all the increased registered capital of our Company, which accounted for 49% of the enlarged registered capital of the Company, at the consideration of RMB126,241,100. Such consideration was determined with reference to the valuation of our Company as of December 31, 2020 appraised by an independent third-party valuer, and was settled on March 23, 2022. Upon completion of the capital increase, the shareholding structure of our Company was as follows:

Shareholder	Registered capital subscribed for	Shareholding percentage
Huaibei Mining Group	RMB26,000,000	51.0%
Huaibei Jiaotou	RMB24,980,400	49.0%
Total	RMB50,980,400	100%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(3) Conversion into a Joint Stock Limited Company

In preparation of our application for listing on the NEEQ, and pursuant to shareholders' resolutions dated June 15, 2022 and a promoters' agreement dated June 15, 2022 entered into by all the then Shareholders, all promoters of our Company (being Huaibei Mining Group and Huaibei Jiaotou) agreed to convert our Company from a limited liability company into a joint stock limited company. According to an audit report of our Company prepared by our then reporting accountant dated June 15, 2022, the audited net assets value of our Company as of April 30, 2022 amounted to RMB239,724,508.40, among which (i) RMB50,980,400 was converted into 50,980,400 Shares with a nominal value of RMB1.0, which were subscribed by all the then Shareholders in proportion to their respective equity interests in our Company before the conversion; and (ii) the remaining amount of RMB188,744,108.40 was recorded as capital reserves of our Company. The conversion was completed on June 17, 2022 and our Company was renamed as Anhui Jinyan Kaolin New Materials Co., Ltd.

(4) Major Shareholding Changes of our Company After Conversion into Joint Stock Limited Company

(a) Share Allotment in June 2022

Pursuant to the shareholders' resolutions adopted by Huaibei Mining Group and Huaibei Jiaotou on June 20, 2022, each of Huaibei Mining Group and Huaibei Jiaotou subscribed for additional 15,820,759 Shares and 4,085,858 Shares, respectively, at the issue price of RMB5.14 per share with the respective consideration of (i) Huaibei Mining Group's self-owned land, which was valued at RMB81,318,700 by an independent property valuer, and (ii) RMB21,001,311 by Huaibei Jiaotou. Such consideration was determined with reference to the valuation of our Company as of April 30, 2022 appraised by an independent third-party valuer, and was settled on August 11, 2022. Upon completion of the share subscription, the shareholding structure of our Company was as follows:

Shareholder	Shares held	Shareholding percentage
Huaibei Mining Group	41,820,759	59.0%
Huaibei Jiaotou	29,066,258	41.0%
Total	70,887,017	100%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(b) Listing on the NEEQ and Compliance Record

For the purpose of improving the brand awareness and corporate governance of our Company as well as to expand our financial resources, our then Shareholders resolved to apply for the listing of our Shares on the NEEQ in 2022 which was intended to prepare for its future listing on the Beijing Stock Exchange. Pursuant to the then effective Rules of Beijing Stock Exchange for Listing of Shares, our Company needs to be first listed on the NEEQ to be eligible for listing on the Beijing Stock Exchange.

On November 22, 2022, the Shares of our Company were listed on the NEEQ with stock code 872844. No share issuance or share transfer was involved at the time of the listing of the Company on the NEEQ.

As advised by our PRC Legal Advisor, based on the searches conducted on the official websites of the NEEQ and the CSRC and the listing material and confirmation provided by our Company, from the date on which our Company was listed on the NEEQ to the Latest Practicable Date, our Company had been in compliance in all material respects with all applicable PRC securities laws and regulations, including but not limited to the Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation) (全國中小企業股份轉讓系統業務規則(試行)), and our Company had not been subject to any disciplinary action by any relevant law enforcement authority or regulator.

During the Track Record Period, the listing expenses for the Company's listing on the NEEQ for the year ended December 31, 2022 and 2023 was RMB5.18 million and RMB0.66 million, respectively.

Our Directors have confirmed that, from the date on which our Company was listed on the NEEQ to the Latest Practicable Date, our Company had been in compliance in all material respects with all applicable PRC securities laws and regulations, including but not limited to the Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation) (全國中小企業股份轉讓系統業務規則(試行)), and as advised by our PRC Legal Advisor, the absence of pricing and/or trading of the Company's shares on the NEEQ since its listing will not give rise to any regulatory or compliance concern, considering (i) pricing and/or trading is not a mandatory obligation for NEEQ listed companies, and (ii) our Company had not been subject to any disciplinary action by any relevant law enforcement authority or regulator since its listing on NEEQ. The Company expects to continue listing its Non-H Shares on the NEEQ after the Listing.

Considering the foregoing and based on the independent due diligence work performed by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would cast reasonable doubt on the views and conclusions of the Directors and the PRC Legal Advisor stated above in material aspects.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(c) Share Allotment in May 2023

Pursuant to the share subscription agreement entered into between Wanhui Investment and our Company on March 13, 2023, Wanhui Investment, a wholly-owned subsidiary of Huaibei Mining Group, subscribed for 2,007,299 Shares in our Company at issue price of RMB5.48 per share with a total consideration of RMB10,999,998.52. Such consideration was determined with reference to the valuation of our Company as of December 31, 2022 appraised by an independent third-party valuer, and was fully settled on April 27, 2023. Upon completion of the share allotment, the shareholding structure of our Company was as follows:

Shareholder	Shares held	Shareholding percentage
Huaibei Mining Group	41,820,759	57.37%
Huaibei Jiaotou	29,066,258	39.87%
Wanhui Investment	2,007,299	2.75%
Total	72,894,316	100%

CONFIRMATION BY THE PRC LEGAL ADVISOR

As advised by our PRC Legal Advisor, all the necessary regulatory approvals, registrations or filings in relation to the changes in the registered capital and shareholding of our Company described above have been made and obtained, and the aforesaid changes in the registered capital and shareholding of our Company have been properly and legally completed pursuant to the applicable PRC laws, regulations and rules in all material respects.

LOCK-UP PERIOD

Pursuant to the applicable PRC law, all current Shareholders are subject to the relevant PRC statutory transfer restriction for a period of one year from the Listing Date.

OUR SUBSIDIARY

During the Track Record Period and as of the Latest Practicable Date, our Company do not have any subsidiary.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

The Company entered into an equity transfer agreement with Huaibei Mining Group on December 30, 2021, pursuant to which our Company transferred all of its 60% equity interests in Anhui Fuyan Environmental Protection Equipment Technology Co., Ltd. (安徽福岩環保裝備科技有限公司) (“**Anhui Fuyan**”) to Huaibei Mining Group at the consideration of approximately RMB32.8 million. The remaining 40% equity interests of Anhui Fuyan were held by two Independent Third Parties. The consideration for the share transfer was determined after arm’s length negotiations between the Company and Huaibei Mining Group, with

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

reference to the valuation of the equity interests of Anhui Fuyan as of November 30, 2021 as appraised by an independent third-party valuer. The Company no longer held equity interests in Anhui Fuyan and ceased to consolidate its financial results in December 2021. Such share transfer was settled in May 2022. The disposal resulted in a gain on disposal of approximately RMB12.3 million for the financial year ended December 31, 2021.

Anhui Fuyan was primarily engaged in the research and development of environmental protection equipment and technology, as well as the production and sales of high-temperature composite catalytic filter cartridges, and non-metallic mineral products. The disposal of such non-core business would enable the Company to focus on its main business.

To the best knowledge of our Directors, and as advised by the Company's PRC legal advisor, Anhui Fuyan was not subject to any material non-compliance incidents, claims, litigations, or legal proceedings (whether actual or threatened) prior to the Company's disposal. Furthermore, our Directors, Supervisors, and senior management were not involved in any incidents in relation to Anhui Fuyan.

Save as disclosed above, we had no major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

PREVIOUS LISTING PLAN

In view of the growing potential of stock market in the PRC, our Company entered into a tutoring agreement with Guoyuan Securities Co., Ltd. (國元證券股份有限公司) in preparation for the A share listing application on the Beijing Stock Exchange (北京證券交易所) (the “**A Share Listing Plan**”) and made a preliminary filing of listing tutoring (上市輔導備案) with the Anhui office of CSRC (中國證券監督管理委員會安徽監管局) in December 2022, which did not constitute a listing application with the CSRC. To further expand our business and considering that the Stock Exchange would provide us with an international platform to access international capital and attract diverse overseas investors, our Company voluntarily decided not to proceed with the previous A Share Listing Plan and instead to pursue a Listing in Hong Kong in the second half of 2024. The tutoring agreement between our Company and Guoyuan Securities Co., Ltd. was terminated in September 2024. As of the Latest Practicable Date, we have neither filed any formal A share listing application with any representative office of the CSRC nor received any comments or inquiries from the CSRC or the Beijing Stock Exchange.

To the best of our Directors' knowledge and belief, having made all reasonable inquiry, our Directors confirmed that (i) there was no disagreement between the Company and the then professional parties engaged in the previous A Share Listing Plan and (ii) there was no other matter in relation to the previous A Share Listing Plan which is relevant to the Listing and should be reasonably highlighted in this prospectus for investors to form an informed assessment of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In relation to the previous A Share Listing Plan, the Joint Sponsors have conducted the following due diligence to understand (i) the background of the previous A Share Listing Plan and the reasons for ceasing it; and (ii) whether there were any disagreements between the Company and the then professional parties engaged in the previous A Share Listing Plan:

1. Conducted interviews with (i) the management of the Company and (ii) the then professional parties engaged in the previous A Share Listing Plan, which included the sponsor, the PRC legal advisors and the auditor;
2. Reviewed the publicly available information relating to the previous A Share Listing Plan.

Based on the due diligence steps undertaken by the Joint Sponsors and the information and representation given to the Joint Sponsors, nothing has come to the Joint Sponsors' attention that could cast doubts on the Directors' views set out above, and the Joint Sponsors are of the view that there are no other matters relating to the A-Share Listing Plan that may affect the Company's suitability for listing on the Stock Exchange or that are required to be brought to the attention of the Stock Exchange and investors.

REASONS FOR THE LISTING

We are seeking listing on the Stock Exchange in order to optimize our shareholding structure, lay a foundation for the development of our international business, further improve our level of corporate governance and enhance our comprehensive competitive strengths. Despite the Company's current listing on the NEEQ, our Directors consider that based on the Company's current business development plan, the Stock Exchange will be a more appropriate platform and the Listing will be more beneficial to our Company taking into account the following factors:

- the Listing represents an important step for our Company to solidify and establish our brand, and promote our corporate image. Upon the Listing, Company could present our business model and results through more channels, and let more clients and investors learn about our products, which will strengthen our competitiveness and deepen our market penetration;
- the Listing provides an avenue for us to raise further capital in the long run and lay a foundation for our Company's long term development and growth as part of our business strategy. We intend to apply the proceeds for construction of our manufacturing projects and research center, collaboration with other industry players and exploring further opportunities in the industry; through increasing investment we will enhance our technological capabilities and the quality of our product offering; and
- the Listing will effectively improve our governance policies and structure, enhance corporate governance and transparency of information disclosure, which will lay a solid foundation for the long-term and sustainable development of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

For further details of our competitive strengths and proposed use of proceeds from the Listing, please see “Business — Our Competitive Strengths” and “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

Public Float

Upon the completion of the Global Offering, the 72,894,316 Domestic Shares held by Huaibei Mining Group, Huaibei Jiaotou and Wanhui Investment, representing approximately 75.0% of our total issued Shares immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), will not be counted towards the public float as such Shares are Domestic Shares which will not be converted into H Shares and listed following the completion of the Global Offering.

Rule 8.08(1) (as amended and replaced by Rule 19A.13A) of the Listing Rules provides that, where a new applicant is a PRC issuer with other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public, at the time of listing, must (a) represent at least 10% of the issuer’s total number of issued shares in the class to which H shares belong (excluding treasury shares); or (b) have an expected market value of not less than HK\$3,000,000,000.

Our Company is current listing on the NEEQ. Based on the Offer Price of HK\$7.3 per Share, the Company’s expected market capitalization of H shares is approximately HK\$177.4 million. Upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), 24,300,000 H Shares held or controlled by our Shareholders who are not our core connected persons will be counted as our public float, representing approximately 25.0% of our total issued Shares, which is higher than the prescribed percentage of H Shares required to be held in public hands of 10% under Rule 19A.13A(2)(a) of the Listing Rules, thereby satisfying the requirement under Rule 8.08 (as amended and replaced by Rule 19A.13A) of the Listing Rules.

Taking into account the Shares to be issued to other Shareholders pursuant to the Global Offering, our Directors are of the view that our Company will be able to satisfy the public float requirement under Rule 8.08 (as amended and replaced by Rule 19A.13A) of the Listing Rules.

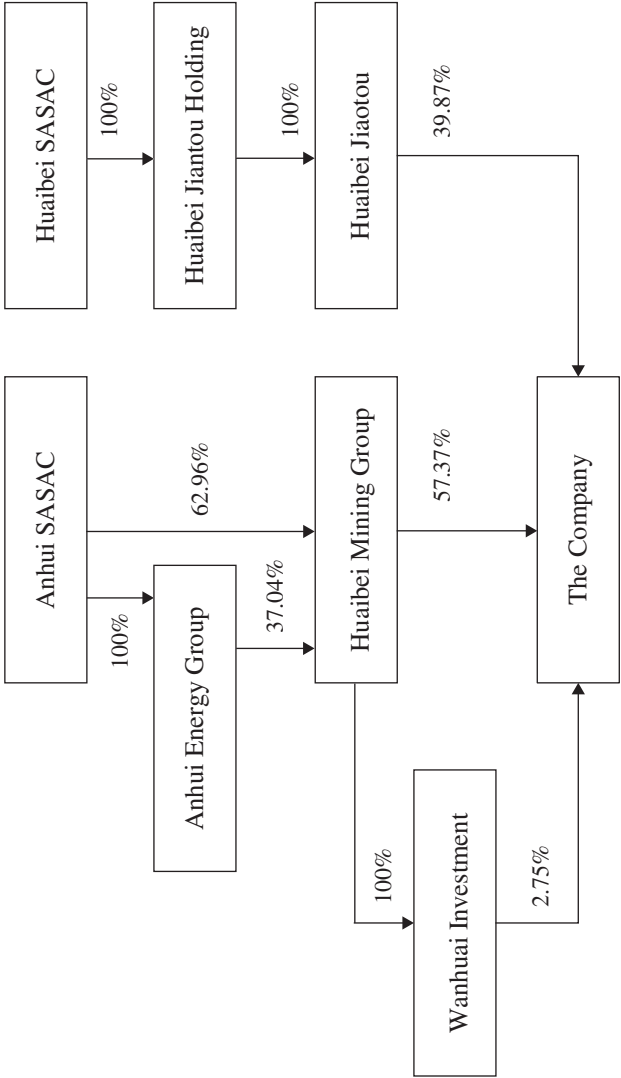
Free Float

Rule 19A.13C(1) of the Listing Rules provides that, where a new applicant is a PRC issuer with no other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK\$50 million; or (b) have an expected market value at the time of listing of not less than HK\$600 million.

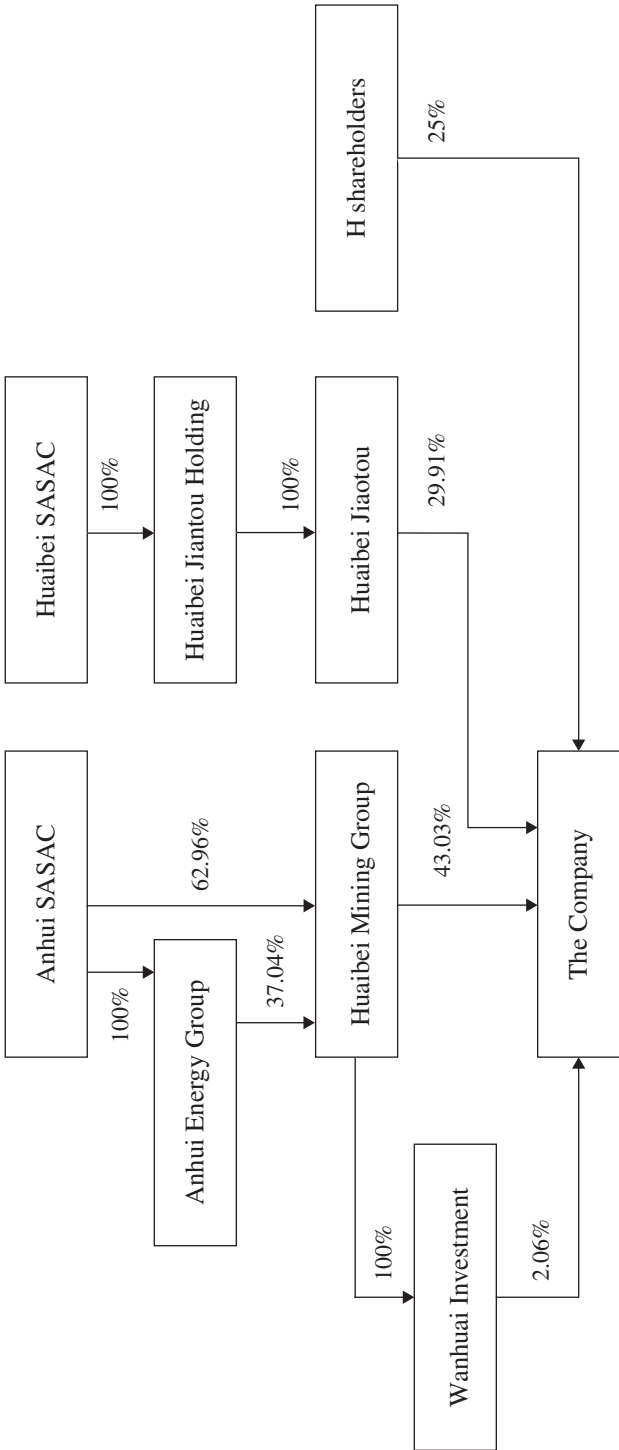
Based on the Offer Price of HK\$7.3 per Share, the Company will be able to satisfy the free float requirement under Rule 19A.13(C) of the Listing Rules.

CORPORATE AND SHAREHOLDING STRUCTURE

The following diagram sets forth the corporate structure of our Company immediately before the completion of the Global Offering:



The following diagram sets forth the corporate structure of our Company immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised):

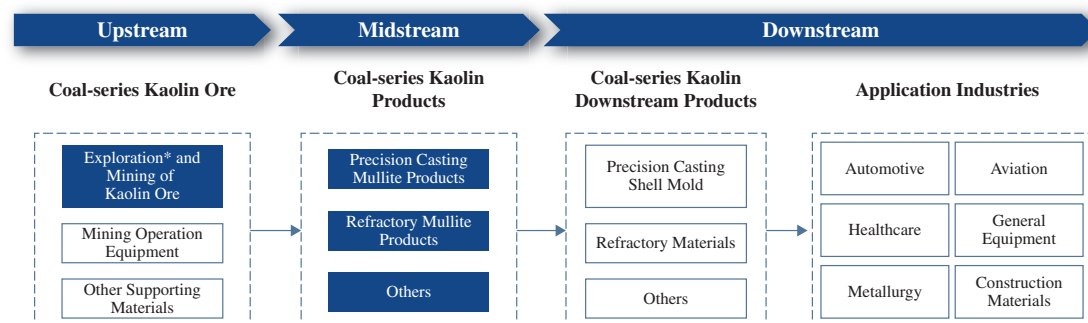


OVERVIEW

We specialize in coal-series kaolin in China, with integrated capabilities spanning the value chain from mining, R&D, processing to production and sales. According to Frost & Sullivan, we ranked fifth in terms of revenue of coal-series calcined kaolin companies in China in 2024, with a market share of 5.4%. As a prominent producer of calcined kaolin products in China, our business is anchored by our abundant and high-quality coal-series kaolin mineral assets. Our products mainly include precision casting mullite products and refractory mullite products, which are essential materials for precision casting shell mold and refractory materials. We also sell raw coke and raw powder to customers for further processing.

We have established a strong market position through our integrated business model and product quality advantages. For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, we produced 117.9 kt, 114.5 kt, 105.6 kt, 46.8 kt and 84.8 kt, of precision casting mullite products and 5.2 kt, 19.8 kt, 25.7 kt, 10.6 kt and 10.6 kt, of refractory mullite products, respectively. According to Frost & Sullivan, we were the largest precision casting mullite products producer in China in terms of the revenue in 2024, with a market share of 19.1%. According to the same source, the market size of precision casting mullite products in China is expected to grow from RMB971.9 million in 2024 to RMB1,362.0 million in 2029, representing a CAGR of 7.0%, and the market size of refractory mullite products in China is expected to grow from RMB5,525.8 million in 2024 to RMB6,430.9 million in 2029, representing a CAGR of 3.1%. We are well-positioned to capture the growing market demand for refractory mullite products and strengthen our competitive position through differentiated product performance, disciplined execution and timely capacity expansion. Our kaolin ore is in inherently high quality, which enables efficient processing while maintaining consistently high product standards. Moreover, according to Frost & Sullivan, our kaolin ore exhibits superior refractoriness, hardness and chemical stability compared with the industry average, making it suitable for producing precision casting mullite products and refractory mullite products, which have become a preferred choice in high-temperature applications such as steel, cement, and glass, supporting sustained customer adoption and market share gains. As industry demand steadily increases, we are expanding capacity to continue consolidating share and competing effectively with existing and potential market participants. “Future Plans and Use of Proceeds — Use of Proceeds.”

Our products serve critical needs across multiple industries. Precision casting mullite products are primarily used as materials for shell mold-making in precision casting processes. These products are essential for casting high-precision components used in industries such as automotive, aviation, healthcare and general equipment. Refractory mullite products are mainly used to produce refractory materials, serving industries such as metallurgy and construction materials.



 Our business

Note:

* We are not engaged in the exploration of kaolin

Source: Frost & Sullivan Report

Our business is anchored by our abundant and high-quality mineral resources. In October, 2021, we entered into an asset transfer agreement with Shuoli Mining, pursuant to which we acquired the Shuoli Kaolin Mine. See “History, Development and Corporate Structure — Major Shareholding Changes of Our Company.” Since 2021, we have fully owned the Shuoli Kaolin Mine in Huaibei City, Anhui Province, which is renowned for its rich coal-series kaolin resources. According to the Independent Technical Report, as of May 31, 2025, our Shuoli Kaolin Mine possesses total estimated Mineral Resources of approximately 18,649 kt, comprising 2,367 kt of Measured Resources, 8,990 kt of Indicated Resources and 7,292 kt of Inferred Resources, and total estimated Ore Reserves of approximately 6,062 kt, comprising 1,093 kt of Proved Reserves and 4,969 kt of Probable Reserves. According to the Independent Technical Report, as of May 31, 2025, at the annual production volume of 400,000 tonnes, the remaining LoM of the Shuoli Kaolin Mine was estimated to be approximately 16 years. The geological characteristics of our mineral deposits offer operational advantages due to the nature of the associated coal-series kaolin found in our mine. The kaolin ore mined from our Shuoli Kaolin Mine can proceed directly to processing after being classified by type and specification, and only simple purification process is required before entering the beneficiation and processing stage. This reflects the inherently high quality of our kaolin ore, which enables efficient processing while maintaining consistently high product standards. Moreover, according to Frost & Sullivan, our kaolin ore exhibits superior refractoriness, hardness and chemical stability compared with the industry average, making it suitable for producing precision casting mullite products and refractory mullite products.

BUSINESS

For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, we generated revenue of approximately RMB190.4 million, RMB204.7 million, RMB267.1 million, RMB88.3 million and RMB104.9 million, respectively, and achieved net profit of approximately RMB24.4 million, RMB43.6 million, RMB52.6 million, RMB14.5 million and RMB18.0 million, respectively, demonstrating our sustained growth and profitability.

OUR STRENGTHS

We believe that the following competitive strengths distinguish us from our competitors:

High-quality coal-series kaolin resources and reserves with strategic location and transportation advantages

We own and operate a valuable inventory of high-quality coal-series kaolin mineral resources that provide sustainable support for our business growth. Our Shuoli Kaolin Mine is located in the mining area of Huaibei City, renowned for its rich coal-series kaolin resources. Coal-series kaolin serves as a marker layer of the Huaibei coal field, characterized by its wide distribution and substantial reserves. According to the Independent Technical Report, as of May 31, 2025, our Shuoli Kaolin Mine possesses total estimated Mineral Resources of approximately 18,649 kt, comprising 2,367 kt of Measured Resources, 8,990 kt of Indicated Resources and 7,292 kt of Inferred Resources, and total estimated Ore Reserves of approximately 6,062 kt, comprising 1,093 kt of Proved Reserves and 4,969 kt of Probable Reserves. According to the Independent Technical Report, as of May 31, 2025, at the annual production volume of 400,000 tonnes, the remaining LoM of the Shuoli Kaolin Mine was estimated to be approximately 16 years. In addition, according to the Independent Technical Report, our kaolin resources are distinguished by high purity and excellent crystal order. The kaolinite content exceeds 95% and the silicon to aluminum mass molar ratio closely align with the theoretical value (2:1). According to Frost & Sullivan, these characteristics indicate high-quality kaolin due to its notable purity and optimal structural composition. Additionally, the mass fraction of Al_2O_3 is approximately 40%, which exceeds industry standards, further highlighting the outstanding quality of our kaolin resources. This indicates that our kaolin ore exhibits superior refractoriness, hardness and chemical stability compared with the industry standards, making it suitable for producing precision casting mullite products and refractory mullite products.

The geological characteristics of our mineral deposits offer us operational advantages due to the nature of associated coal-series kaolin found in our mine. According to Frost & Sullivan, coal-series kaolin can be classified into two categories: associated coal-series kaolin and symbiotic coal-series kaolin. Symbiotic coal-series kaolin coexists with coal and other minerals, which causes significant variability in mineral composition, complicating the separation process. As a result, symbiotic coal-series kaolin ore requires a series of separation and purification processes before entering the processing stage. In contrast, associated coal-series kaolin is relatively independent due to its separate occurrence in the same deposit from minerals such as coal, therefore it has a stable chemical composition with minimal

variation in other mineral components. As the kaolin from our Shuoli Kaolin Mine is associated coal-series kaolin, the kaolin ore can proceed directly to processing after being classified by type and specification, and only a simple purification process is required before entering the beneficiation and processing stage. This reflects the inherently high quality of our kaolin ore, which enables efficient processing while maintaining consistently high product standards.

Our Shuoli Kaolin Mine also benefits from a well-developed transportation network. Situated in the hinterland of East China at the junction of four provinces, namely, Jiangsu, Shandong, Henan and Anhui, it is also adjacent to the Yangtze River Delta city cluster. It is connected to other parts of Huaibei City via the Anhui Provincial Highway S101 and other paved roads, and its reach extends to Jiangsu, Zhejiang, Fujian, Shandong, Henan, Hubei, Hunan, Jiangxi, Shaanxi and Guizhou Provinces via the G30 and G3 Expressways. This extensive network facilitates the efficient transportation of our products to Huaibei City and the surrounding regions.

Product quality advantages through improvements in key processing technologies

We have established an integrated process that seamlessly coordinates and connects multiple stages of production and processing of kaolin, including kaolin ore mining and selection, crystal phase transformation, impurity and powder removal, sand and powder preparation, and comprehensive utilization of tailings and waste gas. Our expertise in advanced processing technologies, such as iron removal and calcination, ensures consistent product quality. Throughout production, we meticulously adjust process parameters at each stage, continuously optimize production processes, and innovate by integrating various methodologies. This approach enables us to maintain precise control over the entire processing flow, thereby establishing a unique technical advantage.

We possess proprietary technology for producing precision casting mullite products through rotary kiln calcination. Traditionally, precision casting mullite products are produced by extracting blocky kaolin ore, calcining it in a shaft kiln, and then crushing it into granular form for screening into various particle sizes. This traditional method produces materials with high Mohs hardness, leading to significant wear in subsequent processing, low yield, high labor intensity and the potential contamination with external iron and other impurities. Additionally, shaft kilns can only calcinate blocky materials, resulting in low resource utilization. Our rotary kiln calcination process leverages the low hardness and easy crushing characteristics of kaolin ore, which crushes the kaolin ore into fine sand before calcination in a rotary kiln. The semi-finished material from the rotary kiln then undergoes grading, impurity removal and air blowing to produce precision casting mullite products. This calcination process causes impurities and iron to precipitate and aggregate, allowing for their removal in subsequent impurity removal steps, which significantly enhances product quality. Due to higher resource utilization, this process also greatly increases yield compared with the traditional method. This is primarily due to the smaller average feed particle size of 2mm for a rotary kiln, compared to over 60mm for a shaft kiln. The smaller particle size allows for a shorter and more efficient heating process. This increased efficiency contributes to higher yield by reducing processing time and resource consumption. Additionally, the rotary kiln is a dynamic kiln, which

consistently rotates and tumbles the material, ensuring uniform heat distribution and exposing fresh surfaces to the heat. This results in thorough calcination, enhancing the conversion of raw materials into final products. Furthermore, the fine sand form of kaolin ore improves calcination stability and uniformity during the calcination process and provides a passivation effect on sintered particles, resulting in more rounded sand particles. The precision casting shells made from this sand exhibit improved permeability, effectively reducing casting defects such as under-casting and porosity caused by poor shell permeability.

To further enhance control and efficiency in calcination operations, we employ intelligent calcination technology. Companies in the industry typically adopt a combination of “manual fire watching” and “single machine control”, where operators rely on experience and handheld devices to measure material temperature and kiln body temperature, and manually start and stop production lines from control cabinets. This traditional approach lacks precision in controlling calcination parameters, making it difficult to ensure product quality and posing safety risks. Our proprietary intelligent calcination technology uses sensors such as colorimetric thermometers, high-temperature industrial TV probes and infrared radar to monitor the internal material temperature and kiln body surface temperature of the rotary kiln in real time. These sensors interface with PLCs to transmit control signals to the control circuit, enabling precise control of calcination temperature. Our intelligent calcination technology improves product quality, reduces safety risks, and lowers labor costs.

Advanced research and development capabilities and progressive innovations

We possess leading expertise in production technology and robust research and development capabilities, supported by an experienced research and development team with advanced degrees and extensive experience in mining, non-metallic materials and other scientific fields essential to the research and development of kaolin. Our commitment to independent research and development has resulted in a portfolio of intellectual properties. As of the Latest Practicable Date, we had four registered trademarks, 13 copyrights and 50 patents in the PRC and we also applied for the registration of 18 patents. In addition, we have been certified by the PRC government authorities as a High-tech Enterprise and National Specialized and Innovative “Little Giant” Enterprise. We have also led the launch of industry standards for kaolin and mullite products, such as *Calcined Kaolin Sand and Powder for Precision Casting (T/CFA 0202044-2021)*, *Calcined Kaolin Sand and Powder for Precision Casting (JB/T11733-2013)* and *Methods for Chemical Analysis of Chamotte (JC/T 2782-2023)*.

We are dedicated to pursuing technological improvements in the industry, particularly in crystal phase transformation technology in the production of precision casting mullite sand, processing technology in the production of precision casting mullite sand and powder and processing technology in the production of refractory mullite products. These technological advancements have significantly bolstered our product quality and enhanced our market competitiveness. To further our research and development initiatives, we have established the Anhui Kaolin Engineering Technology Research Center and Anhui Enterprise Technology Center. Anhui Kaolin Engineering Technology Research Center primarily focuses on research in new calcination processes for kaolin, ultrafine processing of coal-series kaolin, surface

modification of coal-series kaolin and inorganic coating of coal-series kaolin. Anhui Enterprise Technology Center primarily focuses on (i) research of development of new products and processes, such as the high-grade mullite products, precision casting surface sand powder and high-efficiency and low-consumption calcined kaolin processing technology; and (ii) participation in the formulation of national and industry standards. These centers serve as hubs for innovation, fostering an environment where cutting-edge research can thrive. Furthermore, we actively collaborate with universities and institutions to create research and development bases focused on exploring the kaolin mining technology and the development of a process for improving and purifying kaolin ore. We typically bear the cost for the joint R&D projects and the IP rights developed under the joint R&D agreements typically belong to us exclusively. See “— Research and Development” for the salient terms of collaboration with the universities and institutions. By leveraging these strategic partnerships and investing in state-of-the-art research facilities, we aim to improve our product offerings and introduce new products to meet the demands from customers in the high-end manufacturing industry.

Strong market position and long-term cooperation with a high-quality customer base

With extensive experience in the kaolin industry, we have established a robust market position through our technical expertise, strict product quality control and exceptional customer service. Our well-recognized “Jinyan” brand is synonymous with credibility and excellence, enabling us to distribute our products across major provinces and regions nationwide. Renowned for its commitment to quality and innovation, the “Jinyan” brand sets industry benchmarks that enhance customer trust and loyalty. We have forged long-term and stable partnerships with leading large-scale manufacturers in China’s precision casting and refractory materials sectors. These collaborations not only validate our production capabilities but also present opportunities to further develop relationships with existing and new customers, leveraging our brand strength to expand market reach.

Our commitment to customer satisfaction is unwavering. We prioritize meeting the evolving needs of our clients through high-quality products and innovative solutions. Our technological prowess, coupled with a rigorous quality control system, ensures that we consistently deliver products that exceed expectations. This dedication to quality and innovation has enabled us to maintain a high-quality customer base, characterized by long-term stability and loyalty.

Moreover, we conduct research and development to address the specific needs of our customers, crafting bespoke products tailored to their specific requirements. This collaborative approach not only enhances customer satisfaction but also fosters loyalty, creating significant barriers for competitors. For example, to address surface defects in castings for an aviation casting company, we examined the optimal particle gradation standards and adjusted the impurity content of precision casting mullite sand, successfully resolving the client’s casting defects. By aligning our R&D efforts with customer needs, we reinforce our market leadership and secure our position as a preferred partner in the industry.

Seasoned management team with extensive industry and management experience

Our management team has extensive experience and industry insights across various facets of the mining industry, including but not limited to technical expertise, corporate management, accounting and financial management, marketing and human resources. This diverse skill set enables us to effectively assess market fluctuations, capitalize on market opportunities and execute business strategies with efficiency, which contributes to our emergence as an industry leader and significantly influences the strategic planning of our future operations.

Our Chairman of the Board, Mr. Zhang Kuang, has nearly 35 years of experience in the mining industry, and is principally responsible for the business development and strategic decision-making of our Company. His leadership has been instrumental in driving our steady and rapid growth. Under his leadership, we have strategically positioned ourselves across multiple segments of the coal-series kaolin industry value chain, gaining a first-mover advantage in many strategic areas. The rest of our management team also possesses extensive and complementary experience in the mining industry. See the section headed “Directors, Supervisors and Senior Management” in this prospectus for more details of the experience and qualifications of our Directors and senior management members.

The technical expertise of our senior management and employees, combined with the rich professional skills accumulated through R&D projects and involvement in formulating and revising national and industry standards, underpins our proven track record of success and reinforces our competitive advantage and market-leading position. To sustain growth and innovation, we consistently attract talent through incentive measures, thereby bolstering our future talent reserves. We encourage continual professional development of our staff at all levels and adopt a selective hiring process with a focus on recruiting and training employees who have the potential to become long-term members of our management. This commitment to nurturing talent ensures that we are well-equipped to meet industry demands and challenges.

Demonstrated commitment to sustainable development with continual ESG efforts

We attach great importance to the development and implementation of our industry’s high level of occupational health and safety as well as environmental protection standards, which are crucial to our sustainable and continued success. Our ESG efforts are demonstrated in our proven track record of no material violation of any applicable environmental laws and regulations nor any significant safety incidents during the Track Record Period and up to the Latest Practicable Date.

Occupational health and safety are among our most important corporate and social responsibilities. We have adopted a comprehensive safety management system and established a safety production and management department to ensure completion of production tasks on time and with quality and in compliance with China’s safety production laws and regulations, the functions of which includes providing regular training for employees, adopting and implementing environmental protection, fire safety, occupational health and other safety

measures, and participating in acceptance and inspection of safety materials, safety protection facilities, special equipment and safety measures for various projects. In addition, we have formulated comprehensive emergency management plans to ensure clear and effective emergency procedures. Our goal is to implement the national safety production policy, ensure the safety of mining areas and production facilities, promote production development and enhance economic efficiency. The comprehensive safety management system enables us to minimize the risk of operational disruptions and contributes to our successful track record in work safety. During the Track Record Period and up to the Latest Practicable Date, we did not experience any serious or major accidents or production stoppages due to safety issues and have passed all relevant government inspections, achieving zero accidents in mining operations and production operations. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any major penalties by relevant authorities for non-compliance with all relevant laws and regulations on occupational health and safety in China.

We are committed to complying with the environmental laws and regulations governing air pollution, noise emissions, general waste and solid waste discharge and other environmental issues issued by relevant government departments in China. To this end, we actively promote the use of clean energy and have constructed solar power generation facilities to reduce fossil fuel consumption. We have implemented strict waste disposal procedures in our production plants. Online monitoring systems are installed on all kiln exhaust stacks, monitoring sulfur dioxide, nitrogen oxides and other air pollutants, ensuring that emissions meet specific standards. For solid waste including kiln tailings ash and iron removal tailings, we recycle them by pressing them into bricks in a no-fire brick factory. See “— Environmental, Social and Governance” for more details.

OUR STRATEGIES

We plan to implement the following strategies to facilitate our business growth:

Expanding production scale and optimizing production processes of our products

According to Frost & Sullivan, the market size of refractory mullite products in China is expected to grow from RMB5,525.8 million to RMB6,430.9 million between 2024 and 2029 with a CAGR of 3.1%. In order to capture this extensive market opportunity and increase our market share, we plan to expand our production capacity and optimize the production process of our refractory mullite products. Currently, we operate a production line for refractory mullite products with an annual designed capacity of 30,000 tonnes. We intend to build a new production line with an annual designed capacity of 40,000 tonnes. This expansion will include the construction of a new shaft kiln calcination workshop with four shaft kilns, a processing workshop for refractory mullite granules, a kaolin fine powder processing workshop, a finished product warehouse and supporting facilities.

To improve product quality and automate the production process, we also plan to procure various advanced equipment, including intelligent sorting machines and automatic color sorting machines that refine and automate raw material classification. Additionally, we plan to upgrade our shaft kiln, install high-gradient magnetic separation devices and implement various automation technologies to improve the purity and quality of the product and optimize production efficiency. The refractory mullite granules produced from the new production line will have more uniform particle sizes and can be graded to meet specific customer requirements for different particle size ranges and proportions. These optimized refractory mullite granules are expected yield a higher profit margin and offer promising market prospects, thereby enhancing our profitability and market share.

Furthermore, in the new kaolin fine powder processing workshop, we will process the fine materials generated during the screening of kaolin ore, producing kaolin fine powder with an annual designed capacity of 60,000 tonnes. Such kaolin fine powder can be used in industries such as glass fiber and electrical porcelain products, thereby helping us further diversify our product portfolio and generate new avenues for profit growth.

Enhancing our R&D capabilities and improving our core competitiveness

We are steadfast in our commitment to investing significant resources in R&D efforts to support our overall development strategy. To enhance our capabilities of experimental research, product development and technical services, we plan to establish the Silicon-Aluminum New Materials Engineering Technology Research Center. In particular, we aim to build a precision casting materials laboratory, a synthetic materials laboratory, a testing laboratory and supporting facilities. Meanwhile, we will recruit R&D, production and management personnel in the field of new silicon-aluminum materials to optimize our talent structure, improve the quality of our workforce and strengthen our talent reserves and incentives programs, thereby promoting talent development and retention within the company.

Our research will focus on the development of new technologies, production processes and products, including research and development of high-end precision casting surface materials, refining the processing technology to improve the quality and purity of kaolin fine powder, advancing technology for the intelligent sorting process of kaolin ore, exploring the intelligent mining techniques for kaolin ore, developing high-end synthetic materials and engineering fiber materials. Our aim is to strengthen our market-leading position in the precision casting shell materials sector, increase our market share in the refractory materials market, and expand into the synthetic materials field. Through technological innovation, we aim to further enhance the level of production automation, improve the interconnection between various production stages, and promote the development of intelligent production systems, which will both boost production efficiency and quality and reduce production costs and carbon emissions, aligning with our commitment to sustainable development.

Moreover, the initiative to establish a new testing laboratory is designed to enhance our ability to test various technical indicators that meet the stringent requirements from customers in high-end manufacturing industries, who demand exceptional product quality, performance indicators and precise product composition. By gaining experience in the testing process, we can develop suitable testing methods for kaolin products and contribute to the formulation of industry standards for these products.

Expanding customer base and increasing product awareness

We have a strong and stable relationship with our customers. We believe that continuing to build a customer base among industry insiders and maintaining and strengthening product awareness is critical to our future growth and success. We intend to broaden our customer base and raise awareness of our products by: (i) developing and strengthening close collaborations with our existing and future customers by learning our customers' application requirements, technical needs and operating conditions so that we can assist them to optimize their products and manufacturing efficiency; (ii) collaborating with external institutions in China to develop new technologies and new kaolin products to meet downstream customization needs and offer optimized products that meet their technical specification. See “— Our Strategies — Enhancing Our R&D Capabilities and Improving Our Core Competitiveness” for further information; (iii) attending and participating in industry seminars and events to network with other industry experts and potential customers; and (iv) expanding the marketing team to improve our sales and customer services, and enhance customer satisfaction and loyalty. In doing so, we can not only expand our customer base and product offerings, but also remain abreast of industry trends, enhancing both our company image and product awareness among industry insiders and end customers.

Recruiting highly skilled and experienced talent

The success and future growth of our operations in the kaolin industry are intrinsically linked to the caliber of our personnel. We are committed to building a team of seasoned professionals who bring a wealth of industry knowledge across the entire value chain, including mining, processing, production, R&D and marketing. By assembling a team with the requisite skills and industry foresight, we can formulate and implement sound business strategies that are vital for sustaining our business. Such expertise enables us to navigate the complexities of the kaolin industry, adapt to changing market conditions and seize emerging opportunities.

Experienced personnel contribute significantly to enhancing operational efficiency, driving innovation and maintaining competitive advantage. Skilled mining professionals ensure that our mining operations are executed safely, on time and within budget while adhering to regulatory standards. In processing and production, the expertise of our personnel optimizes processing techniques, enabling us to maximize yield and minimize environmental impact, and ensures the quality and consistency of our refined products to meet the high standards expected by our clients. Seasoned sales and marketing personnel craft strategies that effectively position our products in the market, enhancing brand recognition and customer loyalty. Furthermore, the insights of experienced R&D personnel drive innovation, leading to the development of new products and processes that meet evolving market demands.

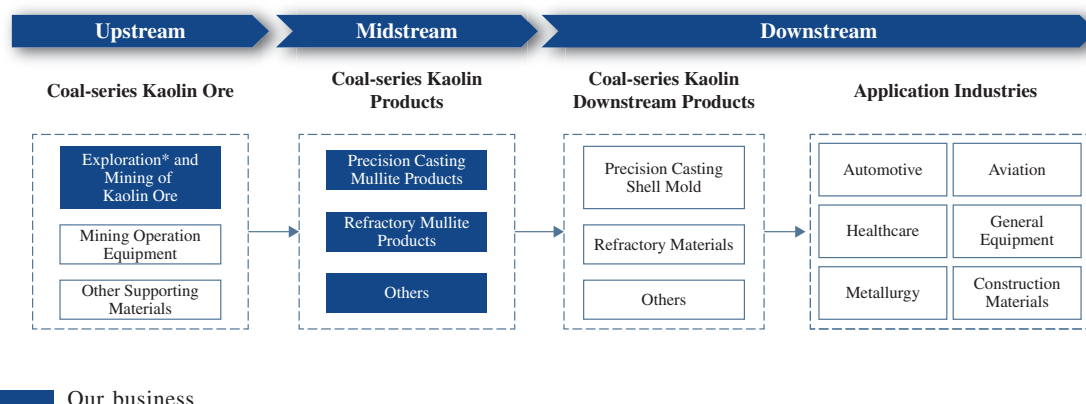
Our commitment to recruiting and retaining top talent is a cornerstone of our business strategy. By fostering a culture of excellence and continual learning, we aim to build a resilient company capable of achieving sustained success. This approach not only supports our current operations but also positions us to seize future market opportunities, ensuring our continued growth and prosperity in the coal-series kaolin industry.

OUR BUSINESS OPERATIONS

We specialize in coal-series kaolin in China, with high-quality mineral assets and integrated capabilities spanning the entire value chain, from mining, R&D and processing to production and sales. Our products mainly include precision casting mullite products and refractory mullite products, catering primarily to the needs of high-temperature manufacturing, particularly in the field of precision casting. We also sell raw coke and raw powder to customers who may further process them depending on their own needs. We were the largest precision casting mullite products producer in terms of the sales value of precision casting mullite products in 2024, with a market share of 19.1%, according to Frost & Sullivan. We have owned the mining rights of the Shuoli Kaolin Mine in Huaibei City, Anhui Province, China since 2021. According to the Independent Technical Report, as of May 31, 2025, our Shuoli Kaolin Mine possesses total estimated Mineral Resources of approximately 18,649 kt, comprising 2,367 kt of Measured Resources, 8,990 kt of Indicated Resources and 7,292 kt of Inferred Resources; and total estimated Ore Reserves of approximately 6,062 kt, comprising 1,093 kt of Proved Reserves and 4,969 kt of Probable Reserves. According to the Independent Technical Report, as of May 31, 2025, at the annual production volume of 400,000 tonnes, the remaining LoM of the Shuoli Kaolin Mine was estimated to be approximately 16 years based on the Ore Reserves on May 31, 2025.

In the coal-series kaolin industry, the upstream element of the value chain mainly consists of suppliers of coal-series kaolin ore, mining operation equipment and other supporting materials. The midstream companies focus on the processing of coal-series kaolin. Our precision casting mullite products and refractory mullite products are produced through processing after kaolin mining, positioning us in both the upstream and midstream segments of the industry value chain. Our downstream customers are primarily precision casting and

refractory material companies, who produce products that can be applied in automotive, aviation, healthcare, general equipment, metallurgy and construction materials. The following diagram illustrates the value chain of coal-series kaolin industry and the critical stages we focus on:



Note:

* We are not engaged in the exploration of kaolin

Source: Frost & Sullivan Report

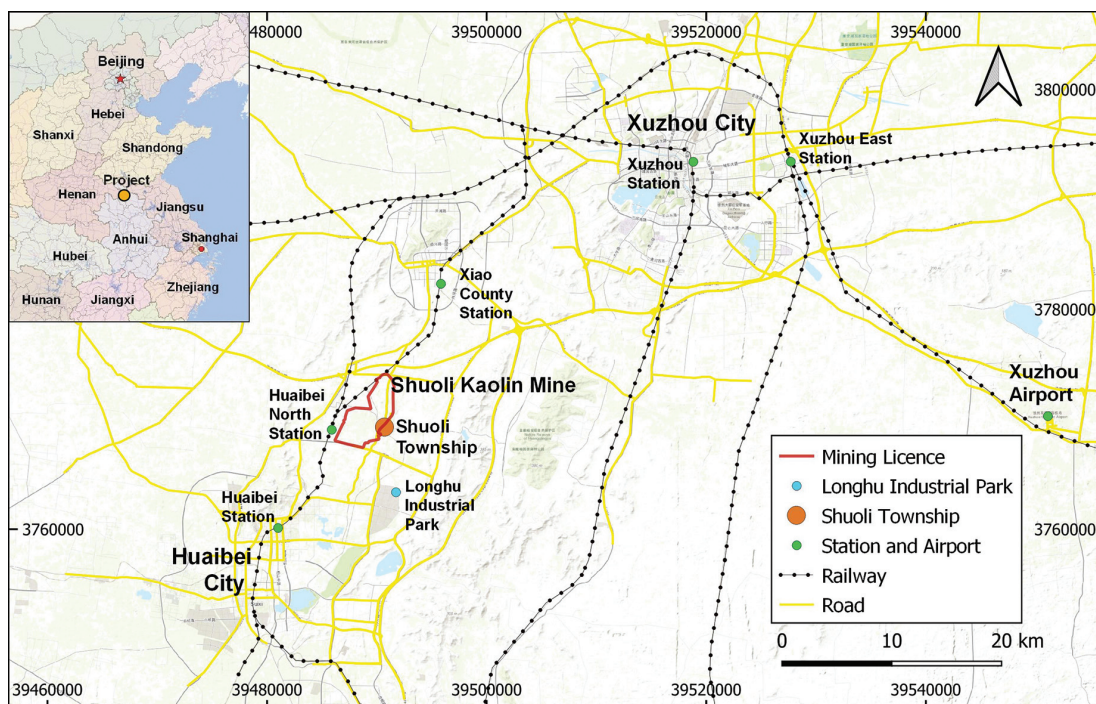
OUR MINERAL ASSETS AND MINING RIGHTS

Our Kaolin Mineral Assets

We have high-quality coal-series kaolin mineral assets to provide strong support for our production. We own and operate one kaolin mine in Anhui Province, China, which is the Shuoli Kaolin Mine. Our Shuoli Kaolin Mine is located in the mining area of Huaibei City, which is abundant in coal-series kaolin resources. Coal-series kaolin, which serves as a marker layer of the Huaibei coal field, is widely distributed with large reserves and known for its good chemical stability, high refractoriness and excellent crystallinity. Coal-series kaolin is classified into two categories: associated coal-series kaolin and symbiotic coal-series kaolin. Symbiotic coal-series kaolin coexists with coal and other minerals, which causes significant variability in mineral composition, complicating the separation process. As a result, the symbiotic coal-series kaolin ore requires a series of separation and purification processes before entering the processing stage. In contrast, associated coal-series kaolin is relatively independent due to its separate occurrence in the same deposit from minerals such as coal, therefore it has a stable chemical composition with minimal variation in other mineral components. The kaolin from the Shuoli Kaolin Mine is associated coal-series kaolin. Consequently, the kaolin ore mined from our Shuoli Kaolin Mine can directly proceed to processing after classification by type and specification, and only simple purification process is required before entering the beneficiation and processing stage. This reflects the inherently high quality of our kaolin ore, which enables efficient processing while maintaining consistently high product standards.

Shuoli Kaolin Mine

The Shuoli Kaolin Mine is 100% owned and operated by our Company. We obtained the mining rights over the Shuoli Kaolin Mine in 2021 and commenced production in 2022. The Shuoli Kaolin Mine is in Shuoli Town, Duji District, Huaibei City, Anhui Province, with a mining area of 17.9955 square kilometers. It is located in the hinterland of East China, at the junction of four provinces, namely, Jiangsu, Shandong, Henan and Anhui, and adjacent to the Yangtze River Delta city cluster. Our Shuoli Kaolin Mine benefits from a well-developed transportation network. It is connected to other parts of Huaibei City via the Anhui Provincial Highway S101 and other paved roads, and extends reach to Jiangsu, Zhejiang, Fujian, Shandong, Henan, Hubei, Hunan, Jiangxi, Shaanxi and Guizhou Provinces via the G30 and G3 Expressways. From Jiangsu Province and Shandong Province, we are able to deliver our products to Guangdong Province by sea. Such transportation network provides a convenient network for the transportation of our products to Huaibei City and the surrounding areas. The following map illustrates the location of our Shuoli Kaolin Mine:



BUSINESS

Mineral Resource and Ore Reserve

According to the Independent Technical Report, the Mineral Resource of the Shuoli Kaolin Mine has been classified as Measured, Indicated and Inferred according to increasing degrees of confidence in the geological continuity, sample density, data quality, surface mapping and drilling spacing; and geological modeling was conducted based on topographic and geological mapping and results of the drilling programs. According to the Independent Technical Report, as of May 31, 2025, our Shuoli Kaolin Mine possesses total estimated Mineral Resources of approximately 18,649 kt, comprising 2,367 kt of Measured Resources, 8,990 kt of Indicated Resources and 7,292 kt of Inferred Resources, and total estimated Ore Reserves of approximately 6,062 kt, comprising 1,093 kt of Proved Reserves and 4,969 kt of Probable Reserves.

The following table sets forth a summary of the Mineral Resource estimate of our Shuoli Kaolin Mine as of May 31, 2025 and reported in accordance with the JORC Code, as contained in the Independent Technical Report in Appendix VI to this prospectus:

Type of Mineral Resources	Tonnage	Al₂O₃	Al₂O₃ Material	SiO₂	SiO₂ Material
	(kt)	(%)	(kt)	(%)	(kt)
Measured	2,367	40.35	955	42.83	1,013
Indicated	8,990	40.28	3,621	41.13	3,698
Measured and Indicated	11,357	40.29	4,576	41.49	4,711
Inferred	7,292	40.30	2,939	41.58	3,032
Total/Overall	18,649	40.30	7,515	41.52	7,743

The following table presents a summary of the Ore Reserve estimate of our Shuoli Kaolin Mine as of May 31, 2025 and reported in accordance with the JORC Code, as contained in the Independent Technical Report in Appendix VI to this prospectus:

Type of Ore Reserves	Ore Reserve	Al₂O₃	Fe₂O₃	TiO₂
	(kt)	(%)	(%)	(%)
Proved	1,093	38.9	0.66	0.51
Probable	4,969	37.9	1.08	0.49
Total	6,062	38.1	1.00	0.49

According to the Independent Technical Report, as of May 31, 2025, at the annual production volume of 400,000 tonnes, the remaining LoM of the Shuoli Kaolin Mine was estimated to be approximately 16 years based on the Ore Reserves on May 31, 2025.

According to the Independent Technical Report, there had been no material change to the Mineral Resource and Ore Reserve estimates of our Shuoli Kaolin Mine since May 31, 2025, which is the effective date of the Independent Technical Report, and up to the Latest Practicable Date.

Mining License

Under the relevant PRC mineral laws and regulations, all mineral resources in China are owned by the state. Mining companies are required to obtain mining and exploration permits prior to undertaking any mining or exploration activities. The mining and exploration permits are limited to a specific geographic area and a certain time period. Mining enterprises that have, in accordance with the current Mineral Resources Law, applied for and obtained the mining right and are conducting exploration within the designated mining area for the purpose of their own production are not required to separately make an application and registration for the right of exploration. On November 8, 2024, the New Mineral Resources Law was deliberated and adopted, which came into force on July 1, 2025. The New Mineral Resources Law mandates that upon establishing a mining right, registration must be filed with the relevant department, which then issues a mining right certificate if conditions are met. The law distinguishes between the mining right certificate being a property right and exploration/mining licences being administrative licenses. It introduces separate registration for mining rights and exploration/mining permissions. According to Article 3(3) of the Notice on the Implementation of the New Mineral Resources Law issued by the Ministry of Natural Resources of China in December 2024, mining licenses that have been issued prior to the implementation of the New Mineral Resources Law continue to be valid during the validity period and the replacement with the mining right certificate shall not be mandatory.

Since 2021, we have owned the mining rights of our Shuoli Kaolin Mine granted by the Huaibei Municipal Bureau of Natural Resources and Planning. The material terms of our mining license are set out below:

- Issuing authority: Huaibei Municipal Bureau of Natural Resources and Planning
- Holder of mining license: The Company
- Name of mine: Huaibei City Shuoli Kaolin Mine
- License number: C3400002019117120148949
- Mining method allowed: Underground mining
- Production volume allowed: 500.0 thousand tonnes per year

BUSINESS

- Area of mine allowed: 17.9955 square kilometers
- Mining elevations allowed: 50-240m below the surface
- Period of validity granted: From November 19, 2021 to November 19, 2024 and extended to November 20, 2039 after the renewal on March 6, 2024
- Applicable natural resources: Kaolin
- Renewal: The mining right holder shall apply for renewal no later than 30 days before expiration date of the mining license. If the application is not submitted by that date, the mining right shall lapse automatically.
- Restrictions: The mining license should not be lent, transferred or traded. If a mining right holder suspends or shuts down mining operation within the term of the mining license, it should comply with the cancellation procedures of the mining license in accordance with applicable laws and regulations.
- Modification: If the mining right holder alters the range of mining area, main types of mineral being mined, mining method, company name, or transfers such license within the term of the mining license, it should apply for the relevant modification modification in accordance with applicable regulations.

As advised by our PRC Legal Advisers, no separate exploration license is required to be obtained as long as we conduct exploration within the designated mining area under the mining licence for our own production. In addition, our PRC Legal Advisers are of the view that after the New Mineral Resources Law comes into force, our mining license will continue to be valid within its validity period and we do not need to apply for a mining right certificate before the expiry of our mining license, and the implementation of the New Mineral Resources Law will not adversely affect our operation and financial performance. We aim to renew our mining license before its expiry date. As advised by our PRC Legal Advisers, there are no explicit regulations limiting the number of times a mining license may be renewed in the PRC. We did not pledge any mining rights to secure any of our banking facilities during the Track Record Period and up to the Latest Practicable Date. See “Financial information — Indebtedness” in this prospectus for further details of our banking facilities.

BUSINESS

Utilization rate

We formulate monthly mining plans according to the demand for our products. For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, we extracted approximately 171.2 kt, 295.8 kt, 343.3 kt, 138.2 kt and 170.8 kt, of kaolin ore, respectively. The actual production volume of kaolin ore increased during the Track Record Period, primarily due to the rising demand for our products. The following table sets forth the mining utilization rates of our Mining Plant in terms of kaolin ore sourced from our Shuoli Kaolin Mine during the Track Record Period.

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
Designed mining capacity ⁽¹⁾					
(kt)	500.0	500.0	500.0	208.3	208.3
Actual mining volume (kt) .	171.2	295.8	343.3	138.2	170.8
Mining utilization rate ⁽²⁾					
(%)	34.2	59.2	68.7	66.3	82.0

Notes:

- (1) The designed mining capacity represents the maximum annual mining output at the bottleneck of the mining process assuming: (i) sufficient labor is available at all times; (ii) approximately 330 working days per year for mining; (iii) three eight-hour shifts per working day; and (iv) no major equipment breakdown. Our permitted production volume is also 500,000 tonnes per year. In 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, there were 167, 214, 286, 128 and 142 working days for mining, respectively, with one eight-hour shift per working day.
- (2) The mining utilization rate is calculated based on the actual mining volume for the relevant year/period divided by the designed mining capacity.

Capital Costs

According to the Independent Technical Report, our capital costs were RMB441.9 million from 2022 to May 2025 for regular replacement and refurbishment of certain property, plant and equipment as well as the addition of new production lines and facilities. In June-December 2025, we forecast additional costs of RMB3.8 million for equipment and system upgrades and renovations and RMB9.6 million for a resource upgrade drilling program. An annual allocation of RMB8.0 million is designated for ongoing refurbishment. A budget of RMB103.5 million is planned for comprehensive processing systems and a aluminium-silicon new material engineering technology research center. Our Independent Technical Consultant considers these budgets to be reasonable. See “Appendix VI — Independent Technical Report — 15 Capital and Operating Costs — 15.1 Capital Cost.”

BUSINESS

The table below sets forth a summary of the historical and forecast capital costs between 2022 and 2040 for our future projects, as stated in the Independent Technical Report:

Cost Centre	2022	2023	2024	Jan-May 2025	Jun-Dec 2025	2026	2027	2028	2029	2030	2031- 2040
Underground operation											
Buildings	15.4	–	–	–	–	–	–	–	–	–	–
Machinery and equipment . .	13.0	0.3	4.1	–	–	–	–	–	–	–	–
Ventilation shaft fan											
renovation	–	–	–	–	1.0	–	–	–	–	–	–
Ventilation shaft substation											
upgrade	–	–	–	–	0.9	–	–	–	–	–	–
Main shaft gate control											
system upgrade	–	–	–	–	1.9	–	–	–	–	–	–
Resource upgrade drilling											
program	–	–	–	–	9.6	–	–	–	–	–	–
Roadway construction	–	–	–	–	0.1	0.1	0.0	0.1	0.1	0.1	1.6
Surface processing plant											
operation											
Kaolin processing plant											
system	20.5	183.0	113.8	–	–	–	–	–	–	–	–
Non-fired brick system . . .	5.7	1.5	–	–	–	–	–	–	–	–	–
Vertical shaft renovation . .	0.8	–	–	–	–	–	–	–	–	–	–
Burner system renovation . .	0.8	–	–	–	–	–	–	–	–	–	–
Equipment replacement . . .	3.0	4.0	4.8	0.7	3.3	–	–	–	–	–	–
Rotary kiln desulfurization											
and denitrification	–	19.6	9.0	–	–	–	–	–	–	–	–
35kV substation	–	6.4	1.1	–	–	–	–	–	–	–	–
Ceramic fibre plant	–	13.3	7.4	–	–	–	–	–	–	–	–
Mullite aluminium-silicon											
material comprehensive											
processing	–	–	0.3	4.9	12.4	62.9	–	–	–	–	–
Silicon-aluminium new											
material engineering											
technology research											
centre	–	–	0.1	–	–	9.3	14.0	–	–	–	–
Raw materials warehouse . .	–	–	8.3	–	–	–	–	–	–	–	–
Vertical shaft dust control											
system upgrade	–	–	–	–	1.5	–	–	–	–	–	–
Sustaining	–	–	–	–	–	8.0	8.0	8.0	8.0	8.0	40.0
Total	59.3	228.1	148.9	5.6	30.7	80.3	22.0	8.1	8.0	8.2	41.6

BUSINESS

The mullite aluminium-silicon material comprehensive processing project is expected to incur capital costs of approximately RMB80.2 million from January 2025 through December 2026. The forecast capital costs of the said project from June to December 2025 will be settled by certain loans designated for the capital cost of the said project, and such loans will be subsequently settled by net proceed. The forecast capital costs of the said project during 2026 will be settled by net proceeds directly.

The main drivers of capital cost fluctuations are two one-off investments, namely (i) the mullite aluminium-silicon material comprehensive processing; and (ii) the silicon-aluminium new material engineering technology research center. Capital spending peaks in 2026-2027, when these facilities are built and commissioned. These two one-off investments related to the research and processing of kaolin ore, and are not related to the expected annual mining capacity of 400 kt. Sustaining capital and roadway construction are forecast to remain broadly constant over the period.

Operating Costs

According to the Independent Technical Report, our historical operating cash costs were RMB152.9 million in 2022, RMB154.5 million in 2023, RMB181.5 million in 2024 and RMB81.5 million in five months ended 2025. The following table sets forth a breakdown of the historical cash operating cost during the Track Record Period.

Operating Cash Cost by Activities	2022	2023	2024	Jan-May 2025
Workforce employment RMB million	50.2	54.9	60.1	23.3
Consumables RMB million	25.4	19.6	27.5	8.7
Fuel electricity, water and other services RMB million	51.3	55.1	51.1	37.1
On-site and off-site administration RMB million	14.2	9.3	25.3	6.0
Environmental protection and monitoring RMB million	0.8	2.0	2.9	1.4
Transportation of workforce . RMB million	—	—	—	—
Product marketing and transport RMB million	8.0	10.3	10.9	4.3
Non-income taxes, royalties and other governmental charges RMB million	3.0	3.3	3.7	0.7
Total RMB million	152.9	154.5	181.5	81.5

As disclosed in the Independent Technical Report and illustrated below, regarding operating cash costs by product, precision casting mullite products are projected to reach RMB208.4 million per year, while precision casting mullite powder is expected to account for RMB38.3 million in 2026. The unit cash operating cost over the LoM is RMB979 per tonne for precision casting mullite products and RMB847 per tonne for refractory mullite products. Additionally, the unit cash operating costs are RMB156 per tonne for raw coke and raw powder and RMB7,124 per tonne for ceramic fiber. The processing plant produces various products, including precision casting mullite products, refractory mullite products and raw coke and raw powder. Starting in 2025, ceramic fiber has been produced. The annual operating cash cost is expected to gradually increase from current levels to RMB260.7 million in 2026 and RMB265.9 million in 2027, as the target annual mining capacity reaches 400 kt and various products, including ceramic fiber, started to be produced. Similar to historical operating costs, the major cost components are fuel and electricity, followed by consumables and workforce employment. In our Independent Technical Consultant's opinion, our Shuoli Kaolin Mine has a proven track record of production, and the forecast operating costs used in the LoM model are reasonable, supported by historical costs. The operating cost of ceramic fiber is expected to stabilize further once it reaches commercial production.

The table below sets forth the forecast operating costs from Jun-Dec 2025 to 2040. Our forecast is based on actual operating costs and plant performance from 2022 to May 2025, existing contracts with suppliers, royalties and other governmental charges, and the technical studies.

Table 15.3: Forecast operating cost (nominal)

Production Profile	Unit	Total LoM	Jun- Dec 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Mining																		
Kaolin ore	kt	5,985	219	400	400	400	400	400	400	400	400	400	400	400	400	400	400	166
Loss on Ignition	%	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18
Products																		
Precision casting mullite products	kt	3,518	164	230	230	230	230	230	230	230	230	230	230	230	230	230	230	131
Refractory mullite products	kt	750	36	49	49	49	49	49	49	49	49	49	49	49	49	49	49	28
Raw coke and raw powder	kt	946	52	62	62	62	62	62	62	62	62	62	62	62	62	62	62	36
Ceramic fibre	t	11,639	390	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750
Operating Cash Cost by Activities																		
Workforce employment ⁽¹⁾	RMB million	794.2	34.3	48.3	49.0	49.6	50.1	50.7	51.2	51.8	52.3	52.9	53.5	54.1	54.7	55.3	55.9	30.6
Consumables	RMB million	888.5	38.3	54.0	54.8	55.4	56.1	56.7	57.3	57.9	58.6	59.2	59.9	60.5	61.2	61.9	62.5	34.2
Fuel electricity, water and other services ⁽¹⁾	RMB million	1,781.6	76.9	108.3	110.0	111.2	112.4	113.6	114.9	116.2	117.4	118.7	120.0	121.4	122.7	124.0	125.4	68.6
On-site and off-site administration	RMB million	429.4	18.5	26.1	26.5	26.8	27.1	27.4	27.7	28.0	28.3	28.6	28.9	29.2	29.6	29.9	30.2	16.5
Environmental protection and monitoring	RMB million	60.0	2.6	3.6	3.7	3.7	3.8	3.8	3.9	3.9	4.0	4.0	4.0	4.1	4.1	4.2	4.2	2.3
Transportation of workforce	RMB million	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

BUSINESS

Production Profile	Unit	Total LoM	Jun- Dec 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Product marketing and transport	RMB million	285.9	12.5	17.6	17.9	18.1	18.3	18.5	18.7	18.9	19.1	19.3	19.5	19.7	20.0	20.2	20.4	11.1
Non-income taxes, royalties and other governmental charges	RMB million	66.3	2.7	2.9	4.0	4.3	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.6	4.6	4.6	4.6	2.5
Contingency allowances	RMB million	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	RMB million	4,309.4	185.8	260.7	265.9	269.1	272.2	275.1	278.1	281.1	284.2	287.3	290.4	293.6	296.8	300.0	303.3	165.7
Operating Cash Cost by Products																		
Precision casting mullite products	RMB million	3,443.4	147.6	208.4	212.5	215.1	217.6	219.9	222.3	224.7	227.1	229.6	232.1	234.7	237.2	239.8	242.4	132.5
Refractory mullite products	RMB million	635.6	29.6	38.3	39.1	39.6	40.0	40.4	40.9	41.3	41.8	42.2	42.7	43.1	43.6	44.1	44.6	24.4
Raw coke and raw powder	RMB million	147.4	5.4	9.0	9.2	9.3	9.4	9.5	9.6	9.7	9.8	9.9	10.0	10.1	10.2	10.3	10.4	5.7
Ceramic fibre	RMB million	82.9	3.2	5.0	5.1	5.2	5.3	5.3	5.4	5.4	5.5	5.6	5.6	5.7	5.7	5.8	5.9	3.2
Total	RMB million	4,309.4	185.8	260.7	265.9	269.1	272.2	275.1	278.1	281.1	284.2	287.3	290.4	293.6	296.8	300.0	303.3	165.7
Operating Cash Unit Cost by Products																		
Precision casting mullite products	RMB/t	979	900	905	923	934	945	955	966	976	987	997	1,008	1,019	1,030	1,042	1,053	1,013
Refractory mullite products	RMB/t	847	819	782	797	807	816	825	834	843	852	861	871	881	890	900	909	873
Raw coke and raw powder	RMB/t	156	103	145	148	150	151	153	155	156	158	160	161	163	165	167	168	221
Ceramic fibre	RMB/t	7,124	8,114	6,724	6,857	6,941	7,020	7,096	7,173	7,250	7,329	7,408	7,488	7,572	7,654	7,737	7,821	4,274

Note:

- (1) “Fuel, electricity, water and other services” and “Workforce employment” are treated as variable costs, and in line with the expected constant annual production volume of 400,000 tonnes from 2026 to 2039, these costs are mainly subject to a business-as-usual annual escalation to reflect normal inflation in utility tariffs and wages. On the other hand, the higher historical fluctuations were primarily due to the variations in production volume during the Track Record Period.

Risks Associated with Shuoli Kaolin Mine

The mining industry inherently has a high level of risk, which is due to factors such as the nature of the ore body, ore distribution, grade and variations in mining and ore processing which are not able to be accurately predicted or accounted for. The following table sets forth a summary of the risk assessment undertaken by the Independent Technical Consultant, including its assessment result and the ratings of the relevant risks as well as recommendations for actions to mitigate technical risks:

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Mineral resource and ore reserve							
Locally high Fe ₂ O ₃ content occurs in certain bedding of the estimated domains	The 2D estimation method requires one composite for each complete intersection through the mineralised zone. Fe ₂ O ₃ was assessed based on the average grade of the entire intersection of the mineralised zone.	Impose a more intensive grade control protocol to better identify Fe ₂ O ₃ content and mix the low Fe ₂ O ₃ ore with high Fe ₂ O ₃ ore.	Possible	Minor	Low	When planning the production system of the new ore body, the packing and transportation system should be considered to isolate and transport the ore with high impurity content from the source. At the same time, the mixture of low Fe ₂ O ₃ ore and high Fe ₂ O ₃ ore is completed in the ground homogenization silo before the ore enters the plant.	The working face can be used to separate the ore; Now the ground homogenization silo has been put into operation, which can complete the mixing of low Fe ₂ O ₃ ore and high Fe ₂ O ₃ ore.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Mining							
Production plan	Failure to meet production targets due to delay or failure of underground development and mining block preparation development; low operating time and equipment utilization.	Ensure that short-term planning is capable of identifying and resolving issues that could cause production delays, improving operation planning and equipment maintenance; ensure sufficient capacity of equipment and system.	Unlikely	Moderate	Low	Reasonable planning and design of the remaining working face in South II mining area, scientific preparation of production organization design in recent years, reasonable assessment of uncertainties in the next production process, reserve equipment and emergency plans in advance.	The design of the remaining working face in South II mining area has been preliminarily completed. The supplementary exploration plan of the adjacent block of South II mining area has been submitted and under on-site review. The supplementary exploration funding plan has been issued.
Equipment shortage or shutdown	Insufficient quantity or inefficient mining equipment; low equipment capacity due to unexpected conditions; equipment failure due to overload.	Ensure the maintenance schedule is implemented.	Possible	Moderate	Medium	Mine equipment should be repaired and maintained as planned, and that which cannot be repaired should be replaced in time to ensure that the equipment meets the needs of mining and production.	At present, all production-related equipment in the mine is routinely repaired and maintained including daily and weekly inspections. These inspections are designed to identify and address any potential issues promptly, ensuring the equipment remains in optimal working condition. If it cannot be maintained from the underground site, it shall be returned to the factory for maintenance after the service expires.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Adverse micro-geological conditions (faults and disturbances).	Conditions changed significantly, leading to mine plan failure.	Impose practical mapping procedures to study changes in the mining conditions during drilling and heading development; change of equipment from longwall to shortwall.	Unlikely	Moderate	Low	When designing the working face, refer to the geological data and drawings of the original coal seam during mining, try to avoid the fault structure which has a great influence on production; at the same time, the geological conditions of the unconstructed section are ascertained in advance, so that countermeasures can be taken in time.	During the mining of the overlying coal seam in the remaining block of South II mining area, there is basically no major fault influence, and through the analysis of previous mining experience, the small fault of the overlying coal seam has basically no influence on kaolin mining.
Spontaneous combustion/mine fire/dust explosion	Safety hazards caused by the previously mined and remaining coal seams.	Implement monitoring and set alarms in the mined-out area, and block the gates to the coal seam area.	Unlikely	Moderate	Low	When kaolin is mined, the roof of the working face will naturally collapse. At the same time, after the mining of the working face, a sealing wall should be built at the entrance of the passageway, monitoring points should be set up and regular inspections should be carried out to check the gas and other conditions inside and outside the wall.	When the coal seam mining of the mine ended in 2019, all passageways of the system roadway leading to the coal seam mining area were sealed by sealing walls; during coal seam mining, both roadways of the working face have been sealed. Monitoring points are set outside the sealing wall of the passageways for regular monitoring.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Coal gas explosion/seam gas outbursts	Safety hazards caused by methane from the previously mined and remaining coal seams.	Implement monitoring and set alarms to the seam gas level, and block the gates to the coal seam area. Installation of efficient ventilation system.	Unlikely	Moderate	Low	When kaolin is mined, the roof of the working face will naturally collapse. At the same time, after the mining of the working face, a sealing wall should be built at the entrance of the passageway, monitoring points should be set up and regular inspections should be carried out to check the gas and other conditions inside and outside the wall.	When the coal seam mining of the mine ended in 2019, all passageways of the system roadway leading to the coal seam mining area were sealed by sealing walls; during coal seam mining, both roadways of the working face have been sealed. Monitoring points are set outside the sealing wall of the passageways for regular monitoring.
Lack of skilled labor and operational management	Lack of labor leading to mine plan failure.	Provide training for local employees and maintain the skilled labor and operational management.	Unlikely	Minor	Low	Vigorously improve the intelligent and mechanized level of mine production, in order to achieve the purpose of reducing personnel and improving efficiency, and reduce the risk caused by labor shortage.	Kaolin production adopts comprehensive mechanized mining, and actively introduces new technology and new equipment; regularly organize continuing education and training for employees to improve their professional quality and ability.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Compatibility of equipment and processes.	If the equipment and processes are not compatible, the result will be lower product quality and higher production costs.	Regularly conduct process inspections to evaluate the tasks and adaptability of each piece of equipment, and update them as necessary.	Possible	Moderate	Medium	Increase the inspection and maintenance of equipment operation, regularly inspect and replace spare parts to ensure that product quality control requirements are met. Use new processes, new equipment and new technologies to meet product quality control requirements.	Reserve spare parts and raw materials. Strengthen equipment inspection and maintenance. Use new processes, new equipment and new technologies to optimize product processes.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Ceramic fibre workshop production plant . . .	Failure to meet the annual production target of 750 tpa.	The production plan for the ceramic fibre workshop maybe conservatively reduced to 75% of the target.	Unlikely	Moderate	Low	Provide operational skills training for production workers to reduce the impact of unskilled application of new processes, new equipment and new technologies. Customer application scenarios are differentiated and production parameters need to be adjusted, which has an impact on production efficiency. For new equipment and high-temperature systems, safety management needs to be strengthened and system control needs to be more conservative.	Provide operation guidance and training to external personnel to improve operators' operating skills. Conduct in-depth research on new processes, new equipment and new technology applications to improve the adaptability of processes to customers' differentiated product application scenarios and reduce the impact of process parameter adjustments on production. Increase inspections and maintenance of equipment operation processes to ensure stability and safety of cycle operations.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Geotechnical							
No. 5 coal seam mined-out area may increase the difficulty of roof management during kaolin mining	The No. 5 coal seam above certain working faces of the kaolin mine has already been mined, compromising the stability of the roof. This may increase the difficulty of roof management during kaolin mining and could potentially lead to roof fall accidents.	First, use φ200 mm × 2,000 mm semicircular wood beams for roof management in fractured roof sections, strictly prohibiting unsupported sides, unsupported roofs, and rib spalling roof falls. Second, if rib spalling roof falls occur on the working face, employ advance support by erecting advance supports and using wooden stacks to secure the roof.	Unlikely	Moderate	Low	The working face adopts hydraulic support to support the roof. When the roof is broken or the pressure is large, promptly pull the advance support. Advance hydraulic support is used to support the roof in the advance section of both roadways of the working face.	During the mining of the working face, the roof at the upper and lower ends are supported with hydraulic support and advance hydraulic support. When the roof of the rock wall side is broken, promptly pull the advance supports.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Roadway deformation caused by upper and lower coal seams depletion	Due to the mining of the upper and lower coal seams, some sections of the surrounding rock have been damaged, leading to roadway deformation and damage, making support challenging.	First, change the design concept and optimise the roadway layout level. Second, for fractured, easily weathered, water-bearing rock, implement targeted sealing and reinforcement measures. Third, promote mutual reinforcement between primary and secondary support to enhance the load-bearing function of the surrounding rock. Fourth, focus on the later maintenance and reinforcement of the roadway by taking targeted reinforcement measures based on dynamic monitoring of the deformation and strength weakening process of the surrounding rock.	Unlikely	Moderate	Low	In the subsequent construction system, the layout of the roadway should be optimized, and the primary support should be maximized in the roadway support design to improve the bearing capacity of surrounding rock. The deformation observation point of surrounding rock should be set up in the working roadway.	At present, the surrounding rock observation points have been set up in all the roadways in use and those serving them. The roof dynamic monitoring system is set up in the roadway affected by mining, and the data is uploaded to the ground terminal in real time.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Rib spalling and floor heave	The mine may have stress concentration areas where mining activities could lead to rib spalling and floor heave, posing safety risks.	Based on the layout of the working face and geological structure conditions, analyse and delineate the stress concentration range, and formulate special technical measures for mining in stress concentration areas.	Unlikely	Moderate	Low	The support strength should be improved when mining activities are carried out in the stress concentration areas; formulate special safety technical measures for the construction of stress concentration areas.	When the stress concentration area of the overlying South 5 coal seam is constructed in the early stages of the mine, the differentiated support design of roadway is re-designed to improve the support grade. Before the construction of the working face, analyze the geological structure conditions and timely adjust the targeted support design and construction scheme of the roadway.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Hydrology							
Undrained water in historical voids, leading to groundwater accidents	If management is inadequate, there may be a risk of accidentally penetrating historical voids, roadways and chambers, or encountering undrained water in historical voids, leading to groundwater accidents.	Mitigation measures include further clarifying the location, size and water accumulation in historical voids, and strictly adhering to national and Anhui Province technical regulations, standards and measures for preventing water ingress from historical voids.	Possible	Moderate	Medium	Check the historical voids of the whole mine, draw out the waterlogged areas, and estimate the water volume, etc. In accordance with the regulatory requirements, advanced centralized exploration and drainage of historical voids was carried out. Investigate the mined-out area, roadways and chambers that affect the excavation of the design work, and formulate specific targeted and reliable safety technical measures.	At present, the historical voids of the whole mine have been checked, the waterlogged areas have been drawn out, and the water volume has been estimated. Advanced centralized exploration and drainage of historical voids was carried out in accordance with the regulatory requirements. The mined-out areas, roadways and chambers that affect the excavation of the design work have been investigated, and specific targeted and reliable safety technical measures have been formulated.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Residual water inflow from the four closed adjacent mines	Once residual water from the four closed mines around the Shuoli Mine enters, the existing sump volume will not meet the <i>Coal Mine Water Prevention and Control Regulations</i> , posing a significant risk.	The mitigation measure is to complete the underground drainage system upgrade by the end of December 2025.	Unlikely	Major	Medium	The mine drainage system should be upgraded, including the expansion of the sump and the replacement of large-flow drainage pumps, and the upgrading work should be completed before the end of December 2025.	By the end of November, the sump has been expanded by 1,100 m ³ . At present, one drainage pump has been replaced and upgraded, and the other is expected to be replaced by the end of 2025.
Seepage on the mine field boundary coal pillars and artificial partition walls	After the closure of the four surrounding mines, the residual water will raise the water level, exerting pressure on the mine's field boundary coal pillars and artificial partition walls, posing a risk of seepage.	Conduct monitoring and control and reinforce protection of the artificial partition walls.	Possible	Moderate	Medium	Strengthen the inspection of grouting partition wall, monitoring and analysis combined with the water level of the surrounding historical voids' hydrologic observation hole. There is no mining activity around the artificial partition wall, and the integrity is not damaged.	<ol style="list-style-type: none"> 1. There are water level observation holes for the historical voids around the mine construction, which can dynamically monitor the change of water level in real time. 2. In accordance with changes in the water levels of the surrounding historical voids, proactive measures will be taken to achieve timely warning. 3. There is no mining activity around the artificial partition wall to ensure its integrity is not damaged.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Water pollution to the environment	The potential risks of the project to surface water and groundwater are due to the indiscriminate discharge of untreated production and domestic wastewater.	Dispose of the mine's dewatering water and domestic wastewater properly. Conduct regular surface and groundwater monitoring.	Unlikely	Moderate	Low	Currently, all the mine water from the uplifting shaft enters the mine water purification and treatment station for standard treatment. As for the plant domestic wastewater, it enters the workers' village urban sewage network via the plant sewage outlets for centralized treatment. A third-party testing agency is commissioned quarterly to conduct testing. The latest test results conducted in November 2024 meet national and local drainage standards.	In 1987, a mine water purification and treatment station with a daily treatment capacity of 5,000 m ³ was built, and in 2019, rainwater and wastewater separation was carried out. The capacity expansion of the mine water purification and treatment station is scheduled in 2026.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Air emissions management	Air pollutants come from production processes such as vertical kilns, rotary kilns, feeding, crushing and screening. Particulate matter, sulfur dioxide and nitrogen oxides are the main air pollutants of the Project.	Undertake maintenance of the desulfurisation and denitrification facilities. Conduct regular air monitoring.	Possible	Moderate	Medium	Dust removal, desulfurization and denitrification of particulates, sulfur dioxide and nitrogen oxides discharged from shaft kiln and rotary kiln were carried out. For the particulates generated by unorganized discharge in the process of feeding, crushing and screening, the methods of sealing, negative pressure dust collection (負壓收塵) and bag dust collection (布袋收塵) are adopted to reduce emissions.	In 2019, three rotary kilns and one shaft kiln were reformed for desulfurization, denitrification and dust removal, and the feeding, crushing and screening systems in the workshops were gradually sealed and dust collection devices were installed. In the future, we will continue to take measures to ensure compliance with the stable emission of various pollutants.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Stakeholder engagement and social aspects	No stakeholder engagement plan has been developed for the Project.	Develop and implement a stakeholder engagement plan. A grievance mechanism is also recommended to mitigate social risks.	Unlikely	Moderate	Low	Formulate development plans for surrounding communities. When the Company's production affects surrounding residents, develop noise countermeasures and emergency response mechanisms to prevent the impact of the company's production on surrounding residents.	The initial loss from mining collapse caused by previous activities by other coal mining companies has been dealt with in the early stage, and no further mining collapse has occurred since then. Measures including annual geological environment monitor will be taken to reduce any future impact. We conduct geological environment monitoring annually to assess the impact of mining collapse. At the same time, as production at the ground plant has increased, so has the need for more environmental protection facilities and equipment protection facilities and equipment to reduce the environmental impact.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Product price.	Price reduction due to decline in demand or increased competition.	Active marketing and promotion; active ongoing product development focusing on high-value and innovative products.	Possible	Moderate	Medium	Engage in vigorous marketing and promotion. Actively engage in product development.	Active market analysis and competitive pricing strategies, with a short-term focus on adapting to demand changes.
Product specifications . . .	Clients request new specifications for products.	Incorporate flexible processing lines in the plant that can respond to change.	Unlikely	Low	Low	Use flexible production lines in processing plants.	Efforts to accommodate new client specifications are underway, with a medium-term time frame to enhance product development and customization capabilities.

BUSINESS

Risk	Description	Control Recommendations	Likelihood	Consequence	Rating	Mitigation Measures	Implementation Status and Time Frame
Client loss	Established clients purchase product from competitors.	Actively seek new clients and maintain good relations with existing clients.	Possible	Moderate	Medium	Actively develop new customers on the basis of maintaining existing customers.	Strategies to retain established clients are being optimized, with immediate actions to strengthen client relationships and loyalty programs.
Insufficient product . . .	Production is capped below quantity required to maintain or expand market share.	Investigate possible increase in production license quantity if warranted by increased demand.	Unlikely	Low	Low	Optimize existing production organization and improve production efficiency.	Measures to increase production capacity are in the planning phase, targeting a medium-term resolution to support market share growth.
Restricted/limited market	Sales currently only in China may be subject to local fluctuations in high-technology industry.	Broaden client base and consider overseas clients.	Unlikely	Low	Low	Expand overseas markets and increase customer base.	Monitoring of sales in China is ongoing, with contingency plans being formulated to address potential local industry fluctuations in the short to medium term.

OUR PRODUCTS

We specialize in the production and sales of precision casting mullite products, refractory mullite products and raw coke and raw powder, among which precision casting mullite products and refractory mullite products are produced through beneficiation and processing operations, while raw coke is derived from mining and selection processes, and raw powder is derived from crushing and selecting kaolin ore. All of our products are produced from coal-series kaolin ore. We were the largest precision casting mullite products producer in China in terms of the sales value of precision casting mullite products in 2024, with a market share of 19.1%, according to Frost & Sullivan. Our products are widely used in the precision casting industry. In particular, we are one of the industry leaders in supplying raw materials for the shells in precision casting for the automotive, aviation, healthcare and general equipment industries.

BUSINESS

As advised by our Independent Technical Consultant, based on their current understanding of the deposit, our kaolinite deposit does not contain economically viable concentrations of rare-earth elements (“REE”). Clay-hosted REE deposits are typically ion-adsorption clays formed through the weathering of granitic rocks, a geological setting distinct from the kaolin layers associated with coal-bearing sequences found at our Shuoli Kaolin Mine. As of the Latest Practicable Date, no evidence of economically recoverable REE mineralization has been identified within the deposit. As such, our products are not subject to any PRC’s export control relating to rare earth elements.

The following table sets forth a breakdown of our revenue by product type for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in thousands, except for percentages)									
Precision casting										
mullite products	184,193	96.8	165,931	81.1	185,492	69.4	66,139	74.9	68,111	65.0
Refractory mullite										
products	6,173	3.2	23,522	11.5	52,056	19.5	18,671	21.2	24,703	23.5
Raw coke and raw										
powder	–	–	15,234	7.4	26,621	10.0	3,479	3.9	9,328	8.9
Ceramic fiber	–	–	–	–	2,973	1.1	–	–	2,757	2.6
Total	190,366	100.0	204,687	100.0	267,142	100.0	88,289	100.0	104,899	100.0

The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Gross profit	Gross margin %	Gross profit	Gross margin %	Gross profit	Gross margin %	Gross profit	Gross margin %	Gross profit	Gross margin %
	(unaudited)									
	(RMB in thousands, except for percentages)									
Precision casting										
mullite products	56,961	30.9	51,185	30.8	67,895	36.6	23,190	35.1	26,041	38.2
Refractory mullite										
products	595	9.6	9,315	39.6	12,108	23.3	5,521	29.6	5,165	20.9
Raw coke and raw										
powder	–	–	10,777	70.7	16,657	62.6	2,087	60.0	5,282	56.6
Ceramic fiber	–	–	–	–	1,510	50.8	–	–	786	28.5
Total	57,556	30.2	71,277	34.8	98,170	36.7	30,798	34.9	37,274	35.5

Main Products

Precision Casting Mullite Products

Precision casting mullite products refers to a high-performance material used in the precision casting process. Our precision casting mullite products are mainly produced by crushing kaolin ore, undergoing high-temperature calcination in a rotary kiln, removing impurities and screening. This process yields sand and powder products with a mullite crystal phase that has low levels of iron, potassium, sodium and other elements.

Below is an illustration of our precision casting mullite products:

Precision Casting Mullite Sand



Configurations: 10-16 mesh, 16-30 mesh,
30-60 mesh, 40-70 mesh, 60-80 mesh and
80-120 mesh

Precision Casting Mullite Powder



Configurations: 200 mesh, 270 mesh and
325 mesh

Precision casting is an advanced manufacturing process for producing complex-shaped intricate components with stringent accuracy requirements. It has been used for manufacturing high-value precision components in fields such as automotive, aviation, healthcare and general equipment. The performance of precision castings products is directly related to the quality of the shell molds, which is mainly associated with the materials used for producing the shell molds. Since the mullite sand and powder affects the strength of the shell mold and dimensional accuracy of the casting, it is essential for the material to possess high refractoriness, a low and uniform thermal expansion coefficient and strong thermochemical stability. Currently, kaolin is the key material for preparing shell molds in China, especially coal-series kaolin.

Our precision casting mullite products can be used as raw materials in the manufacturing of shell molds in the precision casting process for downstream high-end manufacturing industries such as high-temperature alloys, carbon steel and heat-resistant steel, serving industries such as automotive, aviation, healthcare and general equipment. For example, our precision casting mullite products can be used in the shell mold for the manufacture of high-temperature turbine blades in aircraft engines.



Note: The shell mold is primarily composed of precision casting mullite products (accounting for over 90% by weight), binder and additives (the shell mold is not produced by us). From the back layer to the surface layer directly in contact with molten metal (the brass-colored part in the diagram), the particle mesh size gradually increases, indicating a finer material particle size. The mesh size and number of layers in the diagram may be adjusted according to actual production conditions.

According to Frost & Sullivan, our precision casting mullite products have outstanding physical and chemical properties that exceed industry standards. For example, compared with similar products in the market, our products have a higher Al_2O_3 content, resulting in greater refractoriness. In addition, they contain fewer impurities, leading to better thermochemical stability. Shell molds made with our precision casting mullite products exhibit excellent dry and wet strength, high-temperature strength, and collapsibility, and the castings produced from these shell molds can be easily removed from molds, maintain their shape, resist shrinkage and possess a smooth surface, resulting in very high yields of finished products.

Refractory mullite products

Our refractory mullite products are made from coal-series kaolin as the raw material, primarily through processes such as high-temperature calcination in a shaft kiln, crushing and screening.

Below is an illustration of our refractory mullite products:

Refractory Mullite Granule



Configurations: 0-1mm, 1-3mm, 3-5mm, 5-8mm

Refractory Mullite Block



Configurations: 0-50mm, above 50mm

The mullite crystal phase of our refractory mullite products is well-developed and uniform, featuring a dense texture, high hardness, low expansion coefficient, excellent wear resistance and good thermochemical stability. Our refractory mullite products can be used to manufacture boilers, kilns, molds and other equipment used in high-temperature operations, serving as fundamental materials for various industries that involve high-temperature operations such as metallurgy and construction materials.

Below are illustrations of refractory brick for the equipment used in high-temperature operations made of refractory mullite material as an important refractory raw material:



Raw coke and raw powder

Our raw coke is derived from mining and selection processes, and raw powder is derived from crushing and selecting kaolin ore, where the larger and lumpy fragments are referred to as raw coke and the finer, powdery material is known as raw powder. We sell raw coke and raw powder to customers who may further process it depending on their own needs, including the production of refractory materials. We do not use raw coke and raw powder for the production of our own products. During the Track Record Period, the revenue generated from sales of raw coke and raw powder accounted for only a small portion of our total revenue.

Ceramic fiber

Ceramic fiber product is an aluminum silicate engineering fiber cotton synthesized and processed by calcined kaolin, mixed with quartz sand and alumina powder in proportion. The main production processes are raw material mixing, melting, fiber formation, slag removal and chopping. Ceramic fiber products are suitable for the production of the engineering ceramic environmental protection filter tube and automobile liners, and can be used for desulfurization and denitrification in metallurgy, electric power, thermal kiln, petrochemical, building materials and other environmental protection fields. Specifically, the engineering ceramic environmental protection filter tube, being an essential component in integrated high-temperature exhaust gas treatment systems, encompasses the functions of dry desulfurization, denitrification and dust removal. It is designed to filter and purify gases in various industrial applications such as production facilities for steel, coking, glass, glass fiber and biomass power plants.

We have constructed a ceramic fiber production line with an annual capacity of 1,000 tonnes, along with supporting facilities and infrastructure, at the Chamotte Plant. We use calcined kaolin as the main raw material to produce high-grade fibers suitable for desulfurization and denitrification environmental protection pipes, as well as conventional engineering fibers, thereby extending our reach into the environmental protection industry. Currently, most domestic environmental protection pipe manufacturers rely on a mix of imported engineering fibers and domestic fibers. Our ceramic fiber products have the potential to replace imported engineering fibers. Since January 2025, we had started commercial production and sales of ceramic fiber. See “— Suppliers and Contractors — Construction Contractors.”

BUSINESS

The following table sets forth a breakdown of the sales volume and average selling price by product type for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
		(RMB		(RMB		(RMB		(RMB		(RMB
	(kt)	per tonne)	(kt)	per tonne)	(kt)	per tonne)	(kt)	per tonne)	(kt)	per tonne)
Precision casting										
mullite products	118.5	1,554	109.0	1,522	133.1	1,394	44.6	1,483	52.1	1,307
Refractory mullite										
products	5.2	1,187	19.6	1,200	52.2	997	17.9	1,043	24.9	992
Raw coke and raw										
powder	—	—	39.4	387	86.9	306	7.6	458	37.9	246
Ceramic fiber	—	—	—	—	0.3	9,910	—	—	0.3	9,190

See “Financial Information — Period-to-Period Comparison of Results of Operations” for the analysis of fluctuations of sales volume and average selling price.

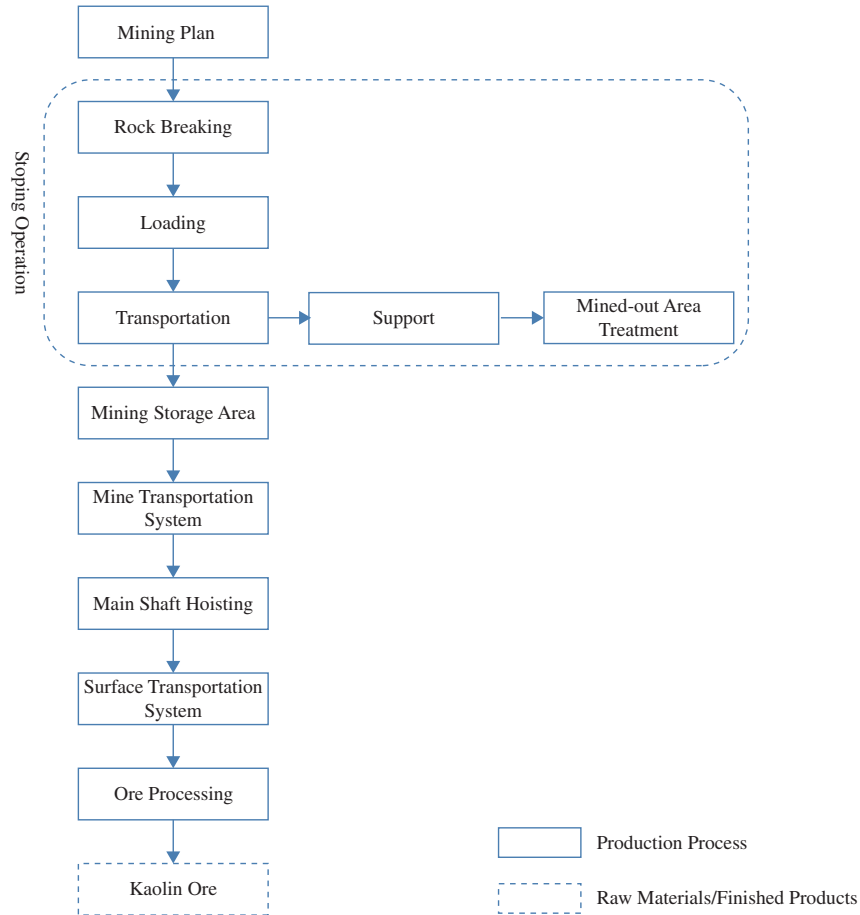
PRODUCTION

Production Processes

Mining

We use the underground mining method for the extraction of kaolin ore at our Shuoli Kaolin Mine. We formulate monthly mining and production plans, which are broken down into daily and shift tasks by our production team for the mining operation. Our mining process involves the following steps: (1) the kaolin deposit is cut and broken using a longwall shearer, (2) the crushed ore is loaded onto the working face scraper conveyor through the rotation of the coal machine drum, (3) the crushed ore is then transported out via the working face transfer conveyor and belt conveyor, (4) after each cycle of the longwall shearer cutting the kaolin deposit, the hydraulic support on the working face moves forward to support the roof, and (5) the roof in the goaf area behind the support naturally collapses. Steps (1) through (5) are the complete extraction process for a shift, which typically takes around eight hours, during which transporting the kaolin ore via the working face scraper conveyor, working face transfer conveyor and various belt conveyors to the mining area transport belt typically takes around four hours. (6) The mining area transport belt then transports the kaolin ore to the mining area storage silo, (7) it then enters the main mine transportation system, (8) the main shaft hoists the kaolin ore to the surface using a skip, which typically takes about seven hours, and (9) finally it is transported to the processing site for beneficiation according to specific volume standards. Our raw coke and raw powder are produced by crushing the kaolin ore mined from underground.

The main steps involved in underground mining are illustrated in the following flow chart:



BUSINESS

We own all the major equipment for our mining operation. The following table sets out a summary of the key mining equipment owned by us as of May 31, 2025:

Mining equipment	Purpose	Capacity (Tonne/hour)	Quantity	Estimated useful life (Month)	Average remaining useful life ⁽¹⁾ (Month)
Longwall Shearer 	Cutting kaolin ore	200	1	120	82
Scraper Conveyor 	Transporting kaolin ore	200	1	120	82
Loader 	Transporting kaolin ore	200	1	120	82
Belt Conveyor 	Transporting kaolin ore	200	6	120	82
Hydraulic Support 	Supporting the roof of the working face	–	76	120	82
Emulsion Pump Station 	Supplying hydraulic fluid to the hydraulic support	–	2	120	82
Mobile Substation 	Providing power to mining equipment	–	3	120	82

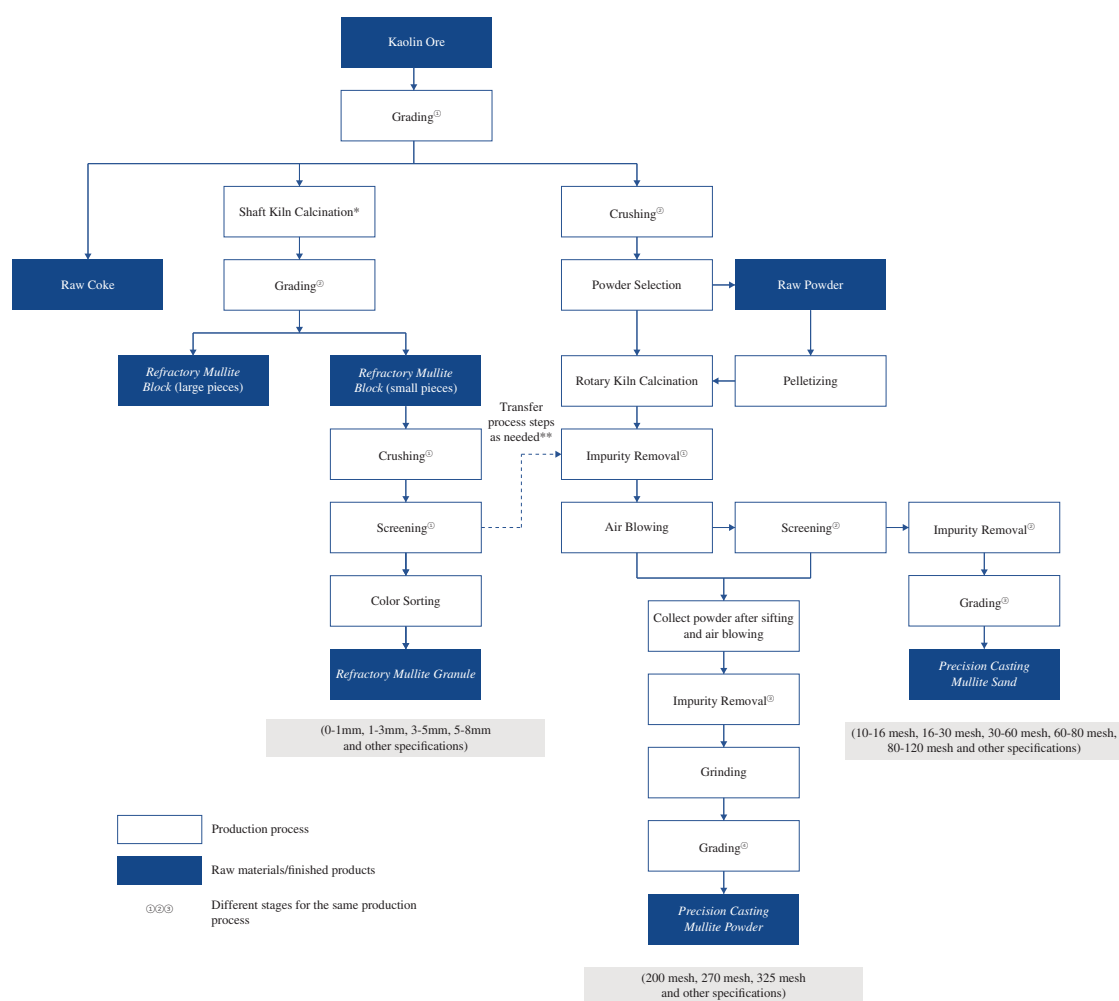
Note:

- (1) According to the accounting policies adopted by us, depreciation of our machinery is calculated using the straight-line method from five to 10 years, and allocate its costs to its residual values over the estimated useful lives of the machinery. The actual useful lives of the machinery may be different from the estimates. See Note II of the Accountants' Report in Appendix I to this prospectus for details of the depreciation method adopted for our machinery and its useful lives.

Beneficiation and processing

After the kaolin ore undergoes a series of procedures including initial grading, shaft kiln calcination, secondary grading, crushing and screening, semi-finished materials can proceed to the color sorting process to become refractory mullite products. Alternatively, they can enter initial grading, crushing, rotary kiln calcination, impurity removal, air blowing and screening processes to ultimately become precision casting mullite products. Based on market demand and production capacity, we can transform semi-finished products intended for refractory mullite products into precision casting mullite products through a specific conversion process as illustrated in the below flow chart.

The main steps involved in production process of precision casting mullite products and refractory mullite products are illustrated in the below flow chart and further explained below:



Note:

- * In light of increasing customer demand for refractory mullite products since the fourth quarter of 2023, we have outsourced the shaft kiln calcination of kaolin ore for the production of refractory mullite products to an external contractor since October 2023 to expand the sales of refractory mullite products.
- ** During actual production, according to market demand and production capacity, we can process the semi-finished product to be processed into refractory mullite products into precision casting mullite products through the conversion process steps.

Refractory mullite products

1. Grading ①

The kaolin ore is transported to a vibrating screen by a belt conveyor, where it is sorted into a 50mm standard. Kaolin ore that measures less than 50mm proceeds to the precision casting material processing line, while kaolin ore larger than 50mm is directed to the refractory mullite material processing line.

2. Shaft Kiln Calcination

In a shaft kiln calcination process, the kaolin ore is fed from the top and moves downward as fuel burns in the middle section, where temperature peaks at 1300°C. The calcination temperature gradually decreases from the middle section upwards. The material is added from the top, allowing for gradual preheating and calcination. This process takes approximately 96 hours. Below is an illustration of our shaft kiln.



3. Grading ②

The calcined kaolin ore is divided into large and small pieces.

4. Crushing ①

The material is transported to a crusher by a belt conveyor for crushing.

5. Screening ①

A screening machine is used to further screen out smaller particles of varying sizes (0-1mm, 1-3mm, 3-5mm, etc.).

6. Color Sorting

Based on different customer needs, the material after impurity removal enters the color sorter for enhanced impurity removal. In this stage, defective products or impurities are separated from the material, achieving the desired sorting results.

Precision Casting Mullite products

1. Grading ①

The kaolin ore is transported to a vibrating screen by a belt conveyor, where it is sorted to a 50mm standard. Kaolin ore that measures less than 50mm proceeds to the precision casting material processing line, while kaolin ore larger than 50mm is directed to the refractory mullite material processing line.

2. Crushing ②

The material is transported to a reversible impact crusher by a belt conveyor. Using screening equipment, any material that does not meet the size requirements is returned to the crusher by a bucket elevator for re-crushing until it meets the required particle size standard (<5mm).

3. Powder Selection

The material is transported to the powder separator by a bucket elevator for powder selection, and the powder is subsequently collected in a bag.

4. Pelletizing

The collected powder enters the upper bin of the pelletizer, where the powder selected by the powder separator is formed into spherical material. This process takes approximately 0.6 hours.

5. Rotary Kiln Calcination

The material is calcined using a rotary kiln. It is fed from the tail of the kiln and moves towards the head, where it is slowly and evenly heated and fully calcined. The temperature during the calcination process is maintained at approximately 1300°C, and the duration can be adjusted according to the material specifications required. This process takes approximately 2.4 hours. Below is an illustration of our rotary kiln.



6. Impurity Removal ①

Impurity removal equipment is used to remove iron and other impurities from the material.

7. Air Blowing

A powerful airflow blower is used to separate and collect powder material above 100 mesh, reducing the powder content in the sand to below 0.3%.

8. Screening ②

A screening machine is used to further screen out smaller particles, and the collected powder from the air blowing process is used in the subsequent preparation of precision casting mullite materials.

9. Impurity Removal ②, ③

Impurity removal equipment is again used to remove iron and other impurities from the material.

10. Grinding

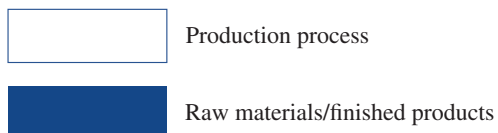
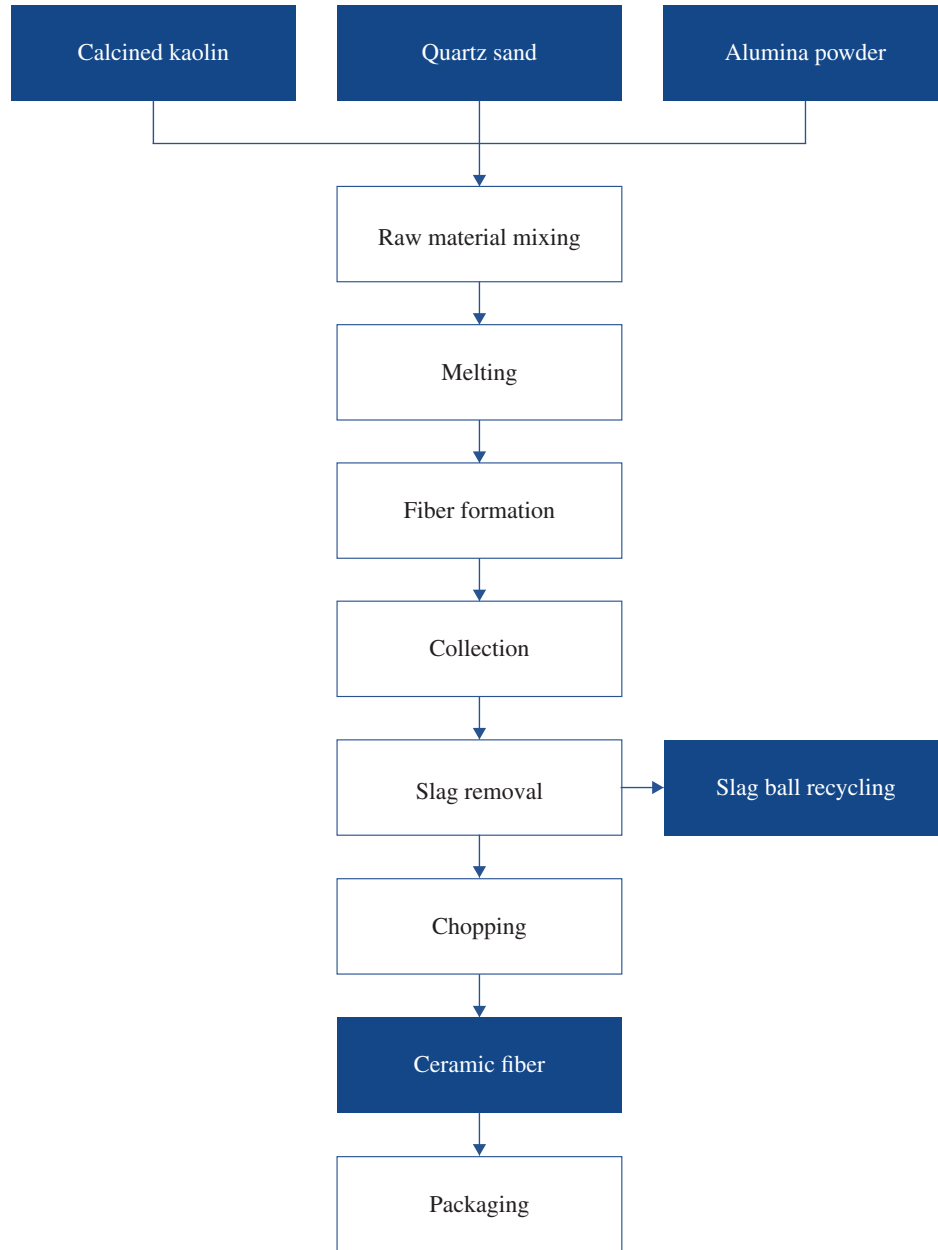
After impurity removal, the material is directed to a ball mill for grinding. The ball mill uses ceramic balls and ceramic linings to avoid contamination and improve product quality. The prepared powder is then transported to the classifier by a bucket elevator. This process takes approximately 1.5 hours.

11. Grading ③, ④

The powder prepared in the previous process is graded using a high-efficiency air classifier, which can produce precision casting mullite products in various specifications such as 200 mesh, 275 mesh and 325 mesh. After the process of Impurity Removal ②, the materials are graded, which can produce precision casting mullite products in various specifications such as 10-16 mesh, 16-30 mesh, 30-60 mesh, 60-80 mesh.

Ceramic fiber

The main steps involved in production process of ceramic fiber are illustrated in the below flow chart and further explained below:



1. Raw material mixing

The raw materials used in the production process need a certain proportion of silicon and aluminum ingredients, which are mixed according to a ratio through a feeding device and a dosing device, and then enter into a mixing machine to be fully mixed. This process is approximately 0.5 hour per tonne.

2. Melting

After mixing, the raw materials are transported to a furnace through a conveying device, where the raw materials are melted into a magma state through three electrodes input, and then form a liquid column, which will flow to a blowing nozzle through an orifice. The time consumed by this process is mainly the time from starting up the machine to raising the temperature required for melting, which takes approximately 48 hours.

3. Fiber formation

Blowing method: a molten liquid flows out through a high temperature resistant metal orifice at the bottom of the furnace to form a liquid column, and the compressed air is used to blow the liquid column, so that the molten liquid becomes a mixture of solid fiber and slag ball particles. Spinning method: to make the fusant stream fall on the surface of the high-speed rotating centrifugal roller, and disperse the fusant and stretch it into fibers with the action of centrifugal force.

4. Collection

The molten raw material will become cellucotton through fiber forming, and then fiber is collected and concentrated in the cotton collecting cavity by a cotton collector.

5. Slag removal

In the process of fiber forming, a certain amount of slag ball particles will be formed in the fiber. In order to improve the purity of the fiber, the proportion of pure fiber is increased by separating the slag ball through a dry slag removal device.

6. Chopping

The fiber will have a longer length after fiber forming, which can be processed in terms of length by an adjustable cutting equipment, to meet the requirements of the field of usage. After forming continuous fiber cotton, it is continuously sent to the chopper and fiber loose cotton will be immediately formed after being chopped.

7. Packaging

The finished fiber products are packaged by weight using packaging equipment. The fiber loose cotton will be transported into a packaging machine by a fan to form a 10 kg fiber block.

We own the proprietary technology to produce precision casting mullite products through rotary kiln calcination. This innovative approach distinguishes us in the industry, ensuring high-quality products with high refractoriness, low expansion coefficient, strong resistance to chemical corrosion and high load softening point. These features make our products highly suitable for casting carbon steel, stainless steel, heat-resistant steel and alloys like aluminum and titanium. The shell produced with our products exhibits high strength and good permeability, with excellent collapsibility after pouring, ensuring that the castings retain their shape, do not shrink and maintain a smooth finish. The conventional method for producing precision casting mullite products begins with mining block-shaped kaolin ore, which is then calcined in a shaft kiln, crushed into granular material and screened into different particle sizes of precision casting mullite sand products. The material calcined in this way exhibits high Mohs hardness, causing notable wear in subsequent processing, low yield, high labor intensity and potential contamination with external iron and other impurities. Additionally, the shaft kiln can only calcinate blocky materials, resulting in low resource utilization.

However, we crush the kaolin ore into fine sand before calcination in a rotary kiln, leveraging the low hardness and easy crushing characteristics of kaolin ore. The semi-finished material from the rotary kiln then undergoes grading, impurity removal and air-blowing through a screening system. Rotary kiln calcination causes impurities and iron to precipitate and aggregate, allowing most impurities to be removed in subsequent impurity removal steps. This innovative method significantly enhances resource utilization, resulting in higher production efficiency and product quality compared with traditional processes. Furthermore, the fine sand form of the material improves calcination stability and uniformity and provides a passivation effect on sintered particles, resulting in more rounded sand particles. The precision casting shells made from this sand exhibit better permeability, effectively reducing casting defects such as under-casting and porosity caused by poor shell permeability.






Additionally, in calcination operations of kaolin ore companies typically adopt a combination of “manual fire watching” and “single machine control”, where operators rely on experience to monitor material temperature, use handheld devices to test kiln body temperature and manually manage production lines from control cabinets. This results in imprecise control of calcination parameters, which can compromise product quality and pose safety risks. We have independently developed intelligent calcination technology, using colorimetric thermometers, TV probes used in industries that involve high-temperature operations, infrared radar scanners, and other devices to monitor the internal material temperature and kiln body surface temperature of the rotary kiln in real time. These devices work with programmable logic controllers to transmit control signals to the control circuit, achieving precise control of calcination temperature, improving product quality, and reducing safety risks and labor costs.

BUSINESS


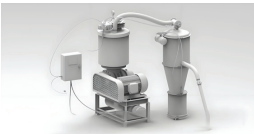




We own all the major equipment for our processing operation. The following table sets out a summary of the key production equipment for precision casting mullite products and refractory mullite products owned by us as of May 31, 2025:

Production equipment	Purpose	Capacity	Quantity	Estimated useful life	Average remaining useful life ⁽¹⁾⁽²⁾
		(tpa)		(Month)	(Month)
	High-temperature calcination of kaolin	200,000	1	240	235
		50,000	1	240	151
		30,000	2	240	67
	High-temperature calcination of kaolin	15,000	2	240	175
	Crushing kaolin ore into fine sand	300,000	4	120	115
		200,000	1	120	35
	Separating iron materials from semi-finished products	300,000	22	120	115
		200,000	4	120	92
	Screening semi-finished products into different specifications based on particle size	300,000	10	120	115
		200,000	25	120	15

BUSINESS

Production equipment	Purpose	Capacity (tpa)	Quantity	Estimated useful life (Month)	Average remaining useful life ⁽¹⁾⁽²⁾ (Month)
	Material transportation	300,000	60	120	115
		200,000	12	120	17
	Further processing semi-finished products into finer precision casting powder	300,000	2	120	115
		180,000	2	120	74
	Separating fine powder from the material	200,000	3	120	115
		180,000	2	120	74
	Packaging bulk products into 25kg bags	300,000	6	120	115
		100,000	2	120	92
	Systematized placing of 25kg bagged products on pallets	300,000	3	120	115
		200,000	2	120	32

BUSINESS

Production equipment	Purpose	Capacity (tpa)	Quantity	Estimated useful life (Month)	Average remaining useful life ⁽¹⁾⁽²⁾ (Month)
Raw material mixing system equipment 	Raw material mixing	1,000	1	120	110
Vacuum loading system equipment. 	Automatic loading	1,000	1	120	110
Resistance furnace system equipment. 	Raw material melting	1,000	1	120	102
Fibre formation system equipment. 	Dispersing the molten slurry and blowing into fibre	1,000	1	120	110
Cotton collection system equipment. 	Collecting fiber	1,000	1	120	110
Chopping machine . . 	Chopping fiber to form a fiber flake	1,000	1	120	110

BUSINESS

<u>Production equipment</u>	<u>Purpose</u>	<u>Capacity</u>	<u>Quantity</u>	<u>Estimated useful life</u>	<u>Average remaining useful life⁽¹⁾⁽²⁾</u>
		<i>(tpa)</i>		<i>(Month)</i>	<i>(Month)</i>
Automatic quantitative packaging machine	Compressing fiber loose cotton into clumps and packaging	1,000	1	120	110



Note:

- (1) According to the accounting policies adopted by us, depreciation of our machinery is calculated using the straight-line method from five to 10 years, and allocate its costs to its residual values over the estimated useful lives of the machinery. The actual useful lives of the machinery may be different from the estimates. See Note II of the Accountants' Report in Appendix I to this prospectus for details of the depreciation method adopted for our machinery and its useful lives.
- (2) In January 2024, we put into operation a range of new equipment, including one rotary kiln with an annual production capacity of 200,000 tonnes, three crushers, 12 iron removers, five screening machine, 45 conveyors, two ball mills, four powder separators, six packaging machine and three palletizers. See "— Suppliers and Contractors — Construction Contractors".

Production Management System

We have adopted the ERP system which is applicable to (i) our production and transportation process and (ii) our contract management.

To prepare for the manufacturing of our products, the production personnel will provide a list of raw materials including their quantities and type required for the products, which will be saved in the ERP system. The statistics relating to the production will be collected, saved and managed in an organized manner in the ERP system.

The ERP system allows us to effectively monitor each product's transportation and conveying process. It will record the license plate number of the trucks, the type of products unloaded and the name of the driver in the ERP system. The ERP system also assists us with monitoring the progress of our sales agreement and purchase orders, which allows us to ensure the allocation of resources for the purchase order as well as to track the time for settlement of payment by our customers. Our production staff will input the information of the type of products ordered and expected quantities.

Production Facilities

As of the Latest Practicable Date, we operated three production facilities in Duji District, Huaibei, Anhui Province in the PRC, namely Mining Plant, Chamotte Plant and Mullite Precision Casting Sand and Powder Plant. The Mining Plant and Chamotte Plant are located in Shuoli Town, 16 km northeast of Huaibei City, within the jurisdiction of Shuoli Township, Duji District, Huaibei City. The Mullite Precision Casting Sand and Powder Plant is located 11 km south of the Chamotte Plant. The Mining Plant is used for mining kaolin ore from underground deposits and transport them to the ground for subsequent processing. The Chamotte Plant, spanning an aggregate site area of 134,890 sq.m, is mainly used for producing refractory mullite products, semi-finished products intended for precision casting mullite products, finished precision casting mullite products and ceramic fiber. The Mullite Precision Casting Sand and Powder Plant, occupying an aggregate site area of 38,548 sq.m, is mainly used for processing semi-finished materials from Chamotte Plant, which will undergo crushing, iron removal, screening and grinding processes to eventually become precision casting mullite sand and powder products. To increase our production capacity for precision casting mullite products, we constructed a new production line for precision casting mullite products with an annual production capacity of 200,000 tonnes in Chamotte Plant. We commenced commercial production in January 2025. See “— Suppliers and Contractors — Construction Contractors.” From 2025, our Chamotte Plant is also used for producing precision casting mullite products.

Machinery, Equipment and Maintenance

We continually repair and upgrade our machinery and equipment to improve our operational efficiency. We have a comprehensive equipment maintenance system in place, with daily inspections for large machinery and regular checks and maintenance for other production equipment. Comprehensive inspections or overhauls are conducted periodically based on equipment lifecycles. We have on average around four to eight weeks of overhaul and maintenance each year at our production plants. For our processing plants' machinery and equipment that we own, we also conduct maintenance and overhaul on a regular basis. We have developed and implemented internal procedures at our plants periodically according to the characteristics and requirements of the particular equipment and machinery in order to ensure their proper functioning. For example, the rotary kiln generally undergoes maintenance every three to six months, with each maintenance lasting 15-30 days, while the shaft kiln is maintained once a year, with each maintenance lasting 45-60 days. We also conduct unscheduled maintenance on the rotary kiln and shaft kiln due to equipment failures, each lasting 3-10 days. During the Track Record Period, we did not experience any material or prolonged suspension of operations due to machinery, equipment or other facility failures.

BUSINESS

Utilization Rate

The table below sets forth the utilization rates of our key products during the Track Record Period.

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
Precision casting mullite products					
Designed production capacity ⁽¹⁾ (kt)	110.0	110.0	110.0	45.8	129.2 ⁽⁵⁾
Actual production volume (kt)	117.9	114.5	105.6 ⁽⁴⁾	46.8	84.8
Utilization rate ⁽²⁾ (%)	107.2 ⁽³⁾	104.1 ⁽³⁾	96.0	102.2 ⁽³⁾	65.6 ⁽⁶⁾
Refractory mullite products					
Designed production capacity ⁽¹⁾ (kt)	30.0	30.0	30.0	12.5	12.5
Actual production volume (kt)	5.2	19.8	25.7	10.6	10.6
Utilization rate ⁽²⁾ (%)	17.3	65.9	85.7	84.9	84.8
Overall					
Designed production capacity ⁽¹⁾ (kt)	140.0	140.0	140.0	58.3	141.7
Actual production volume (kt)	123.1	134.3	131.3	57.4	95.4
Utilization rate ⁽²⁾ (%)	87.9	95.9	93.8	98.5	67.3

Notes:

- (1) The designed production capacity represents the maximum annual production output at the bottleneck of the production process assuming: (i) sufficient labor is available at all times; (ii) approximately 300 working days per year for production; (iii) three eight-hour shifts per working day; and (iv) no major equipment breakdown.
- (2) The utilization rate is calculated based on the actual production volume for the relevant year/period divided by the designed production capacity.
- (3) The utilization rate of precision casting mullite products in 2022 and 2023 and the five months ended May 31, 2024 exceeded 100% because we extended production time beyond the initially planned schedule of 300 days for a fiscal year or 125 days for the five months ended May 31, 2024. This adjustment was necessary to accommodate increased demand and fulfil customer orders promptly, ensuring we meet our clients' needs effectively. To increase our production capacity for precision casting mullite products, we engaged a construction contractor to design and construct a production line for precision casting mullite products with an annual production capacity of 200,000 tonnes. The main construction was completed in December 2023. Since November 2024, the production lines started trial production. We commenced commercial production in January 2025. See "— Suppliers and Contractors — Construction Contractors."
- (4) The actual production volume of precision casting mullite products in 2024 did not include the trial production volume from the new production line mentioned above, which amounted to 25.6 kt.
- (5) The designed production capacity of precision casting mullite products in the five months ended May 31, 2025 is derived by aggregating the existing annual capacity of 110.0 kt and the new production line's annual capacity of 200.0 kt, dividing the total by 12 months and multiplying by 5 months.
- (6) In the five months ended May 31, 2025, by deducting the production capacity of the two 30 kt rotary kilns that were shut down for scheduled maintenance and repair work, the adjusted designed production capacity for precision casting mullite products was 104.2 kt. The actual output totaled 84.8 kt, reflecting an adjusted utilization rate of 81.4%.

BUSINESS

The utilization rate of the production line for refractory mullite products increased from 17.3% in 2022 to 65.9% in 2023, and increased from 65.9% in 2023 to 85.7% in 2024, primarily due to a significant rise in production volume, allowing us to meet growing market demand and satisfy our expanded customer base.

The utilization rate of the production line for precision casting mullite products decreased from 102.2% in the five months ended May 31, 2024 to 65.6% in the five months ended May 31, 2025, primarily due to the ramp-up of the new production line and the scheduled maintenance and repair work on the existing production lines. The new production line commenced commercial production in January 2025. During the first few months, the actual production capacity of the new production line was lower than the designed capacity as the facility required time for testing and adjustment to reach stable and efficient operations. Meanwhile, the existing production lines underwent planned maintenance and repair work during the same period for the purpose of extending their life of operation. Our existing production lines for precision casting mullite products included two rotary kilns, each with an annual production capacity of 30 kt (“30 kt rotary kilns”), and one rotary kiln with an annual production capacity of 50 kt (“50 kt rotary kiln”). See “Production — Production Processes — Beneficiation and Processing.” The two 30 kt rotary kilns were scheduled for undergoing major maintenance and repair work at the end of 2024 as the new production line started trial production, which is expected to be completed and resume production by the end of 2025. As the two 30kt rotary kilns had been in operations for approximately 15 years prior to shutting down for maintenance and repair work since January 2025, such prolonged use led to deformation of the rotary kilns. Thus, complex repairing procedures including, among others, segmental replacement of the kiln shells, complete removal of the kiln linings, alignment of the kiln body, relining of the interior and high-altitude reinforcement of the chimney, are expected to take one year to complete. The 50 kt rotary kiln has undergone regular scheduled maintenance. Despite the lower utilization rate in the five months ended May 31, 2025, the actual production volume of precision casting mullite products increased significantly from 46.8 kt in the five months ended May 31, 2024 to 84.8 kt in the same period of 2025. This increase reflects strong and growing market demand for precision casting mullite products.

The table below sets forth the utilization rates of each of our production facilities during the Track Record Period.

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
Mullite Precision Casting Sand and Powder Plant					
Designed production capacity ⁽¹⁾ (kt)	94.0	94.0	94.0	39.2	39.2
Actual production volume (kt)	101.3	100.4	91.3	38.9	14.4
Utilization rate ⁽²⁾ (%)	107.8 ⁽³⁾	106.8 ⁽³⁾	97.1	99.2	36.7 ⁽⁵⁾

BUSINESS

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
Chamotte Plant					
Designed production capacity ⁽¹⁾ (kt)	46.0	46.0	46.0	19.2	102.5 ⁽⁶⁾
Actual production volume (kt)	21.8	33.9	40.0 ⁽⁴⁾	18.5	81.0
Utilization rate ⁽²⁾ (%)	47.3	73.6	87.1	96.4	79.0

Notes:

- (1) The designed production capacity represents the maximum annual production output at the bottleneck of the production process assuming: (i) sufficient labor is available at all times; (ii) approximately 300 working days per year for production; (iii) three eight-hour shifts per working day; and (iv) no major equipment breakdown.
- (2) The utilization rate is calculated based on the actual production volume for the relevant year/period divided by the designed production capacity.
- (3) The utilization rate of the Mullite Precision Casting Sand and Powder Plant in 2022 and 2023 exceeded 100% because we extended production time beyond the initially planned schedule of 300 days. This adjustment was necessary to accommodate increased demand and fulfil customer orders promptly, ensuring we meet our clients' needs effectively. To increase our production capacity for precision casting mullite products, we engaged a construction contractor to design and construct a production line for precision casting mullite products with an annual production capacity of 200,000 tonnes. The main construction was completed in December 2023. Since November 2024, the production lines started trial production. We commenced commercial production in January 2025. See “— Suppliers and Contractors — Construction Contractors.”
- (4) The actual production volume of the Chamotte Plant in 2024 did not include the trial production volume from the new production line mentioned above, which amounted to 25.6 kt.
- (5) In the five months ended May 31, 2025, by deducting the production capacity of the two 30 kt rotary kilns that were shut down for scheduled maintenance and repair work, the adjusted designed production capacity for the Mullite Precision Casting Sand and Powder Plant was 14.2 kt. The actual output totaled 14.4 kt, reflecting an adjusted utilization rate of 101.4%.
- (6) The designed production capacity of the Chamotte Plant in the five months ended May 31, 2025 is derived by aggregating the existing annual production capacity of 46.0 kt and the new production line's annual capacity of 200.0 kt of precision casting mullite products, dividing the total by 12 months and multiplying by 5 months.
- (7) The ceramic fiber is not included in the calculation of the Chamotte Plant's designed capacity, actual production volume and utilization rate as it accounted for an insignificant portion of our total revenue during the Track Record Period and is not considered a key product for the purpose of ensuring consistency and comparability in the presentation of utilization rates, as shown in the preceding table.

The utilization rate of our Mullite Precision Casting Sand and Powder Plant decreased from 99.2% in the five months ended May 31, 2024 to 36.7% in the five months ended May 31, 2025, primarily due to the commissioning of the new production line that commenced commercial production of new production line in Chamotte Plant in January 2025, which allowed for scheduled maintenance and repair work on the existing production lines which affected the production temporarily.

BUSINESS

The designed production capacity and actual production volume of our Chamotte Plant increased significantly from the five months ended May 31, 2024 to the same period in 2025, primarily because the new production line with an annual production capacity of 200,000 tonnes of precision casting mullite products at the Chamotte Plant commenced commercial production in January 2025.

The utilization rate of our Chamotte Plant decreased from 96.4% in the five months ended May 31, 2024 to 79.0% in the five months ended May 31, 2025, primarily due to the ramp-up of the above-mentioned new production line. The new production line commenced commercial production in January 2025. During the first few months, the actual production capacity of the new production line was lower than the designed capacity as the facility required time for testing and adjustment to reach stable and efficient operations. Despite the lower utilization rate in the five months ended May 31, 2025, the actual production volume of our Chamotte Plant increased significantly from 18.5 kt in the five months ended May 31, 2024 to 81.0 kt in the same period of 2025. This increase reflects strong and growing market demand for precision casting mullite products.

Expansion Plans

The following table sets forth a summary of our major expansion plans.

Plant Name	Primary Products Produced	Current Production Capacity (tpa)	Expected Increase in Production Capacity (tpa)	Key Timeline	Current Status	Amount of Capital Expenditure Incurred as of May 31, 2025 (RMB)	Expected Source of Funding
Chamotte Plant . . .	Refractory mullite products	30,000	40,000	2026	Under construction	4,945,111	Net proceeds from the Global Offering

Refractory Mullite Products

In order to capture the extensive market opportunities and increase our market share in the refractory mullite products market, we plan to expand our production capacity and optimize the production process of our refractory mullite products. Currently, we operate a production line for refractory mullite products with an annual designed capacity of 30,000 tonnes. We intend to build a new production line with an annual production capacity of 40,000 tonnes. This expansion will include the construction of a new shaft kiln calcination workshop, a processing workshop for refractory mullite granules, a kaolin fine powder processing workshop, a finished product warehouse and supporting facilities. According to Frost & Sullivan, the market size of refractory mullite products in China is expected to grow from RMB5,525.8 million in 2024 to RMB6,430.9 million in 2029 with a CAGR of 3.1%. The capacity upgrade and expansion will enable us to increase the sales volume of our refractory mullite products, allowing us to capture

a larger market share and further strengthen and enhance our market position. As of the Latest Practicable Date, this production expansion was under construction and expected to start production in 2026. See “— Our Strategies — Expanding Production Scale and Optimizing Production Processes of Our Products” and “Future Plans and Use of Proceeds.”

SALES AND MARKETING

We market and sell mullite products primarily in China. We have a dedicated sales and marketing team that is responsible for marketing and selling our products. As of May 31, 2025, we had a sales and marketing team of 10 personnel. Our sales and marketing personnel are primarily responsible for maintaining communication with existing customers to understand their needs and feedback on our products, in order to estimate the sales volume of relevant products and arrange procurement and production plans accordingly. Our sales and marketing personnel also seek to expand our customer base through showcasing the strengths of our products and services to potential customers. Leveraging our extensive industry experience, we have established a stable customer base in China. As of May 31, 2025, we had 40 customers who have maintained business relationship with us for more than five years. We are principally engaged in sales to end-user customers, which are mainly precision casting manufacturers and refractory material manufacturers. We also sell products through traders, who in turn resell our products.

In respect of our marketing and branding efforts, we are employing a multifaceted approach to enhance brand exposure and recognition through media, internet, exhibitions and industry associations. We believe such an approach to be effective in increasing our exposure among industry players and potential customers, and thus building up a stable clientele.

For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, our selling and distribution expenses were RMB4.0 million, RMB3.8 million, RMB4.6 million, RMB2.0 million and RMB1.5 million, respectively, accounting for approximately 2.1%, 1.9%, 1.7%, 2.3% and 1.4% of our total revenue, respectively.

Pricing Strategies

The selling prices are generally determined by raw material costs and production costs, customer relationships, product specification, expected profit margin, length of contract and other contract terms. The prices of our products are also affected by the economic environment and the demand for our products as well as market competition in the industry. We conduct internal reviews of the selling prices and adjust the prices from time to time in response to circumstances including increases in raw materials or other costs. We set reasonable prices based on market positioning and target customers, while also considering costs and market prices.

BUSINESS

CUSTOMERS

We have established a diverse customer base comprising both end-users and traders. During the Track Record Period, we mainly sold our products to end-users, with revenue from these sales accounting for 87.3%, 87.3%, 76.1%, 84.4% and 76.1% for 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively. Our end-user customers primarily include precision casting manufacturers and refractory materials manufacturers. We also work with traders to effectively meet the diverse application needs and market demands of various downstream industries with a broad and fragmented downstream customer base. Our commitment to quality and innovation has enabled us to maintain stable relationships with customers.

Sales Network

During the Track Record Period, we were engaged in sales to our customers including end-users and traders, among which there are a small number of overseas customers.

Our domestic customer base spans nationwide, covering 27 provinces, municipalities and autonomous regions across China. The following table sets forth a breakdown of the number of our customers in China by geographical region for the periods indicated:

	Year Ended December 31,			Five months ended May 31,
	2022	2023	2024	2025
East China ⁽¹⁾	303	306	292	181
North China ⁽²⁾	42	41	44	32
South China ⁽³⁾	24	36	41	21
Central China ⁽⁴⁾	26	27	28	22
Southwest China ⁽⁵⁾	17	13	9	6
Northwest China ⁽⁶⁾	6	9	13	7
Northeast China ⁽⁷⁾	9	12	9	4
Total⁽⁸⁾	<u>427</u>	<u>444</u>	<u>436</u>	<u>273⁽⁹⁾</u>

Notes:

- (1) Comprises Anhui Province, Fujian Province, Jiangsu Province, Jiangxi Province, Shandong Province, Shanghai Municipality and Zhejiang Province.
- (2) Comprises Beijing Municipality, Hebei Province, Inner Mongolia Autonomous Region, Shanxi Province and Tianjin Municipality.
- (3) Comprises Guangdong Province and Guangxi Zhuang Autonomous Region.
- (4) Comprises Henan Province, Hubei Province and Hunan Province.

BUSINESS

- (5) Comprises Chongqing Municipality, Guizhou Province and Sichuan Province.
- (6) Comprises Gansu Province, Qinghai Province, Shaanxi Province and Ningxia Hui Autonomous Region.
- (7) Comprises Heilongjiang Province, Jilin Province and Liaoning Province.
- (8) The total number does not include overseas customers and private-owned enterprises customers.
- (9) The difference in the number of domestic customers for the five months ended May 31, 2025 was primarily due to fewer customers for the five months ended May 31, 2025 compared to each of the three years ended December 31, 2024. Certain of our customers place orders on an as-needed basis, and hence do not place orders every month. As such, the number of customer for the five months ended May 31, 2025 does not fully reflect the total number of customers we expect to serve over the entire year.

The following table sets forth a breakdown of our revenue from the sales of our products by customer type for the periods indicated:

Year ended December 31,												Five months ended May 31,								
2022				2023				2024				2024				2025				
		Average selling price	Gross profit margin			Average selling price	Gross profit margin			Average selling price	Gross profit margin			Average selling price	Gross profit margin			Average selling price	Gross profit margin	
Revenue	%			Revenue	%			Revenue	%			Revenue	%			Revenue	%			
		(RMB per tonne)	(RMB in thousands)			(RMB per tonne)	(RMB in thousands)			(RMB per tonne)	(RMB in thousands)			(RMB per tonne)	(RMB in thousands)			(RMB per tonne)	(RMB in thousands)	
(unaudited)																				
End-users . . .	166,264	87.3	1,545	30.5	178,617	87.3	1,213	35.6	203,294	76.1	1,209	35.1	74,857	84.4	1,265	35.3	79,802	76.1	998	35.5
Traders . . .	24,102	12.7	1,497	28.7	26,070	12.7	1,259	29.2	63,848	23.9	612	41.9	13,432	15.6	1,229	32.6	25,097	23.9	711	35.8
Total . . .	190,366	100.0		204,687	100.0			267,142	100.0			88,289	100.0			104,899	100.0			

Our revenue attributable to traders increased from RMB26.1 million in 2023 to RMB63.8 million in 2024, primarily due to (i) an increase in the number of our traders, rising from 23 traders in 2023 to 32 traders in 2024; and (ii) an increase in our revenue from our major trader customer, Lianyungang Xinyi Road International Trade Co., Ltd. (連雲港鑫一路國際貿易有限公司), which rose from RMB12.2 million in 2023 to RMB24.7 million in 2024, mainly attributable to the increase in the sales volume of precision casting mullite products and refractory mullite products driven by its increasing end customer demand.

Our gross profit margin attributable to traders increased from 29.2% in 2023 to 41.9% in 2024, primarily due to the change in product mix, with a higher proportion of higher-margin products such as raw coke and raw powder, which was mainly because following the commencement of sales of raw coke and raw powder in 2023, we continued to expand into the market in 2024 by engaging more traders and identifying several traders who had downstream needs.

End-users

During the Track Record Period, our end-user customers mainly included precision casting manufacturers and refractory materials manufacturers, who placed individual purchase orders in accordance with the terms stipulated in our relevant sales and purchase agreements. For 2022, 2023, 2024 and the five months ended May 31, 2025, we had 409, 422, 407 and 257 end-user customers, respectively. During the Track Record Period, we engaged with a total of 672 end-user customers. Our Directors confirm that there had not been any material breaches of these agreements during the Track Record Period. The salient terms of the sales and purchase agreements between us and our end-user customers are set out below:

- Order details: Specification, quantity and total purchase amount are to be specified in the purchase orders. We do not set minimum purchase requirements for our customers.
- Payment and credit term: We typically require payment before delivery. For a few customers, we also generally grant credit terms of 30 to 60 days, with a maximum of 90 days.
- Delivery: Either picked up by the customer, the costs of which are borne by the customer, or transported to the location designated by the customer, the costs of which are borne by us or the customer.
- Warranty: Products must meet industry standards. Our customer may inspect the products, including quantity and quality, within one to 15 days upon receipt of the products. Failure to raise objections within this period is considered acceptance of the products as meeting the contract terms. Defective products may be returned or exchanged. We did not experience any material returns or refunds during the Track Record Period.
- Termination: If our end-user customer fails to make payment within a specified period upon signing the contract, we may terminate the contract.

In addition, we also entered into framework sales agreement with some of our end-user customers that have a long-term and stable relationship with us. The salient terms of the framework sales agreement between us and our end-user customers are set out below:

- Duration and renewal: The term of our framework sales agreement with our end-user customer is generally one year and will be automatically renewed for one year if both parties have no objections one month before the agreement expires.
- Scope: All orders placed under the framework agreement are governed by its terms. During the term of the framework agreement, our end-user customer places orders with us to purchase products, and after our confirmation, we deliver the products to our end-user customer. The type, specification, quantity and price of the products for each transaction are determined according to the effective order. We do not set minimum purchase requirements for our customers.

BUSINESS

- Payment and credit term: We typically require payment before delivery. For a few customers, we also grant credit terms of 30 to 60 days.
- Delivery: Either picked up by customer, costs of which are borne by customer, or transported to the location designated by customer, costs of which are borne by us or customer.
- Warranty: Products must meet industry standards and the specification stated in the purchase order. Our end-user customer may inspect the products, including quantity and quality, within one to three business days upon receipt of the products. Failure to raise objections within this period is considered acceptance of the products as meeting the contract terms.
- Termination: If our end-user customer fails to make payment within a specified period upon signing the contract, we may terminate the contract. If we fail to deliver within a specified period upon the placement of an effective order, our end-user customer may terminate the contract.

Traders

During the Track Record Period, to effectively meet the diverse application needs and market demands of various downstream industries with a broad and fragmented downstream customer base, we developed a number of traders as our customers, which resell our products according to market demand. According to Frost & Sullivan, it is an industry norm for companies in the kaolin industry to sell products through traders. We maintain a buyer-seller relationship with those traders. Engaging traders as customers forms an integral part of our business strategy to enhance operational efficiency and market responsiveness. By leveraging traders' established local networks and customer bases, we are able to access smaller downstream customers that would otherwise be difficult to reach directly. This approach enables us to aggregate demand efficiently, streamline our sales processes, and respond swiftly to changes in market demand without incurring significant overhead costs. Furthermore, cooperating with traders helps us mitigate credit risk by utilizing their existing commercial relationships and payment before delivery arrangements with end customers, some of whom require payment terms that we are unable to offer directly. Traders also provide valuable market intelligence, allowing us to adapt our product offerings and strategies in line with evolving customer needs and industry trends. For 2022, 2023, 2024 and the five months ended May 31, 2025, we had 22, 23, 32 and 18 traders, respectively. During the Track Record Period, we engaged with a total of 44 traders and all of them were corporate entities and private-owned enterprises. To our best knowledge, their registered capital ranges from approximately RMB0.1 million to RMB30 million. As of May 31, 2025, the duration of our business relationship with traders generally ranged from three months to five years. Most of our traders maintained long-term relationship with us during the Track Record Period. To our best knowledge, a few of them discontinued their cooperation with us due to normal commercial considerations.

BUSINESS

We typically enter into sales and purchase agreements with our trader customers. The salient terms of our standard sales and purchase agreements between us and our traders are set out below:

- Order details: Specification, quantity and total purchase amount are to be specified in the purchase orders. We do not set minimum purchase requirements for our customers.
- Payment and credit term: We typically require payment before delivery. For a few customers, we also generally grant credit terms of 30 to 60 days, with a maximum of 90 days.
- Delivery: Either picked up by the customer, the costs of which are borne by the customer, or transported to the location designated by the customer, the costs of which are borne by us or the customer.
- Warranty: Products must meet industry standards. Our customer may inspect the products, including quantity and quality, within one to 15 days upon receipt of the products. Failure to raise objections within this period is considered acceptance of the products as meeting the contract terms. Defective products may be returned or exchanged. We did not experience any material returns or refunds during the Track Record Period.
- Termination: If our trader customer fails to make payment within a specified period upon signing the contract, we may terminate the contract.

During the Track Record Period and up to the Latest Practicable Date, we did not have any exclusivity arrangement with our traders. For our transactions with traders, in line with the industry practice, none of these customers is entitled to return our products (including unsold or obsolete goods), unless our products are defective. During the Track Record Period, we did not experience any return of products from any of our traders. We retain no ownership control over our products sold to our trader customers. Our traders are responsible for managing their own inventories and anticipating demands from their customers. Our traders place orders with us on a transaction basis and the revenue from the sales of our goods is recognized when the control of the goods have been transferred to them. We do not set out the minimum purchase amount for traders. For a few major traders, we offer tiered pricing arrangements according to their procurement volume. We have no restrictions or requirements on our traders regarding their resale activities, including but not limited to geographical coverage and resale price. We did not accept any return or exchange of our products sold to trader customers, unless our products are defective. Our trader customers did not provide us with, and they are not required to provide us with, any information regarding their inventory levels. According to Frost & Sullivan, traders would place purchase orders when they believe that they have sufficient demand from their own end-users. To mitigate the risk of cannibalization and channel stuffing, our agreements with our largest trader include a customer filing arrangement. Both parties are required to file existing customer information and promptly update new customer details. This

arrangement ensures transparency and prevents either party from selling to the other's customers. Any breaches are subject to predefined penalties. Our Directors confirm that there had not been any material breaches of these agreements during the Track Record Period. Given our largest trader customer accounts for a significant proportion of our sales to traders, our directors consider it necessary to monitor its downstream customer arrangements to ensure orderly distribution and avoid internal cannibalization. Our revenue from the largest trader for the years ended December 31, 2022, 2023, 2024 and for the five months ended May 31, 2025 accounted for 30.0%, 46.6%, 38.7% and 43.8%, respectively, of our total revenue generated from traders during the same periods. For other smaller-scale traders, we do not require customer filing or impose similar restrictions on their downstream customer arrangements as our directors believe that the risk of cannibalization or material channel conflict arising from these smaller traders is minimal and does not warrant the same level of oversight as applied to our largest trader customer. Our directors are of the view that our current risk management measures are adequate and proportionate to the actual risk exposure, and have been effective in maintaining orderly sales channels during the Track Record Period. This differentiated approach also allows us to allocate our resources efficiently while maintaining flexibility in our sales channels. To our best knowledge, none of our traders has any arrangements for further resale to other traders.

During the Track Record Period and up to the Latest Practicable Date, except for Trader A, all of our traders were Independent Third Parties. Trader A is a subsidiary of Huaibei Mining Group and it purchased raw coke and raw powder from us during the Track Record Period. Trader A's main business includes road and rail transportation, supply chain management services, sales of non-metallic minerals and products, and sales of construction materials. Trader A operates one of the largest logistics industrial parks in Huaibei City, providing comprehensive storage, transportation, loading and unloading services for bulk materials customers and logistics companies. With significant advantages in logistics, warehousing and customer resources, Trader A is interested in the trade of raw coke and raw powder. Trader A had the sale orders from downstream customers and thus purchased the 4,000 tonnes of raw coke and raw powder from us. To our best knowledge, Trader A has sold those raw coke and raw powder to its end-users. The transaction was conducted on normal commercial terms and at prevailing market prices. Trader A contributed nil, nil, 0.7%, nil and nil of our total revenue in 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively.

To our best knowledge, during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, none of our shareholders, directors, senior management or any of their respective associates had any past or present relationship (business, family, employment, financing or otherwise) with our traders and their shareholders, directors, senior management and any of their respective associates.

BUSINESS

Our Top Five Customers

Revenue from our five largest customers for the years ended December 31, 2022, 2023, 2024 and for the five months ended May 31, 2025 accounted for 18.6%, 23.7%, 23.8% and 24.5%, respectively, of our total revenue during the same periods. Revenue generated from our largest customer for the years ended December 31, 2022, 2023, 2024 and for the five months ended May 31, 2025 accounted for 5.0%, 7.1%, 9.3% and 10.5% of our total revenue during the same periods.

The table below sets out the details of our top five largest customers for each year/period of the Track Record Period:

Year ended December 31, 2022

Ranking	Customer	Main activities	Commencement of business relationship	Products/ services offered	Credit period	Settlement method	Transaction amount (RMB in thousands)	Percentage of total revenue (%)	Customer type
1. . . .	Customer A	Automotive parts, precision castings, parts casting	2012	Precision casting mullite products ⁽¹⁾	Prepayment or 30 days	Bank acceptance bill, bank transfer	9,570	5.0	End-user
2. . . .	Lianyungang Xinyi Road International Trade Co., Ltd. (連雲港鑫一路 國際貿易有限 公司)	Mineral products, building materials, etc.	2018	Precision casting mullite products ⁽²⁾	Prepayment	Bank acceptance bill, bank transfer	7,231	3.8	Trader
3. . . .	Ginho Precision Manufacturing Co., Ltd. (金永 和精工製造股 份有限公司)	Metal parts	2012	Precision casting mullite products ⁽³⁾	30 days	Bank acceptance bill, bank transfer	6,483	3.4	End-user
4. . . .	Anhui Yingliu Electromechanical Co., Ltd. (安徽 應流機電股份 有限公司)	Communication equipment, construction machinery equipment	2012	Precision casting mullite products ⁽⁴⁾	30 days	Bank acceptance bill, bank transfer	6,232	3.3	End-user

BUSINESS

Ranking	Customer	Main activities	Commencement of business relationship	Products/ services offered	Credit period	Settlement method	Transaction amount	Percentage of total revenue	Customer type
							(RMB in thousands)	(%)	
5 . . .	Customer B	Aeronautical manufacturing technical services, research and development and sales of precision castings	2020	Precision casting mullite products ⁽⁵⁾	Prepayment	Bank acceptance bill, bank transfer	5,933	3.1	Trader
Total . .							35,499	18.6	

Year ended December 31, 2023

Ranking	Customer	Main activities	Commencement of business relationship	Products/ services offered	Credit period	Settlement method	Transaction amount	Percentage of total revenue	Customer type
							(RMB in thousands)	(%)	
1 . . .	Shandong Wangqiao Group Co., Ltd. (山東 萬喬集團有限 公司)	Production and sales of refractory materials	2023 ⁽⁹⁾	Raw powder and raw coke/ precision casting mullite products	30 days	Bank acceptance bill, bank transfer	14,526	7.1	End-user
2 . . .	Lianyungang Xinyi Road International Trade Co., Ltd. (連雲港鑫一路 國際貿易有限 公司)	Mineral products, building materials, etc.	2018	Precision casting mullite products/ refractory mullite products ⁽²⁾	Prepayment	Bank acceptance bill, bank transfer	12,159	5.9	Trader
3 . . .	Customer A	Automotive parts, precision castings, parts casting	2012	Precision casting mullite products ⁽¹⁾	Prepayment or 30 days	Bank acceptance bill, bank transfer	8,941	4.4	End-user
4 . . .	Customer C	Production and sales of refractory materials	2023 ⁽¹⁰⁾	Refractory mullite products/precision casting mullite products	7 days	Bank acceptance bill, bank transfer	6,459	3.2	End-user

BUSINESS

Ranking	Customer	Main activities	Commencement of business relationship	Products/ services offered	Credit period	Settlement method	Transaction amount (RMB in thousands)	Percentage of total revenue (%)	Customer type
5 . . .	Ginho Precision Manufacturing Co., Ltd. (金永 和精工製造股 份有限公司)	Metal parts	2012	Precision casting mullite products ⁽³⁾	30 days	Bank acceptance bill, bank transfer	6,425	3.1	End-user
Total . .							<u>48,510</u>	<u>23.7</u>	

Year ended December 31, 2024

Ranking	Customer	Main activities	Commencement of business relationship	Products/ services offered	Credit period	Settlement method	Transaction amount (RMB in thousands)	Percentage of total revenue (%)	Customer type
1 . . .	Lianyungang Xinyi Road International Trade Co., Ltd. (連雲港鑫一路 國際貿易有限 公司)	Mineral products, building materials, etc.	2018	Precision casting mullite products/ refractory mullite products ⁽²⁾	Prepayment	Bank acceptance bill, bank transfer	24,710	9.3	Trader
2 . . .	Guangdong Zhongbao Recycle Technology Co., Ltd. (廣東 中寶再生科技 有限公司)	Research and development of new material technology	2024 ⁽¹¹⁾	Precision casting mullite products/ refractory mullite products	Prepayment	Bank acceptance bill, bank transfer	12,349	4.6	End-user
3 . . .	Huaibei Xinzhan Trading Co., Ltd. (淮北市鑫 展商貿有限公 司)	Mineral products, building materials, etc.	2018	Raw powder and raw coke/precision casting mullite products ⁽⁶⁾	Prepayment	Bank acceptance bill, bank transfer	9,573	3.6	Trader
4 . . .	Shandong Wanqiao Group Co., Ltd. (山東 萬喬集團有限 公司)	Production and sales of refractory materials	2023	Raw powder and raw coke/precision casting mullite products	30 days	Bank acceptance bill	8,571	3.2	End-user
5 . . .	Customer A	Automotive parts, precision castings, parts casting	2012	Precision casting mullite products ⁽¹⁾	Prepayment or 30 days	Bank acceptance bill, bank transfer	8,360	3.1	End-user
Total . .							<u>63,563</u>	<u>23.8</u>	

BUSINESS

Five months ended May 31, 2025

Ranking	Customer	Main activities	Commencement of business relationship	Products/ services offered	Credit period	Settlement method	Transaction amount (RMB in thousands)	Percentage of total revenue (%)	Customer type
1. . . .	Lianyungang Xinyi Road International Trade Co., Ltd. (連雲港鑫一路國際貿易有限公司)	Mineral products, building materials, etc.	2018	Precision casting mullite products/ refractory mullite products ⁽²⁾	Prepayment	Bank acceptance bill, bank transfer	10,984	10.5	Trader
2. . . .	Customer D	Production and sales of refractory materials	2023	Refractory mullite products	30 days	Bank acceptance bill, bank transfer	4,858	4.6	End-user
3. . . .	Customer E	Production and sales of refractory materials	2018	Precision casting mullite products/ refractory mullite products ⁽⁷⁾	30 days	Bank acceptance bill, bank transfer	3,907	3.7	End-user
4. . . .	Guangdong Zhongbao Recycle Technology Co., Ltd. (廣東中寶再生科技有限公司)	Research and development of new material technology	2024	Precision casting mullite products/ refractory mullite products	Prepayment	Bank acceptance bill, bank transfer	3,022	2.9	End-user
5. . . .	Customer F	Production and sales of stainless steel castings	2018	Precision casting mullite products ⁽⁸⁾	30 days	Bank acceptance bill, bank transfer	2,968	2.8	End-user
Total . .							25,739	24.5	

Notes:

- (1) Before 2021, we provided precision casting mullite products to Customer A.
- (2) Before 2021, we provided precision casting mullite products and refractory mullite products to Lianyungang Xinyi Road International Trade Co., Ltd. (連雲港鑫一路國際貿易有限公司).
- (3) Before 2021, we provided precision casting mullite products to Ginho Precision Manufacturing Co., Ltd. (金永和精工製造股份有限公司).
- (4) Before 2021, we provided precision casting mullite products to Anhui Yingliu Electromechanical Co., Ltd. (安徽應流機電股份有限公司).
- (5) Before 2021, we provided precision casting mullite products to Customer B.

BUSINESS

- (6) Before 2021, we provided refractory mullite products to Huaibei Xinzhan Trading Co., Ltd. (淮北市鑫展商貿有限公司).
- (7) Before 2021, we provided precision casting mullite products and refractory mullite products to Customer E.
- (8) Before 2021, we provided precision casting mullite products to Customer F.
- (9) We became acquainted with Shandong Wanqiao Group Co., Ltd. (山東萬喬集團有限公司) at an industry exhibition in 2022 and commenced formal business relations in 2023. It became our largest customer in 2023 because it is a large supplier of refractory materials for photovoltaic glass kilns in China, which has resulted in a substantial and consistent demand for raw coke and raw powder. It also purchased a small amount of precision casting mullite products from us.
- (10) We became acquainted with Customer C at an industry exhibition in 2021. Following a visit to our company in 2022 to evaluate our product quality and supply capabilities, it initiated small-scale trials of our products. We officially commenced business relations in 2023 and it became our fourth largest customer that year. As a global company and leading producer of monolithic refractory ceramics, it has a large and stable demand for refractory mullite products. It also purchased a small amount of precision casting mullite products from us.
- (11) We became acquainted with Guangdong Zhongbao Recycle Technology Co., Ltd. (廣東中寶再生科技有限公司) at an industry exhibition in 2020 and commenced formal business relations in 2024. It became our second largest customer in 2024 because it is a large manufacturer of precision casting shell mold in China, which has resulted in a substantial and consistent demand for precision casting mullite products and refractory mullite products.

During the Track Record Period and as of the Latest Practicable Date, all of our five largest customers are Independent Third Parties. We developed business relationships with all of our five largest customers through introductions facilitated by industry associations, interactions at industry exhibitions, and proactive visits initiated by both parties in response to market demand. As of the Latest Practicable Date, none of our Directors, their respective associates or any of our shareholders (who owned more than 5% of our issued share capital) had any interest in any of our five largest customers. During the Track Record Period and as of the Latest Practicable Date, we did not have any material disputes with these customers.

SUPPLIERS AND CONTRACTORS

Suppliers of Raw Materials

The primary raw materials for the production of our products are kaolin, which is all sourced from our own mining operations. We rely on suppliers for various auxiliary materials used for our manufacturing operations, primarily packaging items, sodium bicarbonate, alumina ceramic balls and wooden pallets. For these auxiliary materials, we typically conduct annual bidding to select suppliers and enter into framework procurement arrangements with suppliers to ensure a stable and sustainable supply of raw materials for our product production. We place purchase orders on an as-needed basis which confirm the purchase details.

The salient terms of our framework procurement agreements with our suppliers of auxiliary materials used for our manufacturing operations are set out as below:

- **Duration:** The agreements with our suppliers of auxiliary materials used for our manufacturing operations are generally from six months to 12 months.
- **Pricing:** Unit price is fixed based on the contract.

BUSINESS

- **Payment:** Payments for the purchases shall be settled within a period of 30 days from the date of the relevant invoices by way of bank transfer or bank drafts.
- **Quality control:** The supplier guarantees that the products meet national safety and quality standards. Joint inspection upon delivery is required, and any discrepancies or defects must be documented. The supplier shall address any issues of shortage, defects or damage within three business days. We also have the right to claim damages pursuant to the agreement. A 12-month warranty period is provided, during which the supplier shall repair or replace defective items at no cost.
- **Risk allocation:** Risk transfers to us upon completion of delivery and acceptance. The supplier bears all costs and risks associated with the transportation until the goods are delivered and accepted by us.
- **Renewal and termination:** The contract may be automatically renewed unless one party gives a three-month written notice of termination. We can terminate the contract immediately if the supplier fails to meet quality or delivery standards, engages in illegal activities, or breaches any key terms of the agreement.

As of the Latest Practicable Date, we had maintained long-term cooperative relationships with the main suppliers for our products production for more than four years. We carefully select our external material suppliers and require them to meet certain evaluation and assessment criteria. We take into consideration various factors in our supplier selection process, including price, quality, production capacity, payment terms, and timeliness of delivery. We also closely monitor the quality of all raw materials provided by our suppliers to ensure that they comply with our stringent requirements. We evaluate our suppliers periodically based on a range of factors, including the quality of raw materials delivered and punctuality of delivery. See “— Quality Control.” During the Track Record Period, we did not experience any shortage of or any quality issues with our raw materials that materially affected our operations.

Suppliers of Utilities and Energy

Our production process requires a stable and sufficient supply of utilities, primarily natural gas, electricity, coal and water. We obtain electricity supply from regional power grids and supplies of natural gas and coal from local public utility companies and the relevant fees charged to us by our utilities and energy suppliers are generally in line with market rates. We typically enter into annual agreements with the natural gas suppliers, five-year agreements with electricity suppliers as well as monthly or annual agreements with coal suppliers. We hold a water abstraction license and legally obtain water supply from underground water sources, paying a monthly water resource usage fee to the local water resource management authority. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of power or disruption in our utilities supply that caused a material adverse impact on our production. We do not foresee any difficulties on our part in securing the supply of such utilities to support our operations.

BUSINESS

Our natural gas supplier was one of our largest suppliers during the Track Record Period. The salient terms of our agreements with our natural gas supplier are set out as below:

- Duration: The agreements with our natural gas supplier are generally 12 months.
- Pricing: The natural gas price is determined by government-approved rates.
- Payment: Payments are settled monthly. We must provide a prepayment equal to the average monthly usage at the start of each month. Payments can be made via bank transfer to the supplier's designated account.
- Termination and renewal: The agreement will automatically renew upon expiration unless a termination notice is given. The agreement may be terminated by mutual consent or if either party issues a termination notice. If we fail to pay fees on time, the supplier can suspend natural gas delivery after a three-day notice.

Our electricity supplier was also one of our largest suppliers during the Track Record Period. The salient terms of our agreement with our electricity supplier are set out as below:

- Duration: The agreement with our electricity supplier is generally 60 months.
- Pricing: Electricity price is determined by government-approved rates and adjustments will follow governmental directives.
- Payment: Payments are settled monthly via wire transfer by the 15th of each month.
- Termination: The agreement may be terminated by mutual consent or due to default, bankruptcy, or end of agreement terms. A six-month non-use by us without a suspension request allows the supplier to terminate the agreement.

Our coal suppliers were our largest suppliers during the Track Record Period. The salient terms of our agreements with our coal suppliers are set out below:

- Duration: The agreements with our coal supplier are generally one year or 30 days.
- Pricing: The unit price is to be specified in the agreement and adjusted accordingly based on the quality of the coal.
- Payment and credit term: Payment is settled by electronic acceptance bill or bank transfer in the following month after the invoice is received.
- Risk allocation: Our coal supplier bears all costs and risks associated with transportation until the goods are delivered and accepted by us.

- **Quality control:** Our coal supplier guarantees that the coal it provides meets the quality and specification requirements of the agreement in all aspects. If any defects or quality problems occur, our coal supplier shall be responsible for replacing the defective goods free of charge. We have the right to conduct random inspections on the same day before acceptance, with the participation of both parties and we have the right to reject any coal that fails the random inspection.
- **Termination:** We have the right to terminate the contract except if our coal supplier goes bankrupt or loses its solvency, or when either party suffers from force majeure. Neither party may unilaterally terminate the contract without the consent of both parties.

Supplier of Processing Service

To supplement our production capacity of refractory mullite products, since October 2023, we have engaged Shandong Yonganda, an external processing service provider, to supply processing service related to the production of refractory mullite products to us, which is in line with industry practice. For 2023, 2024 and the five months ended May 31, 2025, Shandong Yonganda supplied to us 2.7 kt, 32.5 kt and 3.9 kt of finished refractory mullite products, respectively. We incurred outsourced processing costs of approximately RMB1.3 million, RMB15.0 million and RMB2.1 million for such service for 2023, 2024 and the five months ended May 31, 2025, respectively. Our criteria for selecting supplier of processing service include factors such as production capacity, products quality and fee charges. We require the supplier of processing service to possess valid necessary licenses, equipment and technical capabilities and certifications in occupational health, quality, and environmental management system to perform the contract. We adhere to our rigorous procedures to properly manage risks associated with the supplier of processing service. To the best of our knowledge, Shandong Yonganda is an Independent Third Party. We believe that the services that we outsourced to our supplier of processing service are generally common in the market, and it would not be difficult for us to find alternative suppliers of processing service to provide similar services on terms similar with our existing contracting arrangement.

The salient terms of our agreement with Shandong Yonganda are as follows:

- **Duration and renewal:** The term of our agreement with our supplier of processing service is one year, which is renewable upon mutual agreement.
- **Scope of work and responsibilities:** We provide kaolin ore that comply with quality standards specified in the agreement and entrust the supplier of processing service to process the ore into mullite products with specifications stipulated in the agreement. Our supplier of processing service shall arrive at our plant within the agreed time to load and transport the kaolin ore to their processing location and shall bear the transportation costs. The risk of damage or loss of kaolin ore due to improper management during transportation shall be borne by the supplier of processing service.

BUSINESS

- Service fees and payment terms: The parties have stipulated the processing fee per tonne for the products that need to be processed. Payments shall be settled within a month from the date of the relevant invoice. After the contract is signed, the supplier of processing service shall pay us a security deposit, which will be refunded without interest within one month after the contract terminates.
- Liability for product defects: If the quality of the mullite products provided by the supplier of processing service does not meet the requirement stipulated in the agreement, the supplier of processing service shall purchase the kaolin ore at the price sold in that month. If the semi-finished products contain quality issues, the supplier of processing service shall be responsible for the free return or replacement of the goods and shall bear the transportation costs.
- Breach: If one party breaches the contract, the breaching party shall pay damages to the other party.
- Termination: Without mutual agreement, neither party shall unilaterally terminate the contract.

To our best knowledge, during the Track Record Period and up to the Latest Practicable Date, except as disclosed in “— Overlapping of Our Customers and Suppliers,” there was no past or present relationship (business, family, employment, financing, or otherwise) between Shandong Yonganda and our Company, or other customers or suppliers, including their respective shareholders, directors, senior management and any of their respective associates.

Logistics Service Providers

Our mine and production plants are established in close proximity to major highways. We mainly deliver finished products directly to our customers’ warehouses or their designated locations by road transportation or shipping mostly operated by third-party logistics service providers, the costs of which are borne by us or our customers. Our products can also be picked up by the customers at their own cost.

During the Track Record Period, we engaged 16 logistics service providers to deliver our products to our customers. For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, our transportation expenses were RMB8.0 million, RMB10.0 million, RMB10.6 million, RMB4.0 million and RMB4.3 million, respectively, accounting for approximately 6.0%, 7.5%, 6.3%, 7.0% and 6.4% of our cost of sales, respectively. During the Track Record Period, one of our logistics service providers, Huaibei Mining Group Supply Chain Technology Co., Ltd., was our connected person and the total transportation expenses we paid to Huaibei Mining Group Supply Chain Technology Co., Ltd. were RMB4.7 million, nil, nil, nil and nil, respectively, accounting for approximately 3.5%, nil, nil, nil and nil of our cost of sales, respectively. To the best of our knowledge, other than Huaibei Mining Group Supply Chain Technology Co., Ltd., all of our logistics service providers are Independent Third Parties. There have not been any major disruptions and/or

BUSINESS

disputes with our customers arising from transportation arrangement issues which resulted in a material impact on our normal operations and productions during the Track Record Period and up to the Latest Practicable Date.

The salient terms of the agreements with such service providers are as follows:

- **Duration:** The term of our agreement with logistics service providers is generally between six months to one year.
- **Scope of work and responsibilities:** We are responsible for informing the service providers in advance regarding the schedule and location for loading and unloading, as well as the details of the goods such as type, quantity and specification, and make payments as agreed. The service provider is required to arrange suitable means for the storage and transportation of our goods, and ensure they are transported safely and accurately to the destination in a timely manner.
- **Risks and liabilities:** If the goods are lost, deficient, contaminated, or damaged due to the fault of the logistics service provider during transportation, loading or unloading, which results in our losses, the logistics service provider shall compensate us for the actual loss incurred.
- **Service fee:** The freight rate is based on the transportation itinerary.
- **Payment schedule:** We shall verify the transportation fee calculated by the logistics service provider based on the transportation record each month and make monthly payments after receiving the invoice issued by the service provider.
- **Termination:** Upon expiration, the contract terminates automatically. The contracts may also be terminated with two months' written notice, or if one party breaches the contract and fails to rectify within a certain period after written notification except for reasons stipulated in the contract or by law.

We have several key requirements for our logistics service providers to ensure full compliance with all applicable rules and contractual terms, including: (i) all logistics service providers must be legally registered independent legal entities within the PRC. They must provide valid business licenses and road operation permits to demonstrate their qualifications to meet our service needs; (ii) they are required to provide a credit information report; (iii) all vehicles provided by the suppliers must be legitimate, in good condition and compliant with the national emission standards; (iv) they must ensure that all vehicles and personnel are covered by personal accident insurance, third-party liability insurance, compulsory vehicle insurance and cargo transportation insurance; (v) they are responsible for ensuring that the transported goods are securely managed from loading until delivery at a specified location; and (vi) they are required to comply with all internal control measures, including occupational health and safety and environmental protection. Non-compliance may result in penalties or replacement by alternative suppliers.

BUSINESS

Our Top Five Suppliers

Purchases from our top five suppliers for the years ended December 31, 2022, 2023, 2024 and for the five months ended May 31, 2025 amounted to RMB72.6 million, RMB68.9 million, RMB90.2 million and RMB43.9 million, representing 74.5%, 68.0%, 66.9% and 73.0% of our total purchases for the same periods, respectively. Purchases from our largest supplier for the years ended December 31, 2022, 2023, 2024 and for the five months ended May 31, 2025 amounted to RMB35.2 million, RMB31.2 million, RMB28.3 million and RMB13.2 million, representing 36.1%, 30.8%, 21.0% and 22.0% of our total purchases for the same periods, respectively.

The table below sets forth the details of our top five largest suppliers for each year/period of the Track Record Period:

Year ended December 31, 2022

Ranking	Supplier	Main activities	Commencement of business relationship	Products/ services offered	Credit period	Settlement method	Transaction amount (RMB in thousands)	Percentage of total purchase (%)
1. . . .	Huaibei China Resources Gas Co., Ltd. (淮北華潤燃氣有 限公司)	Sale of gas	2019	Gas ⁽¹⁾	Prepayment	Bank transfer	35,199	36.1
2. . . .	Huaibei Mining Group	Mining, washing, processing and sales of coal, production and sales of coal chemical products, transportation services	2012	Coal, logistics services ⁽²⁾	Prepayment or 30 days	Bank acceptance bill, bank transfer	21,905	22.5
3. . . .	State Grid Anhui Electric Power Co., Ltd. Huaibei Power Supply Company (國 網安徽省電力有限公 司淮北供電公司)	Sale of electricity	2012	Electricity ⁽³⁾	Prepayment	Bank transfer	9,836	10.1
4. . . .	Supplier A	Sale of energy-saving new material	2021	Alumina ceramic balls	30 days	Bank acceptance bill	3,248	3.3
5. . . .	Lu'an Shengda Bamboo and Wood Products Co., Ltd. (六安市盛達 竹木製品有限公司)	Sale of bamboo and wood products	2019	Wooden pallets ⁽⁴⁾	90 days	Bank acceptance bill	2,461	2.5
Total . .							<u>72,649</u>	<u>74.5</u>

BUSINESS

Year ended December 31, 2023

Ranking	Supplier	Main activities	Commencement of business relationship	Products/ services offered	Credit period	Settlement method	Transaction amount	Percentage of total purchase
							(RMB in thousands)	(%)
1. . . .	Huaibei China Resources Gas Co., Ltd. (淮北華潤燃氣有限公司)	Sale of gas	2019	Gas ⁽¹⁾	Prepayment	Bank transfer	31,175	30.8
2. . . .	State Grid Anhui Electric Power Co., Ltd. Huaibei Power Supply Company (國網安徽省電力有限公司淮北供電公司)	Sale of electricity	2012	Electricity ⁽³⁾	Prepayment	Bank transfer	21,353	21.1
3. . . .	Huaibei Mining Group	Mining, washing, processing and sales of coal, production and sales of coal chemical products, transportation services	2012	Coal ⁽²⁾	Prepayment or 30 days	Bank acceptance bill, bank transfer	9,330	9.2
4. . . .	Anhui Wanmei Materials Trade Co., Ltd. (安徽皖煤物資貿易有限責任公司)	Sale of coal	2023	Coal	30 days	Bank transfer	4,099	4.0
5. . . .	Xuzhou Hongfan New Material Co., Ltd. (徐州宏凡新材料股份有限公司)	Sale of plastic woven bags	2020	Plastic woven bags ⁽⁵⁾	90 days	Bank transfer	2,932	2.9
Total . .							<u>68,889</u>	<u>68.0</u>

BUSINESS

Year ended December 31, 2024

Ranking	Supplier	Main activities	Commencement of business relationship	Products/ services offered	Credit period	Settlement method	Transaction amount	Percentage of total purchase
							(RMB in thousands)	(%)
1. . . .	State Grid Anhui Electric Power Co., Ltd. Huaibei Power Supply Company (國 網安徽省電力有限公 司淮北供電公司)	Sale of electricity	2012	Electricity ⁽³⁾	Prepayment	Bank transfer	28,256	21.0
2. . . .	Huaibei China Resources Gas Co., Ltd. (淮北華潤燃氣有 限公司)	Sale of gas	2019	Gas ⁽¹⁾	Prepayment	Bank transfer	23,073	17.1
3. . . .	Shandong Yonganda	Production of refractory materials	2023	Manufacturing consignment	15 days	Bank acceptance bill, bank transfer	17,040	12.6
4. . . .	Anhui Wanmei Materials Trade Co., Ltd. (安徽皖煤物資貿 易有限責任公司)	Sale of coal	2023	Coal	30 days	Bank acceptance bill, bank transfer	12,105	9.0
5. . . .	Anhui Guomao Haichang Trading Co., Ltd. (安徽國貿海 暢貿易有限公司)	Transportation services, sale of coal	2023	Coal	30 days	Bank acceptance bill, bank transfer	9,687	7.2
Total . .							<u>90,161</u>	<u>66.9</u>

BUSINESS

Five months ended May 31, 2025

Ranking	Supplier	Main activities	Commencement of business relationship	Products/ services offered	Credit period	Settlement method	Transaction amount (RMB in thousands)	Percentage of total purchase (%)
1. . . .	State Grid Anhui Electric Power Co., Ltd. Huaibei Power Supply Company (國 網安徽省電力有限公 司淮北供電公司)	Sale of electricity	2012	Electricity ⁽³⁾	Prepayment	Bank transfer	13,189	22.0
2. . . .	Anhui Guomao Haichang Trading Co., Ltd. (安徽國貿海 暢貿易有限公司)	Transportation services, sale of coal	2023	Coal	30 days	Bank acceptance bill, bank transfer	12,472	20.8
3. . . .	Huaibei China Resources Gas Co., Ltd. (淮北華潤燃氣有 限公司)	Sale of gas	2019	Gas ⁽¹⁾	Prepayment	Bank transfer	10,143	16.9
4. . . .	Anhui Wanmei Materials Trade Co., Ltd. (安徽皖煤物資貿 易有限責任公司)	Sale of coal	2023	Coal	30 days	Bank acceptance bill, bank transfer	5,734	9.5
5. . . .	Shandong Yonganda	Production of refractory materials	2023	Manufacturing consignment	15 days	Bank acceptance bill, bank transfer	2,317	3.9
Total . .							43,855	73.0

Notes:

- (1) Before 2021, Huaibei China Resources Gas Co., Ltd. (淮北華潤燃氣有限公司) provided gas to us.
- (2) Before 2021, Huaibei Mining Group provided coal and logistics services to us.
- (3) Before 2021, State Grid Anhui Electric Power Co., Ltd. Huaibei Power Supply Company (國網安徽省電力有限公司淮北供電公司) provided electricity to us.
- (4) Before 2021, Lu'an Shengda Bamboo and Wood Products Co., Ltd. (六安市盛達竹木製品有限公司) provided wooden pallets to us.
- (5) Before 2021, Xuzhou Hongfan New Material Co., Ltd. (徐州宏凡新材料股份有限公司) provided plastic woven bags to us.

During the Track Record Period and as of the Latest Practicable Date, our five largest suppliers, other than Huaibei Mining Group and Huaibei China Resources Gas Co., Ltd., were Independent Third Parties.

For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2025, purchases from Huaibei Mining Group were RMB21.9 million, RMB9.3 million, RMB0.6 million and nil, respectively, representing 22.5%, 9.2%, 0.5% and nil of our total purchases for the same periods, respectively. For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2025, purchases from Huaibei China Resources Gas Co., Ltd. were RMB35.2 million, RMB31.2 million, RMB23.1 million and RMB10.1 million, respectively, representing 36.1%, 30.8%, 17.1% and 16.9% of our total purchases for the same periods, respectively. As of the Latest Practicable Date, save as disclosed above, none of our Directors, their respective associates or any Shareholder (whom owns more than 5% of our issued Shares) had any interest in any of our five largest suppliers during the Track Record Period. During the Track Record Period and as of the Latest Practicable Date, we did not have any material disputes with our suppliers. Our Directors confirm that there had not been any material breaches of the agreements with our suppliers during the Track Record Period and up to the Latest Practicable Date.

Construction Contractors

During the Track Record Period, we engaged construction contractors to provide engineering, procurement and construction (EPC) services. In August 2022, we entered into an EPC contract with our major construction contractor to design and construct a production line for precision casting mullite products with an annual production capacity of 200,000 tonnes. Under the EPC contract, the contractor is responsible for project design, equipment procurement and supervision, transportation, storage, civil construction, installation, commissioning, trial operation, performance testing, assessment, meeting quality standard and production capacity, defect elimination and final delivery. The new equipment to be delivered under the EPC contract includes one rotary kiln with an annual production capacity of 200,000 tonnes, three crushers, 12 iron removers, five screening machines, 45 conveyors, two ball mills, four powder separators, six packaging machines and three palletizers. See “— Production — Production Processes — Beneficiation and Processing” for the new equipment. The term of the construction period was expected to be 396 days. No sub-contracting is allowed. The total contract sum payable by us under the EPC contract includes the design fee, equipment procurement costs, necessary spare parts costs, construction and installation costs, technical service fees and other expenses, subject to any fee changes due to reasons not attributable to the contractor and the difference due to national tax rate adjustments (if any), which is payable in instalments according to the project progress. The contractor completed the main construction in December 2023 and we initiated trial operation and performance testing in the same month, followed by commissioning of works by the construction contractor. Since November 2024, the production lines started trial production. We commenced commercial production in January 2025.

In addition, we also engaged two construction contractors to build a production line of non-fired bricks by utilizing tailings in August 2022 and a 35KV substation in August 2023, respectively, which were completed in October 2022 and June 2024, respectively.

We engaged one construction contractor for the construction of our ceramic fiber production workshop in August 2023. The construction period was expected to be 35 days. No sub-contracting is allowed. The construction project shall meet the national construction quality standard. We are obliged to make payments in stages. The contractor completed the project in October 2023 and we accepted the project in the same month. We started trial production of ceramic fiber in October 2024 and commenced commercial production in January 2025.

We select construction contractors mainly through public bidding. Before selecting a construction contractor, we engage a third-party intermediary to prepare the bidding announcement, which requires candidates to provide copies of their qualifications, licenses, certificates and permits. The bidding process is conducted by the third-party intermediary. An evaluation committee is formed by members randomly selected by the third-party intermediary from an expert database established by the Anhui Provincial Development and Reform Commission. The evaluation committee conducts the selection procedure according to the requirements outlined in the bidding announcement. Subsequently, we review the qualifications of the chosen construction contractor to ensure they meet our requirements, after which the selection is presented to our bidding committee for approval. Once approved, the results are publicly announced. If no objections are raised during the announcement period, the construction contractor is confirmed with a bid-winning notice. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, other than Huaibei Industry Architecture Design Office Co., Ltd., our construction contractors were Independent Third Parties. For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2025, purchases from Huaibei Industry Architecture Design Office Co., Ltd. were RMB0.1 million, nil, RMB1.2 million and nil, respectively, representing 0.0%, nil, 0.0% and nil of our total purchases for the same periods, respectively. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our construction contractors.

We require our construction contractors to comply with all applicable laws and regulations in respect of safety and environmental protection. We also require our construction contractors to abide by our safety management system and our internal control requirements. Our operation management department undertakes regular checks of our construction contractors to confirm that they are operating in accordance with the technical specifications of our project and industry standards. In the event we discover significant non-compliance or other issues in the implementation of our project, we are entitled to suspend such construction contractor's work and require them to take correctional actions. In addition, we require our construction contractors to purchase insurance for their employees and properties.

BUSINESS

OVERLAPPING OF OUR CUSTOMERS AND SUPPLIERS

Shandong Yonganda, one of our top five suppliers in 2024, was also our customer in 2024. Shandong Yonganda, as a large manufacturer of refractory materials, purchased refractory mullite products from us. Our sales to Shandong Yonganda amounted to nil, nil, RMB5.8 million and RMB0.7 million for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively, accounting for nil, nil, 2.2% and 0.6% of our total revenue in the same periods, respectively. In the meantime, Shandong Yonganda supplied processing service related to the production of refractory mullite products to us. We have engaged Shandong Yonganda to handle the calcination of kaolin into mullite to supplement our production capacity of refractory mullite products, in line with industry practice. The processing costs from Shandong Yonganda amounted to nil, RMB1.3 million, RMB15.0 million and RMB2.1 million for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively, accounting for nil, 1.3%, 12.6% and 3.0% of our total purchases in the same periods, respectively.

Negotiations of the terms of our sales to and purchases from Shandong Yonganda was conducted on an individual basis, and the sales and purchases were not inter-conditional with each other. For this overlapping customer-supplier, the key terms of our sales of products to Shandong Yonganda and our processing costs of services from Shandong Yonganda are in line with those of our other customers and suppliers. Save as disclosed above, to the best of our knowledge, none of our five largest suppliers during each year/period of the Track Record Period was a customer of us. None of our five largest customers during each year/period of the Track Record Period was a supplier of us.

INVENTORY MANAGEMENT

Our inventories primarily consist of raw materials, work in progress and finished goods. As of December 31, 2022, 2023, 2024 and the five months ended May 31, 2025, our inventory levels stood at RMB27.9 million, RMB41.2 million, RMB47.3 million and RMB68.1 million, respectively. To minimize the risk of inventory build-up, we have established inventory management policies to manage inventory levels pursuant to our production plan and the prevailing market conditions. We have also adopted the ERP system to monitor the inventory level of our raw materials on a real-time basis. We believe that maintaining an appropriate level of inventories can help us better plan raw material procurement and deliver our products to meet customers' demand in a timely manner without straining our liquidity.

QUALITY CONTROL

We have designed effective quality control mechanisms to ensure that our products are of high quality. As of May 31, 2025, we had a quality control team of three employees. Our quality control team is responsible for ensuring that all manufactured products adhere to our quality standards before being delivered to customers.

We take a holistic approach to quality control and implement stringent standards in all aspects of our operation, ranging from procurement, production, warehousing to delivery, to ensure our full compliance with the stringent benchmarks and specifications of our customers and ourselves. We are certified to the ISO9001: 2015 Quality Management System. We have rigorous procedures for selecting suppliers. We have also established and maintained quality control standards and testing and inspection procedures during the production of our products. These standards and procedures are documented in our quality control policies and procedures. In addition, we provide training to our employees which aims to ensure effective application of our quality control procedures. During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure in our quality control systems which had a material impact on us.

Procurement

In managing our procurement quality control, we adhere to a comprehensive policy ensuring that all purchased equipment and consumables undergo thorough inspection processes. The responsibilities are clearly defined: the warehouse administrators are responsible for verifying the specifications and quantities of the purchased items and the respective department using these goods conduct inspections or tests and complete inspection reports, while the operation management department oversees the entire process. The timeline for inspection varies based on the type of material. For instance, large equipment must be inspected within seven days, whereas consumables should be checked within three days. The policy also mandates that uninspected goods remain in an inspection area while goods identified as unqualified are stored separately in a defective goods area and the procurement personnel of the operation management department are responsible for handling and arranging their returns and claim damages from suppliers according to the terms of the contract.

Production

We strictly follow our customers' quality requirements and specifications and all relevant industry standards for our production, including national standards and our internal quality standards. For example, to ensure that the calcined and processed kaolin meets the relevant national and industry standards, our manufacturing plants adopt the following quality control methods: (i) controlling particle size through the dry grinding workshop's initial crushing and the circular vibrating screen in the sorting workshop and conducting sampling tests for quality inspection; (ii) controlling iron content through the drum iron remover and magnetic separator in the sorting workshop, and periodically taking samples for iron content analysis using a calcium-iron analyzer; and (iii) having the kiln head fireman regularly take samples at the kiln head to check the product's calcination status and adjust the flame based on the calcination results to avoid under-burned or over-burned materials and conducting sampling tests to control product whiteness.

BUSINESS

We have led the launch of industry standards for kaolin and mullite products, such as *Calcined Kaolin Sand and Powder for Precision Casting (T/CFA 0202044-2021)* and *Calcined Kaolin Sand and Powder for Precision Casting (JB/T11733-2013)* and *Methods for Chemical Analysis of Chamotte (JC/T 2782-2023)*.

Warehousing

In managing our warehouse, we ensure that goods are stored in a neat and clean manner, with daily inventory checks. We conduct at least one inventory count per month and compile an inventory report based on the results. Unauthorized personnel are not allowed to enter the warehouse without approval and necessary registration. The warehouse keeper is required to regularly inspect the inventory to prevent spoilage, theft, loss, or unauthorized use. Additionally, we take safety measures to minimize fire hazard and other risks to our products.

Delivery

We conduct sampling inspections for every batch of products prior to its delivery. Our quality control team collaborates with the relevant production team to ensure that our products are well packaged and sufficiently protected during their transportation.

RESEARCH AND DEVELOPMENT

We are committed to continuous research and development. As of May 31, 2025, our research and development team consisted of 41 personnel, who are experts with extensive experience in mining and non-metallic materials and other scientific fields essential to the research and development of kaolin. In addition, we also collaborated with universities and institutions on the research of kaolin mining technology and the development of a process for improving and purifying kaolin ore.

The salient terms of our joint R&D agreements are set out below:

- **Duration:** The term of our joint R&D agreements ranges from four months to 12 months.
- **Scope of collaboration:** The agreements specify the research purpose of the projects and the specific obligations of each party. We are typically responsible for overall coordination and management of the R&D project and provision of necessary information and insights on the theme of the project.
- **Payment:** We typically bear the cost for the joint R&D projects.
- **Ownership of intellectual property:** The IP rights developed in the joint R&D under the agreements typically belong to us exclusively and shall not be authorized to be transferred to a third party for use without our consent.

- **Confidentiality:** During the performance of the agreement, all basic information and technical information shall not be disclosed to third parties. If it is necessary to disclose, it must be agreed by all parties.
- **Termination:** If the agreement cannot be continued due to force majeure, all parties shall bear their own losses. If the contract cannot be performed due to factors of our joint R&D partners or the project objectives are not met, we have the right to request a refund of the fees or not to pay the subsequent fees. If we fail to pay the R&D fees, our joint R&D partners have the right to suspend the agreement.

Our continuous efforts in research and development have also paid off in terms of the various intellectual property rights. See “— Intellectual Property.” In addition, we have been certified by the PRC government authorities as a High-tech Enterprise and National Specialized and Innovative “Little Giant” Enterprise. Our research expenses during the Track Record Period amounted to approximately RMB7.3 million, RMB7.0 million, RMB12.6 million, RMB4.5 million and RMB4.1 million for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively.

Our research and development efforts have also produced a number of technical achievements which are material for our production. The following summarizes some of our key research and development achievements:

Crystal Phase Transformation Technology in the Production of Precision Casting Mullite Sand

This technology involves a dynamic crystal phase transformation process that crushes the kaolin ore before calcination. By leveraging the low hardness and high brittleness of kaolin ore, this technology encompasses pre-processing the kaolin ore before crystal phase transformation. The crystal phase transformation is mainly achieved through high-temperature processing technology in a rotary kiln, which includes steps such as material suspension preheating, temperature rise calcination, high-temperature crystal phase transformation, and cooling. During this process, the material rolls from the kiln tail to the kiln head in the rotary kiln, undergoing high temperatures and material friction, which leads to the blunting of particle edges. The material is evenly and sufficiently heated, allowing for the complete development of the mullite phase. At the same time, impurities are precipitated and aggregated due to high temperature, facilitating subsequent impurity removal.

Processing Technology in the Production of Precision Casting Mullite Sand

This technology uses processes such as impurity removal, air blowing to remove powder, crushing, and screening in order to perform secondary processing on crystal phase transformation mixtures. It requires proper particle size distribution, impurity levels, and powder content to meet quality control standards.

Processing Technology in the Production of Precision Casting Mullite Powder

This technology involves impurity removal from crystal phase transformation, ceramic ball milling and grading of materials. It requires proper particle size distribution, impurity levels, and powder content to meet quality control standards.

Processing Technology in the Production of Refractory Mullite Products

This technology uses shaft kiln calcination processing techniques, including large block material sorting, impurity removal, high-temperature calcination and sorting. It strictly controls key indicators such as bulk density, mullite phase, water absorption rate, and porosity rate.

COMPETITION

We face competition in China's coal-series kaolin industry. According to Frost & Sullivan, China's kaolin resources are widely distributed across the whole nation. Anhui Province ranks fifth in China for kaolin reserves, accounting for 1.46% of the total reserves. In 2024, the market size for China's kaolin products reached RMB10,159.6 million, among which the coal-series calcined kaolin products market in China reached RMB4,965.9 million in 2024, representing 48.9% of the overall market, according to Frost & Sullivan. In terms of revenue of coal-series calcined kaolin companies in 2024, the top five companies in the market had a combined market share of 50.8%. Among them, we ranked fifth with a market share of 5.4%. Huaibei, Anhui Province is one of the primary regions where high-quality kaolin is concentrated, which can be used in the fields of refractory materials or precision casting shell mold. We were the largest precision casting mullite products producer in terms of the revenue in 2024, with a market share of 19.1%, according to Frost & Sullivan. The principal competitive factors in our industry include (i) the high technology barriers of processing technologies; (ii) strict environmental protection requirements; (iii) capital required for large-scale production; and (iv) scarcity of high-quality kaolin resources. We believe that we are well positioned to compete effectively on the basis of the foregoing factors. For more information on the competitive landscape of our industry, see "Industry Overview."

For risks relating to our competitiveness in the industry, see "Risk Factors — Risks Relating to Our Business and Industry — We face industry competition and failure to compete effectively with our competitors may adversely affect our business, financial condition and results of operations."

BUSINESS

EMPLOYEES

We place great importance on attracting and retaining qualified employees. We are committed to investing in our employees' training and development. As of May 31, 2025, we had 350 full-time employees, all of whom are based in the PRC. The following table sets forth the number of our employees by function as of May 31, 2025:

Employee Function	Number of employees
Management	10
Production	250
Research and development.	41
Finance	6
Sales and marketing	10
Administration.	33
Total	350

During the Track Record Period, we recruited our employees through on-campus recruitment and referrals. Committed to providing fair and equal opportunities in all our employment practices, we have adopted policies and procedures to ensure a fair selection and hiring process. We established a labor union to protect the legitimate rights and interests of our employees. We believe that we generally maintain a good working relationship with our employees and the labor union.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental, Social and Governance Overview

We believe that integrating environmental, social and governance (“ESG”) principles into the Company’s operations and business decisions is of strategic importance to us, and that good ESG practices are critical to our long-term sustainable growth and to responding to the expectations of our stakeholders. Our management attaches great importance to ESG issues and has developed a series of ESG-related policies which endeavor to provide key guidance on the identification, assessment and management of ESG-related risks and opportunities in a comprehensive and effective manner. We will continue to optimize our ESG risk assessment and management capabilities following the Listing and publish an annual ESG report in accordance with Appendix C1 and Appendix C2 of the Listing Rules.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any breach of applicable laws and regulations relating to the environment or society, nor have we suffered any material claims or penalties or accidents relating to the above material matters.

ESG Governance Structure

We have established a sound ESG governance structure whereby the Board and the ESG Working Group are jointly responsible for the development, management and proper implementation of our environmental, social and governance policies, objectives and strategies. We have developed an ESG Policy and Procedures Manual (《環境、社會及管治政策及程序手冊》), which is intended to be effective upon Listing, to clarify the division of authority and responsibility at all levels, setting out the duties of the Board, the composition of the ESG Working Group, its responsibilities and work procedures. These ESG governance structures will also ensure the efficient operation and continuous improvement of ESG management.

The Board, as the highest decision-making body for ESG governance, will be fully responsible for the formulation, monitoring and evaluation of our ESG policies and coordination of the Group's sustainability efforts to ensure that they are in compliance with legal and regulatory requirements and create long-term value, as well as fulfilling our commitment to the sustainability of our Shareholders and other stakeholders. The Board is primarily responsible for, among other things, but not limited to:

- reviewing the annual Corporate Governance Report and ESG Report and approving their disclosure;
- reviewing and monitoring the implementation of the Group's ESG policies to ensure compliance with relevant legal and regulatory requirements;
- overseeing the training and continuing professional development of Directors and senior management in ESG-related areas; and
- convening at least one meeting per year to review the work of the ESG and additional meetings as required to deal with related matters.

The ESG Working Group, as the core executive body of our ESG efforts, will be chaired by the General Manager, vice-chaired by the Deputy General Manager, and comprised of department heads to ensure that the organizational structure covers all key business areas within the Group. These teams will be responsible for formulating and promoting the effective implementation and continuous optimization of various ESG measures within the Group in order to continuously enhance the effectiveness of ESG management. The ESG Working Group is mainly responsible for, among other things, but not limited to:

- formulating and reviewing the Group's ESG framework, strategy, policies and procedures, and implementing the various ESG plans approved by the Board;
- organizing and coordinating ESG related work and promoting the implementation of ESG policies within the Group;

- regularly assessing ESG risks and improving the internal control system to ensure the effectiveness of ESG management;
- initiating internal and external materiality assessments, analyzing core issues affecting ESG and making recommendations to the Board;
- completing and reviewing the ESG Report on a regular basis to ensure the accuracy and completeness of data and timeliness of disclosure; and
- overseeing and guiding departments in the implementation of ESG policies and assessing the implementation.

ESG Materiality Assessment

We are well aware of the importance and guidance of our stakeholders in our business, strategy and financial planning. Our key stakeholders include our employees, customers, value chain partners, shareholders and investors, industry associations and organizations, etc. We proactively address material issues of concern to our stakeholders in order to fully assess the potential impact of environmental and social related risks. In order to identify environmental and social related risks that have significant impact on our business operations, we have appointed an external third party to conduct a materiality assessment to collect, sort out and evaluate stakeholder feedback.

With reference to the relevant sustainability disclosure standards, industry key issues and materiality maps of the Hong Kong Stock Exchange, the International Sustainability Standards Board (“ISSB”), the Global Reporting Initiative (“GRI”), MSCI (“MSCI”) and the Sustainability Accounting Standards Board (“SASB”) and taking into account the business characteristics of the Company and the industry, we initially shortlisted 21 materiality issues. We used this as the basis for a questionnaire that we sent to our stakeholders to identify the key material ESG issues. Internally, we sought the views of our senior management and employees; externally, we sought the views of our customers, value chain partners, shareholders and investors, residents and the general public, the media, industry associations and organizations, charitable organizations and government/regulatory bodies.

10 of the 21 identified material ESG issues are very significant:

- water resource management
- greenhouse gas emission management
- waste management
- stakeholder engagement
- tackling climate change

BUSINESS

- energy management
- board diversity
- supply chain management
- employee health and safety
- product and service quality

We have also identified the following significant ESG issues and their potential impacts and have initially developed mitigation measures accordingly:

Material ESG issues	Potential risks, impacts and opportunities	Mitigation actions
Energy use and resource management risk . .	With the continuous introduction of energy management and other related laws and regulations, we may face increased costs as a result of energy transitions and energy structure adjustments. The implementation of the circular economy may also lead to an increase in the demand for energy use and water recycling at our production end, which in turn may lead to an increase in our operating costs. At the same time, the introduction of renewable energy incentives has significantly increased the availability of renewable energy. Our renewable energy costs may decrease.	<ul style="list-style-type: none"> • We have formulated management measures for coal, electricity and oil consumption, and set up a metering leading group to promote energy management in a comprehensive manner. • We are phasing out old, obsolete and energy-intensive equipment, optimizing production lines and introducing an online energy monitoring platform. • We will increase the use of renewable energy, mainly solar energy, and reduce the use of fossil fuels. • We are concerned about the impact on soil and water during the implementation of the project, and have strengthened the treatment of mine water purification and the recycling of mine water, rainwater and cooling water.

BUSINESS

Material ESG issues	Potential risks, impacts and opportunities	Mitigation actions
Environmental protection risk . . .	Increasingly stringent environmental regulations require us to comply with more stringent emission standards in our day-to-day operations, which may result in increased operating costs. Failure to comply with laws and regulations relating to environmental protection may result in reputational damage and a lower environmental credit rating, which in turn may affect market competitiveness and consumer trust.	<ul style="list-style-type: none"> • We regularly appoint qualified third-party organizations to monitor emissions, wastewater and solid waste and noise. • We have set up a leading group for environmental management and developed a number of systems to clarify environmental responsibilities and procedures. • We continue to invest in environmental protection and promote the concept of environmental protection within the Company.
Supply chain management risk . .	Unstable supply of raw materials may give rise to the risk of disruptions in the supply chain, which may result in delays in the delivery of our products or cause problems with the quality of our products. If we are unable to effectively select, evaluate and manage quality and sustainable suppliers and properly manage all parties in our supply chain, we may be exposed to supply chain compliance, business ethics, environmental and other risks. Good supply chain management and responsible sourcing will be our strengths, not only in meeting our customers' expectations of our ESG management, but also in ensuring supply chain compliance and avoiding legal risks and potential financial losses.	<ul style="list-style-type: none"> • We have established a comprehensive supply chain management system covering the whole life cycle management of supplier admission, supplier classification and evaluation, and supplier business ethics to ensure the stable operation of products, services and quality related to the Company's operation. • We also continue to incorporate responsible supply chain management into our long-term development plans and endeavor to align the environmental, social and ethical business practices of our suppliers with our sustainability philosophy.

BUSINESS

Material ESG issues	Potential risks, impacts and opportunities	Mitigation actions
Labor employment risk	Our failure to protect the rights and benefits of our employees and to promote their training and career development may result in a reduction in the efficiency of our human resources management and expose us to the risk of employee turnover and a decline in productivity, which in turn may reduce our operational efficiency and lead to the loss of key personnel.	<ul style="list-style-type: none"> • We continue to enhance the well-being of our employees and establish a scientific and effective career development training mechanism to continuously upgrade their knowledge and skills. • We have formulated a multi-skill policy to expand the career paths of our employees to attract key talent and reduce the turnover rate.

BUSINESS

Material ESG issues	Potential risks, impacts and opportunities	Mitigation actions
Occupational health and safety	As the majority of our employees are mine workers, our failure to ensure their occupational health and safety, such as by providing them with risk-controlled, safe and healthy working conditions and premises, could give rise to potential safety hazards and occupational disease risks, which in turn could affect our employment and reputational risk, or incur additional financial expenses.	<ul style="list-style-type: none"> In order to strictly protect the occupational health and safety of our employees, we provide them with regular medical check-ups, with particular attention to the health of our female employees. As our business involves some underground mining, and the relevant working environment is generally exposed to occupational health and safety risks such as dust, high temperatures and toxic and hazardous substances, it may pose greater health and safety risks to female employees, especially during special periods such as menstruation, pregnancy and breastfeeding. According to the Special Provisions on the Labor Protection of Female Employees (《女職工勞動保護特別規定》), the Labor Law of the People's Republic of China and other relevant laws and regulations, female employees are not allowed to engage in underground mining operations. Therefore, we strictly abide by the relevant regulations in job placement to prevent female employees from engaging in unsuitable high-risk work, and pay special attention to the health conditions of female employees in occupational health and safety management. For example, the Company regularly arranges special health check-ups for breast cancer and cervical cancer for female employees to further enhance their health protection.

BUSINESS

Material ESG issues	Potential risks, impacts and opportunities	Mitigation actions
		<ul style="list-style-type: none"> By creating a fair, safe and healthy working environment through measures such as conducting work safety training, formulating occupational disease prevention and control systems and plans, and drawing up comprehensive emergency management plans, we are able to effectively safeguard the occupational health and safety of our employees, and to reduce the financial burden arising from accident management, medical expenses, litigation, penalties and fines.

Identification, Assessment and Management of Climate-Related Risks and Opportunities

We are fully aware of the significant impact of global climate change on the environment and business operations, and that climate risks may have a wide range of impacts on our business operations, business model, supply chain stability, assets and so on. We have identified and assessed the possible impacts of climate-related risks and opportunities on our production, operations and finances based on the characteristics of the industry and the actual situation of our operations, and have taken mitigation actions.

The climate-related risks we have identified are mainly categorized into physical and transition risks:

Physical risk

Our physical risk is primarily the risk of financial loss due to the frequency of extreme weather events, including heavy rainfall, hurricanes and extremely hot or cold weather. Such extreme weather may cause natural disasters such as flooding, blizzards and freezing, which may affect our production and operation plants or equipment to varying degrees and have certain impacts on the health and safety of our employees. For example, extreme precipitation may cause flooding, which could put our production equipment and facilities at risk of damage and affect the continuity of our business. Extremely high temperatures or extreme cold weather may cause sunstroke, heat stroke, frostbite and other risks, which may increase the risk of outdoor work, threaten the health and safety of our employees, affect our employment levels and increase the risk of health insurance claims. These physical risks may cause losses to our assets, resulting in increased equipment maintenance costs and labor costs.

In order to mitigate the impact of these physical risks, we have taken a number of measures to avoid or mitigate the associated risks. We have established a leading group for disaster prevention and response, which is under the direct responsibility of our Chairman, and have formulated disaster prevention and response plans for extreme high temperatures, the rainy season and the winter season. For example, during the rainy season, we mainly carry out flood prevention, drainage prevention and lightning prevention work, set up a flood prevention team and formulate contingency plans to clarify the division of responsibilities among functional departments and emergency management measures. In winter, we regularly inspect and maintain heating equipment and continuously strengthen safety training on the basis of potential hazards investigation.

Transition risk

Our transition risks are mainly the risks of a wide range of policy, legal, technological and market changes brought about by the government's transition to a low-carbon economy. Specifically, we may be required to implement more stringent emission and resource consumption monitoring measures as government and regulatory bodies amend environmental and energy-related laws and regulations from time to time. The global shift towards resource-saving and environmentally friendly societies and the development of a circular economy have led to a continuous demand for green, environmentally friendly and sustainable products and services. In order to comply with regulatory requirements and market preferences, we may incur additional policy compliance and technology transformation costs, including but not limited to upgrading our monitoring technology, improving our processes, and increasing our environmental investments to ensure compliance and minimize potential legal and financial risks.

We have taken a number of measures to mitigate or adapt to these risks to ensure that our business can grow steadily in the face of the ever-changing transformational situation. We pay close attention to and follow up on policies related to climate change, and update and revise our environmental management and energy management systems in a timely manner. We are phasing out energy-intensive equipment, reducing the use of fossil fuels and increasing the development and utilization of renewable energy, mainly solar energy. We have also set up an online energy consumption monitoring platform in our new production lines to monitor real-time data such as centrifugal fan usage. We will continue to promote technological transformation, research carbon emission reduction technologies and diversify our energy structure.

Opportunities

Although we may be exposed to such physical and transition risks, we are actively exploring and implementing integrated product recycling as the concept of sustainability becomes more prevalent. For example, we process tailings left over from our production into flame-free bricks and recycle production waste into refractory fiber ceramic filter tubes for the market. We will continue to follow market demand, promote a wide range of green products and explore new market opportunities.

Environmental Responsibility

During the Track Record Period and up to the Latest Practicable Date, we strictly abide by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on Prevention and Control of Noise Pollution, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Evaluation of Environmental Effects, the Regulations on Administration of Permitting of Pollutant Discharges and other relevant environmental laws and regulations, and are committed to fulfilling the corporate responsibility for environmental protection and creating a sustainable society where man and nature live in harmony. The nature of our products does not involve the "high pollution and high environmental risk" product list included in the Comprehensive Directory of Environmental Protection released by the Ministry of Ecology and Environment of the People's Republic of China in 2021.

In order to systematically address the various environmental issues that may arise from our operations, we have set up a green management leading group to coordinate our environmental protection work. We have also formulated a number of rules and regulations, such as the "Criteria for Handling Environmental Incidents", "List of Environmental Responsibilities at Various Levels", "Solid Waste Pollution Prevention and Control Management Measures", "Environmental Facilities Management System", "Implementation Plan for Ecological and Environmental Protection", which set out the detailed procedures for the implementation of various environmental protection measures and are updated from time to time.

We have taken a number of steps to fulfill our environmental obligations, including but not limited to:

- Energy conservation and emission reduction: actively promote the use of clean energy and implement technological transformation to enhance the energy efficiency of equipment and increase the proportion of renewable energy to gradually reduce the use of fossil fuels;
- Pollutant management: entrust a qualified third-party organization to carry out regular monitoring on the solid waste, wastewater and waste gas generated from production and operations, and reasonably store the hazardous waste in accordance with the relevant standards and hand over to a qualified third party for proper disposal;

BUSINESS

- Noise pollution prevention and control: regularly carry out noise source inspection, set up noise identification signs in a standardized manner, and regularly maintain noise reduction facilities to ensure the effect of noise reduction and eliminate noise exceeding the standard;
- Paperless office: promote a paperless office, online meetings and online approvals, control the amount of paper used, reduce paper waste and promote the use of electronic documents;
- Green travel: encourage employees to use low-carbon modes of travel such as public transport, cycling or walking in their commute to reduce traffic pressure and air pollution;
- Environmental protection training: regularly carry out environmental protection training for all employees, covering key environmental protection areas such as energy conservation and carbon reduction, air pollution prevention and control, water pollution prevention and control, and pollutant control, so as to continuously improve employees' environmental awareness and ability; and
- Environmental risk management and control: formulate an Emergency Response Plan for Environmental Emergencies to deal with all kinds of major or mega environmental emergencies that may occur in a timely manner.

In addition, due to the rapid development of environmental laws and regulations and industry standards, we closely monitor the latest developments in regulations and standards and regularly update our environmental policies and measures to ensure and uphold the highest standards. We are aware that our mining activities have impact on the natural environment and ecosystem to some extent. In the future, we will continue to review potential improvements in environmental management, for example, we strongly agree with the recommendations of the Taskforce on Nature-Related Financial Disclosures (TNFD) on biodiversity conservation, and closely monitor biodiversity conservation management initiatives to align with the growing need for natural considerations in financial and business decisions. During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any material environmental non-compliance, nor have we been involved in any environment-related penalties and litigations.

BUSINESS

Environmental Metrics and Targets

Energy consumption

Our energy consumption is generated from direct energy consumption (mainly natural gas, raw coal, diesel and petrol) and indirect energy consumption (mainly purchased electricity). Our energy consumption during the Track Record Period is set out below:

Category	Unit	Year ended December 31,			Five months ended May 31,
		2022	2023	2024	2025
Natural gas . . .	m ³	8,238,592.01	5,703,727.71	5,146,850.00	2,044,503.00
Raw coal	tons	6,863.45	13,976.70	21,637.63	7,887.61
Diesel	tons	92.35	124.97	159.84	88.86
Petrol	tons	0 ¹	13.62	15.44	5.39
Purchased electricity . .	kWh	20,905,606.99	27,283,723.87	34,671,875.00	15,932,490.0

Our production kilns were predominantly powered by coal during the Track Record Period, although certain of kiln could be powered either solely by natural gas or by various combinations of coal and natural gas. As of May 31, 2025, we had one rotary kiln powered solely by coal, two rotary kilns powered by both coal and natural gas, as well as one rotary kiln and two shaft kilns powered solely by natural gas. We would switch between such fuels depending on production requirements and the prevailing availability of energy supply. During the Track Record Period, we experience instances when supply of natural gas was relatively tight, in order to ensure stable operations, we moderately increased the load of the kiln primarily powered by coal and, for kilns designed to be capable of using both coal and natural gas, adopted coal as fuel based on energy availability, which resulted in an increase in coal consumption and a decrease in natural gas consumption. In order to pragmatically reduce greenhouse gas and pollutant emissions and to ensure that the relevant emissions comply with applicable environmental laws and regulations, we have installed advanced desulfurization and denitrification systems in all kilns and a two-stage ceramic filter dust collection system in the rotary kiln powered solely by coal and the rotary kiln powered solely by natural gas.

We are currently carrying out technical modification and upgrading works on kiln powered solely by coal to natural gas as fuel. Such upgrade commenced in October 2025 and is expected to complete by December 2025. Upon completion of such upgrading and conversion works, all of our production kilns will have the ability to be powered by natural gas. Going forward, our consumption of coal in the production process will be substantially reduced, and we intend to gradually reduce such consumption to nil over an appropriate transitional period, which is consistent with our ESG objectives of reducing energy intensity and improving environmental performance.

¹ Vehicle assets were not vested in the Company in 2022 and therefore petrol consumption data for that year is not available.

Based on the forecast of our production capacity expansion, we are targeting a 10% reduction in natural gas, raw coal and electricity consumption per RMB1 million of revenue by 2030 as compared to 2023, using the year ending December 31, 2023 as the base year.

To achieve this, we have adopted the following energy management procedures and specific measures:

- we optimize energy management with reference to standards such as the Energy Conservation Law of the People's Republic of China and comprehensively promote energy management through the formulation and implementation of management systems and procedures, including the Management Measures for the Use of Heat, the Management Measures for the Use of Electricity, the Management Measures for the Use of Coal and the Management Measures for the Use of Diesel and Petrol. We also set energy consumption assessment targets to enhance energy efficiency and effectively control costs;
- we have set up a metering leading group, formulated the Energy Metering Management Measures to strengthen the Company's metering management and updated the requirements related to the equipping of energy metering instruments and the control of metering statistics and analyses, so as to provide a basis for safe production and energy saving and reduction of consumption, as well as for the corresponding statistical analyses and assessment work;
- we have actively launched energy saving and efficiency improvement measures at the production and manufacturing ends by continuously promoting the renewal and replacement of equipment, gradually phasing out old, obsolete and energy-intensive equipment, and introducing an online energy consumption monitoring platform in the new production lines to instantly monitor data such as centrifugal fan usage, thus enhancing energy efficiency and promoting the green and efficient use of energy; and
- we implement consumption controls for office air-conditioning, lighting and factory streetlights to encourage employees to save energy in their daily office work. At the same time, we optimize equipment operation duration to reduce power consumption during peak hours and implement peak production avoidance.

Greenhouse gas emissions

Greenhouse gas emissions from our manufacturing operations consist primarily of Scope 1 direct GHG emissions resulting from the consumption of equipment and operations owned or controlled by us and our own vehicles and Scope 2 indirect GHG emissions resulting primarily from the consumption of purchased electricity.

BUSINESS

Our greenhouse gas emissions during the Track Record Period are set out below:

Category	Unit	Year ended December 31,			Five months ended May 31,
		2022	2023	2024	2025
Total greenhouse gas emissions	tons CO ₂ equivalent	43,539.49	56,360.34	75,105.64	29,605.10
Greenhouse gas emission intensity	tons CO ₂ equivalent/ million RMB of revenue	228.71	275.35	281.15	282.22
– Scope 1 ¹	tons CO ₂ equivalent	32,321.54	41,719.89	56,500.71	21,055.73
– Scope 2 ²	tons CO ₂ equivalent	11,217.95	14,640.45	18,604.93	8,549.37

Since 2023, our total greenhouse gas emissions have increased due to the ramp-up of some of our production facilities and the commissioning of new production lines. We aim to reduce our GHG emission intensity (Scope 1 and Scope 2) by 5% by 2030 as compared to 2023, using the year ending December 31, 2023 as the base year. In practice, we have adopted various measures to reduce Scope 1 and Scope 2 GHG emissions from our daily production and operations. For example, we have been actively promoting the transition of our energy structure, and increasing the use of renewable energy sources, mainly solar energy, to reduce the use of fossil fuels. During the Track Record Period, our total installed capacity of distributed photovoltaic reached 1,574.1 kWp.

We deeply recognize the importance of reducing Scope 3 Other Indirect GHG Emissions to our efforts to address climate change. In view of the complexity of Scope 3 Data Gathering and the current challenges in gathering upstream and downstream data of the value chain, we are updating and improving the existing data gathering mechanism and intend to comply with the emission requirements of Scope 3 as set out in the Implementation Guidance for Climate Disclosures under HKEX ESG Reporting Framework issued by the Hong Kong Stock Exchange after listing, identify material Scope 3 Emission Categories, and account and

1 Scope 1 direct emissions include greenhouse gas emissions from the use of natural gas, raw coal, diesel and petrol. The calculation methodology is derived from Appendix II of the Guidelines on How to Prepare an ESG Report (the “Guidelines”) issued by the Stock Exchange, and the emission factors used are derived from the Guidelines on Accounting Methods and Reporting of Greenhouse Gas Emissions from Mining Enterprises (《礦山企業溫室氣體排放核算方法與報告指南》) issued by the National Development and Reform Commission of the People’s Republic of China.

2 Scope 2 indirect emissions include greenhouse gas emissions from the use of purchased electricity. The calculation methodology is from Appendix II of the Guidelines. The emission factors used are derived from the national average carbon dioxide emission factor for electricity for 2022, i.e. 00.5366kgCO₂/kWh, as published in the Announcement on the Release of Carbon Dioxide Emission Factors for Electricity in 2022 (《關於發佈2022年電力二氧化碳排放因子的公告》) issued by the Ministry of Ecology and Environment of the People’s Republic of China in 2024.

BUSINESS

disclose quantitative information included in Scope 3 Greenhouse Gas Emissions. We will also strengthen our collaboration with value chain partners to explore and improve the methods and quality of our data gathering, and we aim to disclose our Scope 3 emissions quantitative information and related targets in the next financial year.

We advocate online meetings to reduce business commuting and plan to build dormitories for employees and install charging piles in our plants to reduce other indirect emissions in Scope 3.

Exhaust emissions

Our exhaust emissions are mainly particulates, sulfur dioxide and nitrogen oxides from kiln flue gases and boiler emissions, all of which have obtained emission permits from the local regulatory authorities. Our major emissions of particulates, sulfur dioxide and nitrogen oxides at the emission outlets for the Track Record Period are set out below:

Category	Unit	Year ended December 31,			Five months ended May 31,
		2022	2023	2024	2025
Particulates	tons	4.06	4.39	2.63	0.97
Sulfur dioxide	tons	6.48	4.54	2.48	1.061
Nitrogen oxides . . .	tons	18.21	8.77	5.21	2.22

We have adopted the most stringent standards to deal with how and where these emissions are emitted, and taking into account the overall impact of lower product prices on operating revenues, we aim to achieve a 2% reduction in particulates, sulfur dioxide and nitrogen oxides from our major emission outlets per RMB1 million of revenue by 2030 as compared to 2023, using the year ending December 31, 2023 as the base year.

We have implemented a series of measures to monitor and deal with these major air pollutants:

- we have made reference to the Integrated Emission Standard of Air Pollutants and Emission Standards of Air Pollutants for Industrial Kilns and Furnaces to strengthen the operation and management of our air treatment facilities and the prevention and control of particulate matters, and we have commissioned a third-party organization with professional qualifications to conduct regular monitoring of sulfur dioxide, nitrogen oxides and particulates in the air to ensure that the quality of the emissions meets the standards; and
- we have added equipment such as a mobile welding smoke purifier and flue gas purification treatment to effectively ensure that the emission standards are met after the collection and treatment of exhaust gas. For example, we adopt desulfurization and nitrification and dust removal equipment for the flue gas emitted after calcination to treat the flue gas of the kiln in order to meet the environmental emission standards.

BUSINESS

Solid waste management

The solid waste generated from our production and operation mainly consists of general solid waste and a very small amount of hazardous waste, including waste denitrification catalysts, waste oil drums, waste packaging materials, etc. Our solid waste emissions during the Track Record Period are set out below:

Category	Unit	Year ended December 31,			Five months ended May 31,
		2022	2023	2024	2025
Total solid waste . .	tons	17,309.33	14,946.58	8,190.06	6,717.40
– Total general solid waste	tons	17,307.18	14,939.46	8,185.81	6,708.45
– Total hazardous waste	tons	2.15	7.12	4.25	8.95

Based on the Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill, Standard for Pollution Control on Hazardous Waste Storage and the Solid Waste Pollution Prevention and Control Management System and Hazardous Waste Pollution Prevention and Control Management System that we have formulated, we have strengthened the management of solid waste ledgers, management of dedicated sites, management of incident reports, etc. so as to ensure that the collection, storage, disposal, etc. of solid waste are strictly in compliance with the requirements of the relevant laws and regulations and that pollution of the environment is eliminated or minimized to the maximum extent. As the disposal is not carried out at fixed time points but is instead determined based on the usage and maintenance conditions, the timing of disposal is non-linear and unevenly distributed. Our target is to achieve a 5% reduction in general solid waste per RMB1 million of revenue by 2030 as compared to 2023, using the year ending December 31, 2023 as the base year, and to achieve 100% compliant disposal of hazardous waste.

We seek to minimize potential environmental and health risks through the following solid waste management measures:

- we strictly ensure the legal and compliant disposal of general solid wastes, and that all wastes generated from the ground and underground are segregated and categorized and disposed of regularly and in a timely manner to prevent the spread of pollution. We have also commissioned an external third-party organization to carry out regular solid waste monitoring, and general solid wastes are either utilized by ourselves or handed over to a third party for disposal. We also recycle kiln tailing ash and iron removal tailings as raw materials and press them into bricks through a flame-free brick factory, thus realizing the comprehensive utilization of general solid waste; and

BUSINESS

- our main hazardous wastes are waste lead-acid batteries, waste catalysts, waste motor oil and hazardous waste packaging drums. We have taken measures to carry out effective hazardous waste management in all aspects of production and operation to regulate the management behavior of the Company's hazardous chemicals in use, storage and transportation, etc. The main measures include: (i) the establishment of a system of hazardous waste inventory and the setting up of dedicated sites for the classification and storage of different types of hazardous wastes; (ii) the regular inspection and maintenance of hazardous waste storage sites, the timely cleaning of the ground surface of the storage facilities and the replacement of damaged and leaking storage containers and packaging; and (iii) entrusting qualified third-party organizations to centrally collect and dispose of the hazardous waste.

Water resource management

Our sources of water consumption are mainly the use of mine water and some municipal water purchases. Mine water is mainly used for production, bathing and greening in our daily operations, and municipal water supply is mainly used for domestic drinking water. Our consumption of water resources during the Track Record Period is set out below:

Category	Unit	Year ended December 31,			Five months ended May 31,
		2022	2023	2024	2025
Total water resources consumption	m ³	636,353.00	809,378.00	737,456.00	311,806.00
– Municipal water purchases	m ³	12,753.00	22,778.00	66,404.00	26,359.00
– Mine water consumption	m ³	623,600.00	786,600.00	671,052.00	285,447.00

Our total water resources in 2023 increased as a result of the increase in kaolin ore mining due to the commissioning of new production lines. Given our well-established water resource management and water conservation measures, our overall water consumption is expected to be manageable. Taking into account our forecasted capacity growth, the lower price of our products and the water conservation measures we have taken, we aim to achieve a 3% reduction in our water consumption per RMB1 million of revenue by 2030 as compared to 2023, using the year ending December 31, 2023 as the base year.

We value the potential impact of our operations on the community and the surrounding environment, including but not limited to potential water pollution, mineral damage, etc, therefore, We have adopted a series of measures to strictly control the management of water consumption, and minimize and mitigate the impact on water resources and ecosystems in the regions where we operate. We have adopted integrated water resource management strategies to improve water use efficiency and protect the ecosystem, including but not limited to:

- focusing on the impacts of our production operations and related environmental factors on the soil and groundwater environment, identifying domestic wastewater, mine water and groundwater environmental factors. To this end, we commissioned a qualified third party to prepare the Project Water Resources Argumentation Report to analyze the sustainability of water sourcing and the impacts on water resource use, water ecology and groundwater levels and quality. We are also concerned about the possible impacts on the water environment during the implementation of the project, ensuring that soil and water resources are protected and restored to the maximum extent possible in the course of the project, and ensuring that the geological environment of the mine is effectively managed and restored;
- formulating the Implementing Rules for Water Conservation Management and set up a leading group for water conservation to oversee and promote the implementation of water conservation measures. To ensure the effective implementation of water conservation measures, we carry out water supervision and inspections from time to time, focusing on leakage and the use of water-saving appliances, so as to identify and solve water wastage problems in a timely manner;
- actively adopting advanced water conservation technologies to achieve multiple uses of water and increase the water recycling rate and wastewater recovery and reuse rate. We have also continued to strengthen the management of mine water purification treatment to ensure that 100% of the purified mine water is recycled, thereby promoting the recycling of water resources; and
- implementing stringent treatment and discharge compliance measures for all wastewater, including production processes, mine water purification, equipment cleaning and employees' domestic water. We refer to the Emission Standards for Pollutants from the Coal Industry (《煤炭工業污染物排放標準》) to standardize the management system and operating procedures for mine water purification, improve the standardized management of mine water purification stations and continuously standardize the daily operation and management. Our daily wastewater has been connected to the municipal wastewater treatment plant to achieve effective management of domestic wastewater.

Mine Geo-environmental Protection and Land Reclamation

In strict compliance with the Implementation Rules of the Mineral Resources Law of the PRC (中華人民共和國礦產資源法實施細則) and Provisions on the Protection of the Geographic Environment of Mines (2019) (《礦山地質環境保護規定》(2019年)), we have formulated the mine geo-environmental protection and land reclamation plan and actively fulfill the reclamation obligations related to kaolin mining, so that the land damaged by mining subsidence can be reclaimed in a timely manner. In accordance with these plans, we have defined the standards of mine geological environment protection and reclamation, engineering design, project estimation and investment arrangements, and has planned the specific implementation plan process, cost, technology and organizational management of mine geological environment protection and land reclamation in detail, so as to comprehensively reduce the mine geological environment problems and geological disasters caused by mine construction and production and operation activities, improve mine geological environment and ecological environment to achieve the balance and sustainable development of mining operation and environmental protection. It contains our estimate of the total cost of the mine geological environment treatment project, of which the static total investment is RMB32.5 million and the dynamic total investment is RMB44.3 million. In addition, according to the Guiding Opinions on the Establishment of a Mine Environmental Governance Restoration Fund by Canceling the deposit for Mine Environmental governance restoration, we have also set up a mine geological environment governance restoration fund account for mine geological environment governance, and have defined the cost schedule and fund withdrawal plan of the environmental governance restoration fund according to the fund estimation results.

Environmental Investment

Adequate investment in environmental protection is the foundation of our environmental protection work, and we have maintained a stable and continuous investment in environmental protection and energy saving and emission reduction work. During the Track Record Period, our investment in environmental protection amounted to RMB0.4 million, RMB5.8 million, RMB40.5 million and RMB3.3 million in 2022, 2023, 2024 and the five months ended May 31, 2025, respectively. In 2025, we actively responded to the green development strategy and increase our investment in environmental protection significantly, and environmental protection investment will also become an important expense for our future development.

Social Responsibility

We actively fulfill our corporate social responsibility by providing a safe and fair working environment, safeguarding employees' rights and interests and supporting their career development, as well as ensuring the quality and innovation of our products and services, so as to continuously enhance the trust and satisfaction of our customers and other stakeholders. In addition, we actively engage in community welfare initiatives and implement stringent supply chain management to promote the sustainable development of the community and our partners.

Employee rights and well-being

We are committed to building a fair, equitable and inclusive employment environment. We strictly comply with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other relevant laws and regulations. To this end, we have established several internal policies, such as the Human Resources and Salary Management Measures and Measures for Performance Evaluation, which set out clear rules and regulations on remuneration and benefits, leave and welfare, the promotion system, working hours and skills allowances and are updated from time to time. After listing, we plan to further improve our anti-discrimination and anti-harassment systems and promote diversity and inclusiveness in the workplace, so as to provide a fair and equitable working environment for our employees, business partners and customers.

We strictly prohibit the employment of child labor or forced labor in any of our business activities. We ensure full compliance with applicable regulations by contributing to social insurance, housing provident funds and supplementary medical insurance for all our employees in accordance with relevant regulations and provide them with paid leave entitlements. In addition, we attach great importance to the physical and mental health of our employees and arrange annual health check-ups for all employees to ensure their well-being. In order to maintain a smooth communication mechanism, we provide our employees with a platform to respond to their livelihoods that ensures that their complaints are handled in a confidential and appropriate manner, and that the confidentiality of the complainants is protected.

Occupational health and safety

We have adopted and maintain a number of systems, standard operating procedures, emergency response plans and measures to safeguard the occupational health and safety of our employees and to ensure that our operations comply with applicable workplace safety laws and regulations in the jurisdictions in which we operate. We are committed to providing and maintaining a safe and healthy working environment while strictly complying with all applicable laws and regulations, including, but not limited to, the following:

- The Law of the People's Republic of China on Prevention and Control of Occupational Diseases
- Healthy China Initiative (2019-2030)
- Regulations on the Management of Occupational Health in the Workplace
- The Law of the People's Republic of China on Work Safety

We place great emphasis to the health and safety of our employees and are committed to providing a safe and healthy working environment for all employees. We organize annual health check-ups and occupational disease prevention check-ups for all our employees, and ensure that all check-up results are filed on the official Occupational Health Statistics Platform. We have also formulated a comprehensive occupational disease prevention and control system and plan, including the Occupational Disease Hazard Detection Report and the Occupational Disease Hazard Prevention and Control Work Plan and Implementation Plan, which are updated from time to time, and have taken various measures to effectively reduce the impact of dust and noise on the health of our employees.

In addition, we have formulated a year-round training plan on work safety management and regularly organized work safety activities and assessments to ensure that the training and assessment records of all employees are complete. During the Track Record Period and up to the Latest Practicable Date, we have achieved a 100% work safety training coverage rate among our employees. In addition, we have formulated comprehensive emergency management plans, such as the Emergency Rescue Plan for Occupational Disease Hazard Incidents, which sets out the ground and underground operation scenarios to ensure that the emergency procedures are clear and effective.

During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any material incident resulting in personal injury or property damage, and we have not been subject to material claims, litigation, penalties or disciplinary actions as a result of any material incident.

Employee development and training

We enhance the professional competencies and capabilities standards of our employees through technical and management training, and encourage them to participate in cross-departmental and cross-disciplinary co-operation projects to promote communication and integration and strengthen teamwork. We are committed to building knowledge-based, skill-based and innovative teams, supported by a robust training system and clear career advancement pathways to promote employees' skills upgrading and career growth.

We have established a targeted training and assessment mechanism that encompasses pre-employment training, on-the-job skills upgrading, regular off-the-job training and specialized training on work safety, and have invested in market-oriented training budgets to motivate our employees to participate in and enhance the effectiveness of their learning. We regularly provide training to all junior employees, middle management employees and senior management employees and have achieved 100% coverage of such training for our employees during the Track Record Period and up to the Latest Practicable Date. We have formulated a tiered and graded management system for vocational skills assessment and have implemented the declaration of exceptional qualifications and direct recognition of skill levels to encourage employees to improve their skills and advance rapidly. In addition, we have from time to time expanded the career development paths of our employees through our cross-position and multi-skill policies, so as to promote a positive cycle of skills upgrading, performance growth and career advancement, and to realize mutual development.

In 2024, we made a number of enhancements to employee development and training, introduced the Occupational Skills Subsidy Incentive Scheme in order to differentiate remuneration for highly skilled personnel, and strengthened specialized work safety training to further enhance professional skills and safety management standards.

Supply chain management

We have established a comprehensive supplier management system, formulated “Supplier Management Measures,” with specific provisions that encompasses selection criteria, code of conduct, evaluation and monitoring. These provisions are updated from time to time to ensure supplier compliance, quality stability and supply chain transparency. In addition, we have established a standardized and transparent supplier management system to ensure the stability and efficiency of the supply chain and to safeguard the safety and compliance of our production operations.

In the selection process of new suppliers, we require them to possess legal entity status, valid operating qualifications, and certifications for management systems in accordance with regulatory requirements as well as a robust quality assurance system and contractual performance capability. We have set up a supplier evaluation team to conduct annual comprehensive evaluations of suppliers’ contractual performance and abnormal behavior, and implement hierarchical management based on the evaluation results to continuously enhance the transparency and stability of the supply chain.

We specify the technical standards of our products in our supplier contracts and outline detailed requirements for packaging, transport, installation and acceptance. In addition, we sign Safety Management Agreements and Environmental Protection Agreements with our contractors to impose penalties for non-compliance with environmental or safety regulations. We also require all suppliers to sign the Integrity Commitment, in which they undertake to abide by the principles of fair competition and honest business practices, and not to provide improper benefits to employees.

Due to the nature of our business, our raw materials are mainly non-metallic minerals and therefore do not involve the use of conflict minerals, and all raw materials are sourced from lawful and compliant channels. We plan to formulate a Code of Conduct for Suppliers after the Listing to incorporate ESG concepts into our supplier management, and require our suppliers to comply with the principles of sustainable development and work with us to promote the construction of a responsible supply chain.

Product quality and technical innovation

During the product design and development process, we have implemented a number of measures to enhance resource utilization efficiency and improve the sustainability of our production. For example, we process waste tailings from the production process into flame-free bricks for underground construction support structures. Through these green technological innovations, we have closed the loop in our production process and realized the recycling of resources, helping to reduce resource consumption and promote a circular economy.

We have also established industry-university-research integration cooperation with several higher education institutions and research institutes to enhance product technology standards and accelerate green innovation. In addition, based on the market feedback collected by our sales department and insights gained from regular market research, we accurately grasp customer needs and market trends, and thus integrate market needs with our sustainable development objectives.

We have always maintained a stringent quality management system for our products and services. Through the introduction of the ISO 9001 quality management system, we have standardized our quality control processes to ensure that all our products comply with international standards. We plan to further improve our quality management system after the Listing to enhance the environmental sustainability performance of our products.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material claims or penalties in respect of any product safety issues or any material defects and have complied in all material respects with the relevant laws and regulations.

Society contribution

We continue to pay attention to the development of the communities in which we operate, support social development and fulfill our social responsibilities through various public welfare activities. We actively organize “Charity Day Donation” (慈善一日捐) activities and encourage our employees to actively participate in charitable donations to support groups or charitable organizations in need of help. In addition, in order to support the economic development of specific regions, we have implemented a purchasing program to support the sale of agricultural products of Tibet and Xinjiang, which has helped farmers increase their incomes by supporting the sale of local agricultural products. After the Listing, we will continue to contribute to society through diversified public welfare practices.

Corporate Governance

We believe that good governance and a culture of compliance and integrity are essential for the well-being of our employees and the sustainable development of our business. To this end, we have developed a series of internal compliance policies setting out our compliance requirements and will continue to comply with the requirements of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules after the Listing.

Compliance management

In order to effectively prevent and control compliance risks and to enhance the standard of compliance management in accordance with the law, we have formulated stringent internal compliance measures to clearly define the organizational structure and operational mechanism of compliance management, and to ensure that our operations are in compliance with laws and regulations as well as the requirements of relevant rules and systems. In accordance with these

rules, the Company has set up a compliance officer to lead the compliance management departments to organize and carry out the relevant work, and established three lines of defense, namely the Business Department, the Operation Management Department and the Disciplinary (Audit) Department, to promote compliance and implementation of compliance requirements within the Company. We have established a compliance risk identification and early warning mechanism to identify various types of non-compliance risks. Each business department dynamically updates the compliance risk list and position responsibilities according to changes in laws and regulations, and evaluates the level of risk every year.

In addition, we actively promote the concept of compliance culture within the Company through regular compliance training. During the Track Record Period and up to the Latest Practicable Date, we have achieved 100% coverage of compliance training for our employees.

Risk management and internal control

We have fully integrated risk management and internal control into our corporate management and business processes by developing a risk management system and internal control procedures. We have developed a comprehensive risk management system which sets out our risk management framework and strategy. We have also put in place an internal control system and methodology which provides guidance on the construction, operation and maintenance of internal controls through our Internal Control Management Manual, which is updated from time to time. This Manual also serves as the basis for the establishment, implementation and evaluation of our internal controls.

Anti-corruption and anti-bribery

We regard integrity as a core value for corporate development and have promulgated anti-corruption and anti-bribery procedures to ensure that our business and the legitimate rights and interests of our employees are not affected by corruption or bribery. We regularly organize anti-corruption and integrity training for all employees, especially those in key positions, to continuously enhance their awareness of integrity and self-discipline, as well as their ability to identify and prevent corrupt practices.

We have also provided employees with various reporting and complaint channels, such as mailboxes, telephone numbers and QR codes, to report any infringement of workers' interests, and the Disciplinary (Audit) Department and labor union are jointly responsible for the collection, sorting and feedback of information. Meanwhile, the confidentiality of the identity of the reporter and other sensitive information is strictly ensured during the reporting process.

In addition, our suppliers are also required to enter into the Integrity Commitment to ensure that they undertake in writing to comply with our requirements on anti-bribery practices to safeguard the legality of their business dealings. During the Track Record Period and up to the Latest Practicable Date, no non-compliance with the relevant laws and regulations in relation to corruption or bribery which had a material impact on us was identified.

Board diversity

We believe that Board diversity is critical to the realization of our strategic objectives and sustainable development. To this end, we have formulated the Board Diversity Policy, which we intend to put into effect after the Listing, with a view to building a Board with diverse backgrounds to facilitate overall decision-making and enhancing governance standards. Selection criteria include, but are not limited to, gender, age, cultural and educational background, nationality, race or ethnicity, and professional experience. At the same time, we endeavor to enhance the independence of our Board by introducing professional independent non-executive directors to enrich our perspective and safeguard independent decision-making. After the Listing, we will report on our observation of the diversity of our Board composition in our annual corporate governance report. See “Directors, Supervisors and Senior Management — Board Diversity Policy.”

INTELLECTUAL PROPERTY

Our intellectual property is of great significance to our business and underpins our core competences. As of the Latest Practicable Date, we had four registered trademarks, 13 copyrights and 50 patents in the PRC, and we are also in the process of applying for the registration 18 patents in China. See “Appendix VIII — Statutory and General Information.”

We place great importance on the application and accumulation of intellectual properties, especially patents. We regularly monitor the application status of intellectual property rights and perform routine checks on the public trademark registration platform to ensure our trademarks are not infringed by third parties. We also protect our intellectual property rights through a series of confidentiality agreements or provisions with core technical personnel and key management personnel. During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes relating to the infringement of intellectual property rights that would have a material adverse effect on our business.

PROPERTIES

Our Company’s registered office is located in Duji District, Huaibei City, Anhui Province, PRC. We own properties in the PRC.

As of the Latest Practicable Date, we owned six parcels of land and 65 buildings in the PRC with an aggregate site area of approximately 466,291 sq.m. and 83,530 sq.m., respectively, which were primarily used for production, storage, office and residential purposes. We have obtained the real estate title certificates for the above owned properties.

As of the Latest Practicable Date, we did not lease any properties.

Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, has valued our property interests as of June 30, 2025. For details, see “Appendix VII — Property Valuation Report.” Except for the property interests described in the property valuation, we have no other owned property interest that forms part of our non-property activities that has a carrying amount of 15% or more of total assets pursuant to Rule 5.01B(2)(b) of the Listing Rules.

THE IMPACT OF COVID-19

In 2020, the outbreak of the COVID-19 led to an international public health crisis and, as a result, the global economy in general were adversely affected. Given this unprecedented global health crisis, our business operations were briefly impacted by the outbreak in early 2020 due to social and work gatherings, mandatory quarantine requirements and suspended public transportation in certain areas in China. As some of our employees had to work from home, the operations that required onsite service were interrupted to a limited extent. However, we resumed normal business operations after the initial disruptions in early 2020. During the COVID-19 pandemic, we relied on a stable and diversified customer base across various regions of China to ensure a continuous inflow of orders. We maintained cooperative relationships with multiple transportation companies to guarantee the timely delivery of goods. Additionally, we implemented strict internal epidemic prevention and control measures to ensure the smooth operation of our production processes. Our flexible sales strategies helped sustain stable sales growth, while strengthened cost control measures improved cost efficiency. These measures effectively responded to external challenges and ensured the stable growth of production and sales, without causing any material adverse impact on our business operation or financial performance during the Track Record Period.

INSURANCE

We maintain insurance coverage in amounts that we believe are consistent with our risks of loss and our industry's customary practices. In China, pursuant to the relevant PRC laws and regulations, we maintain property insurance, safety production liability insurance and automobile insurance for our business operation, as well as endowment insurance, medical insurance, unemployment insurance and work injury insurance for our employees.

During the Track Record Period and up to the Latest Practicable Date, we did not make any material insurance claims in relation to our business. We will review and assess our risks on an ongoing basis and make necessary adjustments to our insurance coverage in line with our needs and industry practice in the PRC. Consistent with what we believe to be customary practice in our industry, we generally do not maintain any business interruption insurance. We believe that the existing insurance coverage of our business is adequate and standard for our industry. However, there is no assurance that the insurance policies we maintain are sufficient to cover all of our operational risks. For details, see "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be inadequate to satisfy potential claims and fluctuations in insurance cost and availability could adversely affect our business, financial condition and results of operations."

BUSINESS

LICENSES AND PERMITS

We are required to obtain various certificates, licenses, permits and approvals for our operations including, among other things, those required for mining and exploration, waste discharge and safety production.

The following table sets forth a summary of our material licenses, permits and approvals that we had obtained for our operations as of the Latest Practicable Date. For details about our Mining License, see “— Our Mineral Assets and Mining Rights — Our Kaolin Mineral Assets — Shuoli Kaolin Mine — Mining License.”

Holder	Name of license/permit/approval	Issuing authority	Date of issue	Date of expiry
The Company . . .	Mining License	Huaibei Municipal Bureau of Natural Resources and Planning	March 6, 2024	November 20, 2039
The Company . . .	Safety Production License	Department of Emergency Management of Anhui Province	November 8, 2023	March 29, 2026
The Company . . .	Emissions License	Huaibei Municipal Bureau of Ecology and Environment	May 9, 2024	May 8, 2029
The Company . . .	Blasting Operation Unit License	Public Security Bureau of Huaibei	October 30, 2025	August 23, 2030
The Company . . .	Water Abstraction License	Water Authority of Huaibei	April 29, 2022	December 31, 2025 ⁽¹⁾

Note:

- (1) As advised by our PRC Legal Advisors, based on the relevant PRC laws and regulations, the issuing authority of such license requires the license holder to commence the renewal procedures 45 days before its expiry. Subject to the completion of necessary administrative procedures, there is no material legal impediments for the renewal of such license.

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material for our operations in the PRC. All of these licenses, approvals and permits are valid and effective, and no circumstances exist that would render the revocation or cancellation of our licenses, approvals and permits or would render legal impediments to our business operations. Our PRC Legal Advisor has advised us that, to the best of their knowledge, there is no legal impediment to renewing any material licenses, approvals or permits for our business and operations in the PRC, so long as we comply with the relevant legal requirements and provided that we take necessary steps and submit the relevant applications in accordance with the requirements prescribed by the applicable laws and regulations.

LEGAL PROCEEDINGS AND COMPLIANCE MATTERS**Legal Proceedings**

We may from time to time become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, there were no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material and adverse effect on our business, financial condition or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, we had not been and were not involved in any material incidents of non-compliance. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting and internal control. Our Board of Directors is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to functional department.

To monitor the implementation of our risk management policies and internal control measures, we have adopted and will continue to adopt, among others, the following risk management measures:

- Establish a conflict of interest management system to define conflicts of interest, specify their content and the responsible management departments and develop measures to prevent conflicts of interest, as well as processes for monitoring and reporting conflicts.
- Develop a risk management system that clarifies the classification, principles, organization, responsibilities, risk identification and assessment, risk response, risk tracking, risk monitoring, application and evaluation.

- Designate the responsible department for risk management, build a risk management system, clarify risk management systems, processes and responsibilities, guide and supervise the risk management work of each department, continuously identify potential risk events, evaluate identified risks and implement risk response measures.
- Establish an evaluation procedure for the resignation of management and key personnel, clarifying the responsible department and execution requirements.
- Clearly define sensitive and confidential company information through written policies, specify procedures for identifying and monitoring sensitive or confidential information and measures for protecting and handling information leaks and establish reward and punishment measures. Classify and manage company data by level and develop a data classification list.
- Establish a license management procedure. Formulate a license management system tailored to departments and business needs, clarifying the procedures for obtaining, updating, monitoring and maintaining licenses.
- Develop an insurance management system, including the demonstration of insurance, review of insurance contracts and mechanisms for post-claim, renewal and update, to standardize the insurance business management process, including but not limited to the employee protection and compensation, third-party litigation, all-risk property insurance (such as inventory preservation) and safety production liability insurance.
- Establish a written external communication system, including but not limited to the information release process, media and public response management, procedures for responding to regulatory inquiries and responses to negative reports.
- Clarify the management department responsible for internal audits. Ensure the independence of internal audits, with the internal audit department reporting to the audit and risk committee under the board of directors, conduct internal audit work according to system requirements, identify problems and deficiencies, propose rectification suggestions and retain relevant audit plans, audit reports, defect ledgers and related approval records for traceability.

BUSINESS

AWARDS AND RECOGNITION

During the Track Record Period, we received numerous awards and recognitions in respect of our business operation, products, and research and development capabilities, including but not limited to:

Award/Recognition	Awarding Institution/Authority	Award Year
Trademark Brand Demonstration Enterprise of Anhui Province (安徽省商標品牌示範企業)	Recommendation Committee of Trademark Brand Demonstration Enterprise of Anhui Province	2024
Standardization Demonstration Enterprises in the Field of Industry and Information Technology of Anhui Province (安徽省工業和信息化領域標準化示範企業)	Department of Industry and Information Technology of Anhui Province	2024
Single Champion of Manufacturing Enterprises of Anhui Province (安徽省製造業單項冠軍培育入庫企業)	Department of Industry and Information Technology of Anhui Province	2024
Anhui Excellence Brand Model Enterprise (“皖美品牌”示範企業)	Administration for Market Regulation of Anhui Province	2024
Anhui Industrial Excellence (安徽工業精品)	Department of Industry and Information Technology of Anhui Province	2023
Single Champion of Manufacturing Enterprises of Anhui Province (安徽省製造業單項冠軍培育企業)	Department of Industry and Information Technology of Anhui Province	2023
High-tech Enterprise (高新技術企業)	Department of Science and Technology of Anhui Province, Anhui Provincial Department of Finance and Anhui Provincial Tax Service, State Taxation Administration	2022

BUSINESS

Award/Recognition	Awarding Institution/Authority	Award Year
National Specialized and Innovative “Little Giant” Enterprise (國家級專精特新“小巨人”企業)	Ministry of Industry and Information Technology of the PRC	2022
Science and Technology Reform Model Enterprise in SOE Reform (國企改革“科改示範企業”)	SOE Reform Leading Group Office of the State Council	2022

CONNECTED TRANSACTIONS

OVERVIEW

We have, in our ordinary and usual course of business, entered into a number of transactions with certain entities that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon Listing. Such transactions will continue after the Listing and will therefore constitute our continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

We have entered into a number of transactions with Huaibei Mining Group and/or its associates that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon Listing, including:

Connected Persons	Connected Relationship
Huaibei Mining Group and its associates	Huaibei Mining Group is one of our Controlling Shareholders, holding approximately 45.09% of our equity interests upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Huaibei CR Gas Co., Ltd. (淮北華潤燃氣有限公司) ("CR Gas")	CR Gas is an associate of Huaibei Jiantou Holding, which is one of our Controlling Shareholders, holding approximately 29.91% of our equity interests upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)

SUMMARY OF OUR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Nature of transactions	Counterparty	Proposed Annual Caps			Applicable Rules	Waiver Sought
		For the years ending December 31,				
		2025	2026	2027		
(RMB thousand)						
Non-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)						
1. . . Sales of ceramic fiber	Huaibei Mining and/or its associates	4,000	4,400	4,840	14A.34, 14A.35, 14A.53, 14A.76, 14A.105	Announcement requirement
2. . . Procurement of services	Huaibei Mining Group and/or its associates	2,000	3,000	3,000	14A.34, 14A.35, 14A.53, 14A.76, 14A.105	Announcement requirement
3. . . Procurement of coal and materials	Huaibei Mining Group and its associates	2,500	3,500	4,000	14A.34, 14A.35, 14A.53, 14A.76, 14A.105	Announcement requirements
Non-exempt continuing connected transactions (subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements)						
4. . . Procurement of natural gas	CR Gas	20,000	N/A	N/A	14A.34, 14A.35, 14A.36, 14A.53, 14A.76, 14A.105	Announcement, circular and independent Shareholders' approval requirements

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

In our ordinary and usual course of business, we have entered into the following transactions for which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. Sales of ceramic fiber

Parties

Huaibei Mining Group (for itself and on behalf of its associates); and

Our Company

Principal terms

We entered into a sales of ceramic fiber framework agreement with Huaibei Mining Group on November 21, 2025 (the “**Sales of Ceramic Fiber Framework Agreement**”), pursuant to which our Company will sell, from time to time, ceramic fiber produced by our Company, to Huaibei Mining Group and/or its associates, to satisfy the needs of their business operation.

The initial term of the Sales of Ceramic Fiber Framework Agreement shall commence on the Listing Date until December 31, 2027, subject to renewal by mutual consent and compliance with all applicable laws and regulations.

We will separately enter into specific agreements with Huaibei Mining Group and/or its associates which will set out the specific terms and conditions, including sales volume and sales price of ceramic fiber, fees and payment methods.

Pricing terms

The price of ceramic fiber shall be determined with reference to (i) the relevant costs and expenses of our production of ceramic fiber; and (ii) the prevailing market price of ceramic fiber. To obtain information of market price, our Company will regularly monitor the movements of the market price of ceramic fiber from public sources and make reference to transaction prices with at least two Independent Third Parties. In particular, we will seek quotation from other independent third party buyers in the same or neighboring regions as references to ensure the sales prices of ceramic fiber to Huaibei Mining Group and/or its associates will be no less favourable to the Company than those available to Independent Third Parties. The parties shall determine the final sales price based on arm's length negotiations.

CONNECTED TRANSACTIONS

Reasons for the transactions

Our Company use calcined kaolin as the main raw material to produce ceramic fiber, and the trial production of ceramic fiber started in the fourth quarter of 2024. The sales prices of ceramic fiber to Huaibei Mining Group and/or its associates will be no less favourable to the Company than those available to Independent Third Parties. Taking into account of the above, our Directors consider that the sale of ceramic fiber to Huaibei Mining Group and its associates is beneficial to our Company.

Historical amounts

Our Company launched the sales of ceramic fiber in the fourth quarter of 2024, and thus we did not have historical transactions amount with Huaibei Mining Group for the sales of ceramic fiber during the Track Record Period. For the three months ended December 31, 2024, the transaction amount for the sales of ceramic fiber from our Company to Huaibei Mining Group and/or its associates is approximately RMB2,973,000, and for the five months ended May 31, 2025, the transaction amount for the sales of ceramic fiber from our Company to Huaibei Mining Group and/or its associates is approximately RMB2,757,000.

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Sales of Ceramic Fiber Framework Agreement for the three years ending December 31, 2027 shall not exceed the caps set out below:

	For the year ending December 31,		
	2025	2026	2027
	(RMB thousand)		
Sales of ceramic fiber	4,000	4,400	4,840

The above proposed annual caps with respect to the sales of ceramic fiber are determined with reference to:

- (a) the historical transaction amount between our Company and Huaibei Mining Group for the sale of ceramic fiber for the three months ended December 31, 2024 and the five months ended May 31, 2025;
- (b) the expected expansion of ceramic fiber production of our Company. In particular, our Company commenced the operation of our ceramic fiber production line in the expanded Chamotte Plant, and also the ceramic fiber industry is expected to grow because of the estimated price increase in ceramic fiber, according to Frost & Sullivan;
- (c) the expected increasing demand for ceramic fiber of Huaibei Mining Group due to the overall increase in market size of ceramic fiber; and
- (d) the estimate increase in the sale price of ceramic fiber as to approximately 2.3% in the coming three years, according to Frost & Sullivan.

CONNECTED TRANSACTIONS

2. Procurement of services

Parties

Huaibei Mining Group (for itself and on behalf of its associates); and

Our Company

Principal terms

We entered into a procurement of services framework agreement with Huaibei Mining Group on November 21, 2025 (the “**Procurement of Services Framework Agreement**”), pursuant to which our Company may from time to time procure from Huaibei Mining Group and/or its associates certain types of services (including but not limited to equipment inspection service, onsite examination service, design service, and maintenance service) for our daily operation.

The initial term of the Procurement of Services Framework Agreement shall commence on the Listing Date until December 31, 2027, subject to renewal by mutual consent and compliance with all applicable laws and regulations.

We will separately enter into specific agreements with Huaibei Mining Group and/or its associates which will set out the specific types, terms and requirements for the services provided by Huaibei Mining Group and/or its associates, fees and payment terms.

Pricing terms

The price for each type of services will be determined on a cost plus basis with reference to the actual costs and expenses incurred by Huaibei Mining Group and/or its associates in providing the relevant services to us and the market price of relevant services.

Set out below are the specific pricing policies for different types of services under the Procurement of Services Framework Agreement:

Type of services	Pricing policy
Equipment inspection service	Price to be determined with reference to the type of equipment inspection, the complexity of the inspection steps, and the cost and salaries of personnel needed of the inspection
Physical examination service	Fixed examination fee per person
Design services	Price to be determined with reference to project complexity and negotiations between the parties and specific field of work
Maintenance services	Price to be determined with reference to the type of maintenance object and the salaries of personnel needed for the maintenance

CONNECTED TRANSACTIONS

For the purpose of ascertaining market prices, the procurement team of our Company will (i) conduct public bidding procedure in which at least three bidders (including bidders that are Independent Third Parties) will participate. Our Company will review and evaluate terms and conditions (including pricing of relevant service) submitted by the bidders and select the most favourable terms to the Company; or (ii) conduct price inquiry and obtain quotations from at least two suppliers that are Independent Third Parties. This would ensure that the terms provided by Huaibei Mining Group and/or its associates are no less favourable to our Company than available to Independent Third Parties.

Reasons for the transactions

Our Company has been procuring services, including but not limited to drilling and inspection service, physical examination service, design service, and repairing service, from Huaibei Mining Group and/or its associates and other Independent Third Parties to facilitate our business operation during the Track Record Period. Given our long cooperation history with Huaibei Mining Group and/or its associates, Huaibei Mining Group and/or its associates are very familiar with our production and operation requirements for relevant services. Our Directors consider that procurement of services from Huaibei Mining Group and/or its associates would allow us to benefit from the consistent quality of the services provided by Huaibei Mining Group and/or its associates.

Historical amounts

Set out below are the historical transaction amounts for the above mentioned procurement of services during the Track Record Period:

	For the year ended December 31,			For the five months ended May 31,
	2022	2023	2024	2025
	(RMB thousand)			
Procurement of services. . . .	6,234.0	996.0	2,043.0	259.0

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Procurement of Services Framework Agreement for the three years ending December 31, 2027 shall not exceed the caps set out below:

	For the year ending December 31,		
	2025	2026	2027
	(RMB thousand)		
Procurement of services.	2,000	3,000	3,000

CONNECTED TRANSACTIONS

The above proposed annual caps are determined with reference to:

- (a) the historical transaction amounts for the procurement of services between our Company and Huaibei Mining Group and/or its associates during the Track Record Period. During the Track Record Period, the Company would consider whether the pricing and terms provided Huaibei Mining Group and/or its associates are most favorable to the Company to determine whether to procure the relevant service from them or otherwise from Independent Third Parties. The decrease of procurement of services fees from 2022 to 2023 and for the five month ended May 31, 2025 was because we sourced similar service from Independent Third Parties who was able to provide the most suitable service to us with competitive pricing terms;
- (b) the expected labor cost for provision of services by Huaibei Mining Group and/its associates and other Independent Third Party service providers in general (including but not limited increase of salary of service staff) in the three years ending December 31, 2027; and
- (c) the demand of our Company for relevant services above to meet our expected business needs in the three years ending December 31, 2027. In particular, as our Company commenced the operation of our expanded Chamotte Plant for crystal phase transformation and development of the deep processing project of mullite-based aluminosilicate materials, resulting in an expected increase in production capacity. Therefore, our demand for the relevant service from Huaibei Mining Group and/or its associates may increase accordingly in the three years ending December 31, 2027, such as equipment inspection service, onsite examination service and maintenance services.

3. Procurement of coal and materials

Parties

Huaibei Mining Group (for itself and on behalf of its associates); and

Our Company

Principal terms

We entered into a coal and materials procurement framework agreement with Huaibei Mining Group on November 21, 2025 (the “**Coal and Materials Procurement Framework Agreement**”), pursuant to which our Company may from time to time procure from Huaibei Mining Group and/or its associates coal and auxiliary materials for production, which will be used in the daily business operation of our Company.

CONNECTED TRANSACTIONS

The initial term of the Coal and Materials Procurement Framework Agreement shall commence on the Listing Date until December 31, 2027, subject to renewal by mutual consent and compliance with all applicable laws and regulations.

Our Company will separately enter into specific agreements with Huaibei Mining Group and/or its associates which will set out the specific terms and conditions, including types of coal and/or materials, standards and specifications, quantity and quality required, fees and payment methods of products provided by Huaibei Mining Group and/or its associates.

Pricing terms

The price for coal is calculated by multiplying the unit price by actual weight. The unit price of coal shall be determined with reference to (i) market price and conditions; (ii) relevant local industry index prices, including but not limited to the BSPI (Bohai Rim Thermal Coal Price Index), the CCTD Qinhuangdao 5500 Kcal Comprehensive Transaction Price and the NCEI 5500 Kcal Comprehensive Price published by the National Coal Exchange Center; (iii) coal quality characteristics; and (iv) transportation costs. In addition, the Company will use quality adjustment mechanism (including parameters such as moisture, sulfur percentage, volatile matter, ash content and calorific value) to determine the price of coals.

The price for each type of auxiliary materials for production will be determined with reference to (i) the prevailing market price of such material; and (ii) the price of such material provided by Independent Third Parties to our Company.

For the purpose of ascertaining market prices, the procurement team of our Company will (i) conduct public bidding procedure in which at least three bidders (including bidders that are Independent Third Parties) will participate. Our Company will review and evaluate terms and conditions (including pricing of relevant material) submitted by the bidders and select the most favourable terms to the Company; or (ii) conduct price inquiry and obtain quotations from at least two providers that are Independent Third Parties. This would ensure that the terms provided by Huaibei Mining Group and/or its associates are no less favourable to our Company than those provided by Independent Third Parties.

Reasons for the transactions

Our Company has been purchasing coal and auxiliary materials for production from Huaibei Mining Group and/or its associates during the Track Record Period for our daily business operation. Given our long cooperation with Huaibei Mining Group and/or its associates, Huaibei Mining Group and/or its associates are very familiar with our production and operation requirements. In addition, the close proximity of Huaibei Mining Group and/or its associates will improve the transportation efficiency of coal and materials. Our Directors consider that procurement of coal and materials from Huaibei Mining Group and/or its associates would allow us to benefit from the consistent quality and supply of the coal and auxiliary materials by Huaibei Mining Group and/or its associates.

CONNECTED TRANSACTIONS

Historical amounts

Set out below are the historical transaction amounts for the above mentioned procurement of coal and auxiliary materials for production during the Track Record Period:

	For the year ended December 31,			For the five months ended May 31,
	2022	2023	2024	2025
	(RMB thousand)			
Procurement of coal and auxiliary materials for production	14,198.0	7,791.0	18.0	–

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Coal and Materials Procurement Framework Agreement for the three years ending December 31, 2027 shall not exceed the caps set out below:

	For the year ending December 31,		
	2025	2026	2027
	(RMB thousand)		
Procurement of coal and auxiliary materials for production	2,500	3,500	4,000

The above proposed annual caps are determined with reference to:

- (a) the historical transaction amounts for the procurement of coal and auxiliary materials for production between our Company and Huaibei Mining Group and/or its associates during the Track Record Period. During the Track Record Period, the Company would consider whether the pricing and terms provided Huaibei Mining Group and/or its associates for its coal and auxiliary products are most favorable to the Company to determine whether to procure such coal and auxiliary products from them or otherwise from Independent Third Parties. During the Track Record Period, we sourced similar products from Independent Third Parties who were able to provide the most competitive pricing terms. Coal and auxiliary materials are necessary for powering the production plants for production, and the Company has had and is expected to continue to have demand for coal materials as fuel in its production process;

CONNECTED TRANSACTIONS

- (b) as of the Latest Practicable Date, the procurement amount of approximately RMB1,200,000, which represents the aggregated procurement amount during September and October 2025. Based on the aggregated procurement during September and October 2025 and the Company's internal production plan, the total procurement amount from Huaibei Mining Group and/or its associates for 2025 is expected to be not more than RMB2,500,000;
- (c) the demand of our Company for coal and auxiliary materials for production to meet our expected business needs for the three years ending December 31, 2027. In particular, our Company expects to enhance our production capacity, including commencing the operation of our expanded Chamotte Plant for crystal phase transformation and development of the deep processing project of mullitebased aluminosilicate materials. We plan to expand our annual production capacity to 70 kt of refractory mullite granules and build a new kaolin fine powder production line with an annual production capacity of 60 kt. The deep processing project of mullite-based aluminosilicate materials further requires coal and auxiliary materials to power its production, which leads to an increasing demand of coal and auxiliary materials in the next three years ending December 31, 2027; and
- (d) the estimated increase in the costs of coal and auxiliary materials (including but not limited to an estimate rise in logistic costs by 3% to 5% due to the expected labor costs increase in the next three years, according to Frost & Sullivan) will lead to the increase of the sale price of the coal and auxiliary materials.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

We have entered into the following transaction which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Procurement of natural gas

Parties

CR Gas; and

Our Company

CONNECTED TRANSACTIONS

Principal terms

We entered into a gas procurement agreement with CR Gas on October 28, 2023 (the “**Natural Gas Procurement Framework Agreement**”), pursuant to which our Company may from time to time procure natural gas from CR Gas as heat source for its daily production and operation.

The term of the Natural Gas Procurement Framework Agreement remain in effect from October 28, 2023, but shall not extend beyond December 31, 2025, without renewal by mutual agreement by the parties and compliance with all applicable laws and regulations. As a public utility service provider, CR Gas would normally enter into standard natural gas procurement agreement for a term of one year with all its customers to satisfy the public demand, and the Company has entered into the natural gas procurement agreement with CR Gas per annum for the last seven years.

Our Company will separately enter into specific agreements with CR Gas which will set out the specific terms and conditions, including standards and specifications of the natural gas, quantity and quality required, fees and payment methods.

Pricing terms

The price of natural gas is determined based on (i) the official sales price of natural gas for non-residential use published by the government price administration authority, subject to adjustment from time to time, and (ii) a tiered discount policy applicable to clients with large consumption volume agreed by the parties, resulting in more favorable gas price for the Company compared to other non-residential gas users.

CR Gas is the only natural gas supplier of Huaibei City. The pricing and other terms of its gas supply are under supervision of local government price administration authority. As required by local laws and regulations, the pricing and terms provided by CR Gas to our Company are no less favourable than those provided by CR Gas to other similar gas users.

Reasons for the transactions

CR Gas is the only natural gas supplier of Huaibei City, and our Company has been purchasing natural gas from CR Gas during the Track Record Period as heat source for our daily production and operation. Given our long-term cooperation with CR Gas, CR Gas is very familiar with our production needs and capable of meeting our operation requirements. In addition, the close proximity of CR Gas will improve the transportation efficiency and costs of natural gas. Our Directors consider that procurement of natural gas from CR Gas would allow us to benefit from the consistent quality and supply of the natural gas provided by CR Gas.

CONNECTED TRANSACTIONS

Historical amounts

Set out below are the historical transaction amounts for the above mentioned procurement of natural gas during the Track Record Period:

	For the year ended December 31,			For the five months ended May 31,
	2022	2023	2024	2025
	(RMB thousand)			
Procurement of natural gas .	32,293.0	28,601.0	21,168.0	9,306.0

Annual cap and basis of annual cap

The maximum aggregate annual transaction amount under the Natural Gas Procurement Framework Agreement for the year ending December 31, 2025 shall not exceed the cap set out below:

	For the year ending December 31, 2025
	(RMB thousand)
Procurement of natural gas	20,000

The above proposed annual cap is determined with reference to:

- (a) the historical transaction amounts for the procurement of natural gas between our Company and CR Gas during the Track Record Period. The decrease of procurement of natural gas costs from 2022 to 2024 was because our Company adopted a mixed energy supply structure of coal and natural gas for our current production, thus adjusting allocation between natural gas and coal based on their market price to save production cost;
- (b) the expected demand of our Company for natural gas as heat source to meet our production needs. The Company has constructed a new rotary kiln, a part of the new production line for precision casting mullite products, which has commenced operation in 2025, therefore its natural gas consumption is expected to rise in 2025. As specified in the approval for the newly constructed kilns project by the relevant regulatory authorities, our Company expects to apply natural gas as energy; and
- (c) the procurement amount for the ten months ended October 31, 2025 of approximately RMB15,023 thousand.

CONNECTED TRANSACTIONS

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transactions under the subsections headed “— Non-exempt continuing connected transactions subject to reporting, annual review and announcement requirements” and “— Non-exempt continuing connected transactions subject to reporting, annual review, announcement, circular and independent Shareholders’ approval requirements” will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules.

As those non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this prospectus, our Directors consider that compliance with the announcement, circular and the independent Shareholders’ approval requirements (as the case may be) would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “— Non-exempt continuing connected transactions subject to reporting, annual review and announcement requirements” in this section; and (ii) the announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “— Non-exempt continuing connected transactions subject to reporting, annual review, announcement, circular and independent Shareholders’ approval requirements” in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above have been and will be carried out in our ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE JOINT SPONSORS

Having taken into account (i) the documentation and information provided by the Company; and (ii) due diligence conducted and discussions with the Company, the Joint Sponsors are of the view that (a) the non-exempt continuing connected transactions as set out above have been and will be carried out in the ordinary and usual course of business of our Company and on normal commercial terms or better that are fair and reasonable in the interests of our Company and the Shareholders as a whole; and (b) the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole, our Company has implemented or will implement the following internal control measures in relation to the continuing connected transactions:

- (a) Our Company has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules. The Board and other internal departments of our Company will be jointly responsible for evaluating the terms under the framework agreements for our Company's continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;
- (b) Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Company, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Company in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap;

CONNECTED TRANSACTIONS

- (c) when considering the fees and amounts payable by our Company in respect of transactions, services or goods provided by our connected persons, we will regularly review and consider the prevailing market conditions and practices, and make reference to the pricing and terms between us and independent third parties for comparable services or similar transactions (if available), to make sure that the terms and conditions offered by/to our connected persons based on commercial negotiations are fair and reasonable and are based on normal commercial terms or no less favorable terms to our Company; and
- (d) when considering any renewal or revision to the agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or Shareholders' general meetings (as the case may be). If the independent Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board consists of ten Directors, comprising three executive Directors, three non-executive Director and four independent non-executive Directors. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Company, determining the annual financial budgets and final accounts of the Company, determining the fundamental management systems of the Company, formulating profit distribution plans and loss recovery plans of the Company, and exercising other powers and functions as conferred by the Articles of Association.

Our Supervisory Committee consists of three Supervisors, comprising two Shareholder representative Supervisors and one employee representative Supervisor. The Supervisory Committee is responsible for supervising the performance of duty of the Board and the senior management of the Company and overseeing the financial conditions of the Company. The employee representative Supervisor is elected by our employees, while the shareholder representative Supervisors are elected at the Shareholders' general meetings. Our Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information of our Directors:

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Company	Date of appointment as a Director	Relationship with other Directors, Supervisors and senior management
Mr. Zhang Kuang	55	Chairman of the Board and Executive Director	Responsible for the overall strategic planning and major operational decisions	May 2019	October 10, 2023	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Company	Date of appointment as a Director	Relationship with other Directors, Supervisors and senior management
Ms. Wang Yuli	51	Executive Director, General Manger	Responsible for executing major decisions of the Board of our Company	July 2022	July 20, 2022	None
Ms. Chen Yan .	42	Executive Director and Deputy Chief Engineer	Responsible for daily production of our Company	July 2017	November 13, 2023	None
Mr. Jiao Daojie	57	Non-executive Director	Providing professional opinion and judgement to the Board	June 2022	June 16, 2022	None
Mr. Yang Chong	56	Non-executive Director	Providing professional opinion and judgement to the Board	June 2022	June 16, 2022	None
Mr. Li Zhuangzhi . .	59	Non-executive Director	Providing professional opinion and judgement to the Board	June 2022	June 16, 2022	None
Mr. Jiang Weidong . . .	54	Independent non-executive Director	Supervising and providing independent judgment to the Board	November 2023	November 13, 2023	None
Mr. Li Chenhui . . .	54	Independent non-executive Director	Supervising and providing independent judgment to the Board	November 2023	November 13, 2023	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Company	Date of appointment as a Director	Relationship with other Directors, Supervisors and senior management
Mr. Miao Guanghong	40	Independent non-executive Director	Supervising and providing independent judgment to the Board	November 2023	November 13, 2023	None
Mr. Chan Ngai Fan	44	Independent non-executive Director	Supervising and providing independent judgment to the Board	October 2024	October 30, 2024	None

DIRECTORS

Executive Directors

Mr. Zhang Kuang (張礦), aged 55, is an executive Director and the Chairman of the Board of our Company.

Mr. Zhang was appointed as the Chairman of the Board and an executive Director in October 2023. Mr. Zhang has nearly 35 years of experience in the mining industry. He entered the mining industry in July 1990 when he joined Shuoli Mining, and he served as a deputy head of the transportation department from July 1998 to February 2003, the office director from April 2005 to December 2011, the chief engineer of the safety supervision department and the office director from December 2011 to July 2012, the deputy general manager from July 2012 to October 2019, and a non-executive director from April 2019 to September 2023. Mr. Zhang also served as a non-executive director at Huaibei Shitai Mining Co., Ltd (淮北石台礦業有限公司) from April 2019 to September 2023, and as deputy general manager of Shuoshi Mining (朔石礦業), a management platform of Huaibei Mining Group to oversee its four subsidiaries from June 2022 to October 2023. Mr. Zhang joined our Company in May 2019 and served as the general manager at our Company from May 2019 to June 2022. He rejoined our Company in October 2023 and was appointed as our chairman since then.

Mr. Zhang graduated from Huainan Industrial Institute (淮南工業學院) (currently known as Anhui University of Science and Technology (安徽理工大學)) majoring in industrial automation through correspondence study in Anhui Province, the PRC, in July 2000. He was recognized as a senior engineer by our Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Wang Yuli (王玉麗), aged 51, is an executive Director and the General Manager of our Company.

Ms. Wang was appointed as a Director and General Manager in July 2022. Ms. Wang has more than 28 years of experience in the mining industry. She entered into the mining industry in September 1995 when she joined Zhangzhuang Coal Mine of Huaibei Mining Group (淮北礦業張莊煤礦). She then joined Huaibei Shuanglong Mining Co., Ltd. (淮北雙龍礦業有限責任公司) in September 2004, where she served as a deputy section-level auditor in the political work department from April 2012 to December 2013, and a supervisor in the discipline inspection and audit department from December 2013 to August 2015. From August 2015 to May 2020, she served as the deputy director of finance department at Huaibei Jiantou Holding and subsequently worked as the director of its finance department from May 2020 to June 2022.

Ms. Wang obtained a bachelor's degree in management from Anhui Institute of Finance and Trade (安徽財貿學院) (currently known as Anhui University of Finance and Economics (安徽財經大學)) through correspondence study in Anhui Province, the PRC, in December 2002. Ms. Wang has been certified as a senior auditor by Auditing Profession Senior Qualification Evaluation Committee of Anhui Province (安徽省審計專業高級職務評審委員會) in December 2012.

Ms. Chen Yan (陳艷), aged 42, is an executive Director and a Deputy Chief Engineer of our Company.

Ms. Chen was appointed as a Director in November 2023. Ms. Chen has more than 22 years of experience in the mining industry. From June 2002 to June 2022, she successively served in various positions at Shuoli Mining, including as the community center youth league secretary from June 2002 to December 2004, the deputy secretary of the youth league committee from December 2004 to April 2013, the deputy chairman of the union and youth league secretary from April 2013 to May 2016, and the human resources manager from May 2016 to July 2017. She also consecutively served as the head of human resources department, head of operation and management department, assistant to general manager of our Company from July 2017 to July 2023. She has been serving as a deputy chief engineer of our Company since June 2022.

Ms. Chen obtained a bachelor's degree in accounting from Anhui University of Science and Technology through correspondence study in Anhui Province, the PRC, in October 2007. Ms. Chen obtained a bachelor's degree in accounting from Huaibei Normal University (淮北師範大學) through correspondence study in Anhui Province, the PRC, in July 2010. She was certified as an assistant political engineer by our Company in May 2024. She was certified as an intermediate economist by the Ministry of Human Resources and Social Security in November 2024.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Jiao Daojie (焦道傑), aged 57, is a non-executive Director of our company.

Mr. Jiao was appointed as a Director in June 2022 and has more than 34 years of experience in the mining industry. From November 1993 to December 1996, he served as the head of the supply and sales department of Huaibei Mining Bureau Taoyuan Coal Mine Operation Company (淮北礦務局桃園煤礦經營公司). He served several roles including the director of the management office at Taoyuan Coal Mine of Huaibei Mining Co., Ltd. (淮北礦業股份有限公司桃園煤礦) from January 1997 to April 2011. From May 2011 to June 2011, he joined Huaibei Mining (Group) Co., Ltd. Northwest Energy Company (淮北礦業(集團)有限責任公司西北能源公司) as a deputy section-level officer. From May 2012 to December 2012, he served as the head of the business assessment department at Taoyuan Coal Mine of Huaibei Mining Co., Ltd. From January 2013 to November 2015, he worked as section chief in the construction development department and in the board secretary's office of Huaibei Mining Group, where he subsequently served as the head of strategy committee of office for board of director from December 2015 to June 2017. He then joined Wanhui Investment as the director of industry and investment from July 2017 to September 2018, and director of risk control from October 2018 to February 2019. Since March 2019, he successively served as the deputy director, director of the securities investment department, and securities affairs representative of Huaibei Mining Holdings Co., Ltd. (淮北礦業控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600985).

Mr. Jiao obtained a bachelor's degree in law from Anhui University (安徽大學) in Anhui Province, the PRC, in June 2002. He was certified as a senior economist by the Huaibei Mining Group in November 2013.

Mr. Yang Chong (楊沖), aged 56, is a non-executive Director of our Company.

Mr. Yang was appointed as a Director in June 2022. From July 1991 to December 1996, Mr. Yang served as an engineer at the comprehensive operation department within the Forestry Department of Huaibei Mining Bureau (淮北礦務局林業處). From January 1997 to October 1997, he worked as an engineer in the planning and development department of Huaibei Mining Bureau, and then became the deputy director of the legal advisory office from October 1997 to June 2002. From June 2002 to September 2008, he served as the director of the office at the Forestry Department of Huaibei Mining Bureau. Subsequently, from September 2008 to June 2012, he was the director of the petition office and concurrently the deputy director at Huaibei Mining Group. Since June 2012, he has been consecutively serving as the deputy director, director of the legal compliance department and the vice president of the labour union at Huaibei Mining Group.

Mr. Yang obtained a bachelor's degree in food engineering from Anhui Mechanical and Electrical Engineering College (安徽機電學院) in Anhui Province, the PRC, in July 1991. He was certified as an engineer by the Huaibei Mining Bureau (淮北礦務局) in December 1996.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Zhuangzhi (李壯志), aged 59, is a non-executive Director of our Company.

Mr. Li was appointed as a Director in June 2022. From August 1992 to April 2001, he served as the chief accountant at Huaibei Trust Investment Company. He served as the deputy general manager at Huaibei Jinkang Property Management Centre (淮北市金康物業管理中心) from May 2006 to August 2013. Subsequently, from September 2013 to June 2015, he was the director of the financing department at Huaibei Transportation Investment Co., Ltd. (淮北市交通投資有限公司). From July 2015 to February 2022, he served as the director of the business department at Huaibei Tongchuang Financing Guarantee Group Co., Ltd. (淮北市同創融資擔保集團有限公司). From March 2022 to present, he served as a director and deputy general manager of Huaibei Tongtai Copper and Gold Mining Co., Ltd. (淮北市通泰銅金礦業有限公司).

Mr. Li graduated from Anhui Institute of Finance and Trade (currently known as Anhui University of Finance and Economics) with an associate degree in accounting in Anhui Province, the PRC, in December 1995. He was qualified as an intermediate financial economist by the Ministry of Personnel of the People's Republic of China (currently known as the Ministry of Human Resources and Social Security of the People's Republic of China) in October 1996.

Independent Non-executive Directors

Mr. Jiang Weidong (蔣衛東), aged 54, was appointed as an independent non-executive Director in November 2023. Mr. Jiang has extensive experience in the academic field, particularly in accounting education. He began his career in July 1995 as an assistant lecturer at China University of Mining and Technology (中國礦業大學), where he served until December 1997. From January 1998 to December 2002, he worked as a lecturer at the same university. Since January 2003, he has been serving as an associate professor in accounting at China University of Mining and Technology.

Mr. Jiang obtained a bachelor's degree in accounting in July 1992 and a master's degree in engineering in June 1995 from China University of Mining and Technology. He obtained a doctor's degree from China University of Mining and Technology in management science and engineering in Jiangsu Province, the PRC, in June 2005.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Chenhui (李晨輝), aged 54, was appointed as an independent non-executive Director in November 2023. Mr. Li has extensive experience in the academic sector, particularly in materials science and engineering. He began his professional journey in June 2000 as a postdoctoral fellow in materials science and engineering at Huazhong University of Science and Technology (華中科技大學), a role he held until February 2002. He then advanced to the position of associate professor at the School of Materials of the same institution, serving from March 2002 to October 2015. Since November 2015, he has been a professor at the School of Materials of Huazhong University of Science and Technology.

In addition to his academic roles, Mr. Li has been serving as a supervisor at Wuhan Xintaige Materials Co., Ltd. (武漢鑫泰閣材料有限公司) since September 2008 and an independent non-executive director at Zhejiang Jicheng Advanced Ceramics Co., Ltd. (浙江吉成新材股份有限公司) since May 2023.

Mr. Li obtained a bachelor's degree in mineral exploration engineering in July 1992 and a master's degree in engineering in May 1995 from Central South University of Technology (中南工業大學) (currently known as Central South University (中南大學)). He obtained a doctor's degree in materials science from Central South University (中南大學) in Hunan Province, the PRC, in December 1999.

Mr. Miao Guanghong (繆廣紅), aged 40, was appointed as an independent non-executive Director in November 2023. Mr. Miao has extensive experience in the academic field. He began his career in June 2015 as a lecturer at the School of Force and Optoelectronic Physics of Anhui University of Science and Technology, where he served until December 2019. Since December 2019, he has been serving as an associate professor at the School of Force and Optoelectronic Physics of the same university.

Mr. Miao obtained a bachelor's degree in ammunition engineering and explosive technology in June 2008 from Anhui University of Science and Technology. He obtained a master's degree in engineering mechanics in June 2012 from Lanzhou University of Technology (蘭州理工大學) in Gansu province, the PRC. He obtained a doctoral degree in engineering mechanics from the University of Science and Technology of China (中國科學技術大學), in Anhui Province, the PRC, in June 2015.

Mr. Chan Ngai Fan (陳毅奮), aged 44, was appointed as an independent non-executive Director in October 2024. Mr. Chan has extensive experience in the corporate sector, particularly in financial and executive roles.

He began his career as an assurance assistant manager at Grant Thornton (均富會計師行) (currently known as JBPP & Company) from August 2007 to February 2011. Then he held the position of a chief financial officer at Naigai Mining (China) Company Limited (內外礦業(中國)有限公司) from March 2011 to April 2015, and a chief financial officer of KPa-BM Holdings Limited (應力控股有限公司), a company listed on the Stock Exchange (stock code: 2663.HK) from May 2015 to April 2018. He then held the position of non-executive director from September 2016 to April 2018, executive director and chief financial officer from April

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

2018 to January 2019, and non-executive director from January 2019 to March 2019 at Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司), a company listed on the Stock Exchange (stock code: 8301.HK). He also held the position of chief financial officer and company secretary at Heysea International Yacht Company Limited (海星國際遊艇有限公司) from May 2019 to April 2020. Mr. Chan served as an independent non-executive director of Sanxun Holdings Group Limited (三巽控股集團有限公司), a company listed on the Stock Exchange (stock code: 6611.HK), from September 2019 to September 2023, and an independent non-executive director of Contel Technology Company Limited (康特隆科技有限公司), a company listed on the Stock Exchange (stock code: 1912.HK) from March 2022 to June 2023.

Currently, Mr. Chan has served as an independent non-executive director of four companies listed on the Stock Exchange and has served as a company secretary of four companies listed on the Stock Exchange. He has served as a joint company secretary of Centenary United Holdings Limited (世紀聯合控股有限公司), a company listed on the Stock Exchange (stock code: 1959.HK) since January 2019, an independent non-executive director of Leader Education Limited (立德教育股份有限公司), a company listed on the Stock Exchange (stock code: 1449.HK) since July 2020, an independent non-executive director of Capital Finance Holdings Limited (首都金融控股有限公司), a company listed on the Stock Exchange (stock code: 8239.HK) since January 2022, a company secretary of China Health Technology Group Company Limited (中國健康科技集團控股有限公司), a company listed on the Stock Exchange (stock code: 1069.HK) since May 2022, a company secretary of Zhengwei Group Holdings Company Limited (正味集團控股有限公司), a company listed on the Stock Exchange (stock code: 2147.HK) since May 2022, a company secretary of Bison Finance Group Limited (貝森金融集團有限公司), a company listed on the Stock Exchange (stock code: 0888.HK) since August 2022, an independent non-executive director of Persistence Resources Group Ltd. (集海資源集團有限公司), a company listed on the Stock Exchange (stock code: 2489.HK) since November 2023, and an independent non-executive director of Central Wealth Group Holdings Limited, a company (中達集團控股有限公司) listed on the Stock Exchange (stock code: 0139.HK) since July 2024.

Mr. Chan obtained a bachelor's degree in arts (Honours) in accountancy from the Hong Kong Polytechnic University in December 2007, and a master's degree in corporate governance from the same university in October 2013. Mr. Chan is a Certified Public Accountant (Practising) in Hong Kong authorized by Accounting and Financial Reporting Council in January 2024. He was admitted to graduateship of The Institute of Chartered Secretaries & Administrators in December 2016 and was admitted as an associate of The Hong Kong Institute of Chartered Secretaries (currently known as The Hong Kong Chartered Governance Institute). He is also a Chartered Secretary and a Chartered Governance Professional of The Hong Kong Chartered Governance Institute.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF SUPERVISORS

The following table sets forth certain information of our Supervisors:

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Company	Date of appointment as a Supervisor	Relationship with other Directors, Supervisors and senior management
Mr. Ding Haojie	38	Chairman of the Supervisory Committee	Supervising the Board and senior management as well as operation and financial activities of our Company	June 2022	June 2022	None
Mr. Hu Yuhong	50	Supervisor	Supervising the Board and senior management as well as operation and financial activities of our Company	June 2022	June 2022	None
Mr. Zhu Jianqiang . .	50	Employee representative Supervisor	Supervising the Board and senior management as well as operation and financial activities of our Company	November 2018	June 2022	None

Mr. Ding Haojie (丁浩傑), aged 38, is the Chairman of the Supervisory Committee of our Company.

Mr. Ding was appointed as Chairman of the Supervisory Committee in June 2022. Mr. Ding served as a chief accountant at Huaibei Nanhu Scenic Area Construction Command Office (淮北市南湖景區建設指揮部) from November 2013 to February 2019. From March 2019 to October 2019, he served as chief accountant at Huaibei Jiantou Holding. Since November 2019, he has been serving successively as the deputy director and director of the discipline inspection and supervision department at Huaibei Jiantou Holding.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Ding received his bachelor's degree in Anhui University of Finance and Economics in financial management in Anhui Province, the PRC, in July 2012. He was granted with the economic professional qualification by Human Resources and Social Security Bureau of the People's Republic of China in November 2018.

Mr. Hu Yuhong (胡於紅), aged 50, is a Supervisor of our Company.

Mr. Hu was appointed as a Supervisor in June 2022. From March 2007 to December 2017, he worked at Linhuan Zhongli Power Generation Co., Ltd. (臨渾中利發電有限公司) as the director of the human resources department. From January 2018 to July 2019, he continued at Linhuan Zhongli Power Generation Co., Ltd as the secretary of the discipline inspection commission. From August 2019 to November 2023, he served as the head of the second disciplinary inspection team at Huaibei Mining Group. Since November 2023, he has been serving as the chairman of the board and general manager at Huaibei Juneng Power Generation Co., Ltd. (淮北聚能發電有限公司).

Mr. Hu obtained a master's degree in business administration from China University of Mining and Technology in Jiangsu Province, the PRC, in December 2011. He was certified as a senior economics by Economics Profession Senior Qualification Evaluation Committee of Anhui Province in November 2013.

Mr. Zhu Jianqiang (朱堅強), aged 50, is an employee representative Supervisor of our Company.

Mr. Zhu worked in Shuoli Mining from October 1997 to November 2018, where he consecutively served as an officer in the publicity department, a member of the discipline inspection commission, and the office director. From November 2018 to November 2019, Mr. Zhu served as the office director and chairman of the labour union at Shuoli Mining. From November 2018 to June 2022, he served as the chairman of the labour union of our Company. Mr. Zhu has been serving as a president of trade union since November 2018, a deputy chief engineer since July 2022 and head of safety production and management department since June 2024.

Mr. Zhu graduated from Anhui Normal University through self-education in Chinese literature in June 2008. Mr. Zhu graduated from China University of Petroleum (East China) (中國石油大學(華東)) in mining engineering through correspondence study in Shandong Province, the PRC, in July 2014. Mr. Zhu was recognized as a senior political engineer by our Company.

Save as disclosed in this prospectus, none of our Directors and Supervisors (i) held any other positions in our Company as of the Latest Practicable Date; (ii) had any other relationship with any Directors, Supervisors, senior management or Controlling Shareholders of our Company as of the Latest Practicable Date; (iii) held any directorship in any other listed companies in the three years immediately prior to the date of this prospectus or (iv) had any other matters with respect to his/her appointment that need to be brought to the attention of our Shareholders or any information that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of the Company:

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Company	Date of appointment as a Senior Management	Relationship with other Directors, Supervisors and senior management
Mr. Zhang Kuang	55	Chairman of the Board and Executive Director	Responsible for the overall strategic planning, major operational decisions	May 2019	October 2023	None
Ms. Wang Yuli .	51	General Manger and Executive Director	Responsible for executing major decision of the Board of our Company	July 2022	July 2022	None
Ms. Chen Yan .	42	Executive Director and Deputy Chief Engineer	Responsible for daily production of our Company	July 2017	November 2023	None
Mr. Wang Wei .	47	Deputy General Manager, Chief Financial Officer, board secretary, and joint company secretary	Responsible for corporate governance and finance management of our Company	June 2023	June 2023	None
Mr. Zhu Zejian	48	Deputy General Manager	Responsible for safety production, system construction, and quality control of our Company	June 2023	June 2023	None
Mr. Jiang Tao .	37	Deputy General Manager and Chief Engineer	Responsible for corporate governance, overseeing technical operations and engineering management of our Company	December 2023	December 2023	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Company	Date of appointment as a Senior Management	Relationship with other Directors, Supervisors and senior management
Mr. Xu Xueliang . . .	42	Deputy General Manager	Responsible for safety production, mechanical management, information construction and project development Group	December 2023	December 2023	None
Mr. Li Jingang .	53	Deputy General Manager	Responsible for sales of products of our Company	November 2022	October 2024	None

Mr. Zhang Kuang (張礦) is the Chairman of the Board and an executive Director of our Company. For the biographical details of Mr. Zhang, see “— Directors — Executive Director”.

Ms. Wang Yuli (王玉麗) is an executive Director and a General Manager of our Company. For the biographical details of Ms. Wang, see “— Directors — Executive Director”.

Ms. Chen Yan (陳艷) is an executive Director and a Deputy Chief Engineer of our Company. For the biographical details of Ms. Chen, see “— Directors — Executive Director”.

Mr. Wang Wei (王巍), aged 47, is the Deputy General Manager, Chief Financial Officer, Board secretary and joint company secretary of our Company.

From February 1997 to October 2013, Mr. Wang worked at Luling Coal Mine of Huaibei Mining Co., Ltd. (淮北礦業股份有限公司蘆嶺煤礦) where he served consecutively as the deputy head of the finance department, the deputy secretary of the discipline inspection commission, the head of the supervision and audit department, the head of the coal management department and the head of the finance department. Mr. Wang joined Anhui Hwasu Co., Ltd. (安徽華塑股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600935)) in October 2013 as the head of the finance and assets department. From December 2016 to June 2018, he served as deputy general manager of operations, concurrently holding positions as head of the materials department, manager of the sales department, and board secretary. From June 2018 to May 2023, he was the financial director and board secretary. Since June 2023, Mr. Wang has been serving as the Deputy General Manager, and Chief Financial Officer at our Company. He has also been serving as the board secretary since October 2023. He has been appointed as a joint company secretary since October 15, 2024.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang graduated from Anhui University of Science and Technology in accounting through correspondence study in July 2009 and in chemical engineering and technology through correspondence study in July 2023, in Anhui Province, the PRC. Mr. Wang was granted with intermediate business administration professional in February 2013 and intermediate audit professional in December 2014 by the Human Resources and Social Security Department of Anhui Province. He was qualified as a senior accountant in January 2016 by Accounting Profession Senior Qualification Evaluation Committee of Anhui Province. He was also qualified as a senior corporate compliance specialist in April 2024 by the China Enterprise Evaluation Association.

Mr. Zhu Zejian (朱澤艦), aged 48, is the Deputy General Manager of our Company since June 2023.

Mr. Zhu served various roles at Qinan Coal Mine of Huaibei Mining Co., Ltd. (淮北礦業股份有限公司祁南煤礦), including chief technician of the No. 3 coal mining area, deputy district head, and district head from June 2000 to March 2010. He served as district head of the No. 3 comprehensive mining area from March 2010 to August 2011. Following this, he served as director of the safety production information center from August 2011 to October 2012. From October 2012 to June 2023, he served as deputy chief engineer and deputy mine manager for coal mining. He has been served as a Deputy General Manager and manager of raw ore branch of our Company since June 2023.

Mr. Zhu graduated from Anhui University of Science and Technology in mining engineering in Anhui province through correspondence study, the PRC, in January 2007. He achieved an educational level equivalent to an MBA in business administration from Anhui Business Administration College (安徽工商管理學院) in Anhui province, the PRC, in December 2015. He was recognized as a senior engineer by our Company in May 2024.

Mr. Jiang Tao (姜濤), aged 37, is the Deputy General Manager and Chief Engineer of our Company since December 2023.

From July 2014 to August 2018, Mr. Jiang served as the deputy head and later head of the geology and survey department at Yangzhuang Coal Mine of Huaibei Mining Co., Ltd. (淮北礦業股份有限公司楊莊煤礦). He then served as the deputy chief engineer of geology and survey department at Yangzhuang Coal Mine of Huaibei Mining Co., Ltd. (淮北礦業股份有限公司楊莊煤礦) from August 2018 to February 2020. From February 2020 to November 2023, he served as deputy chief engineer of geology and survey department and head of the production technology management department at Tongting Coal Mine of Huaibei Mining Co., Ltd. (淮北礦業股份有限公司童亭煤礦).

Mr. Jiang obtained a bachelor's degree in geological engineering from Anhui University of Science and Technology in Anhui Province, the PRC, in July 2010. He obtained a master's degree in geological engineering from the same university in December 2017.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xu Xueliang (徐雪亮), aged 42, is the Deputy General Manager of our Company since December 2023.

From September 2004 to November 2019, Mr. Xu worked at Xutuan Coal Mine of Huaibei Mining Co., Ltd. (淮北礦業股份有限公司許疇煤礦), where he held various roles including senior technician, deputy section chief, deputy district head, district head, labour union chairman, section chief of the electromechanical department, and deputy chief engineer of electromechanics. From November 2019 to November 2023, he served as deputy chief engineer of electromechanics and deputy mine manager at Zhuxianzhuang Coal Mine of Huaibei Mining Co., Ltd. (淮北礦業股份有限公司朱仙莊煤礦).

Mr. Xu obtained a bachelor's degree from Anhui University of Science and Technology in automation in Anhui Province, the PRC, in July 2004. He was recognized as a senior engineer by our Company.

Mr. Li Jingang (李金剛), aged 53, is the Deputy General Manager of our Company since October 2024.

From July 1992 to November 2022, Mr. Li successively served various roles at Shuoli Coal Mine (淮北礦業(集團)有限責任公司朔里煤礦), including head of the planning department, technical supervisor and deputy district head of the comprehensive tunnelling district, deputy director of the management department (at the division level), and safety deputy chief engineer. In November 2022, Mr. Li joined our Company, where he served as deputy chief engineer until October 2024. He has been served as a deputy general manager of our Company since October 2024.

Mr. Li obtained a bachelor's degree in mine construction from Huainan Mining Institute (淮南礦業學院), in Anhui province, the PRC, in July 1992. He was recognized as a senior engineer by our Company.

JOINT COMPANY SECRETARIES

Mr. Wang Wei (王巍) is the board secretary and a joint company secretary of our Company. For the biographical details of Mr. Wang Wei, see “— Senior Management”.

Ms. Sze Suet Ling (施雪玲) is the joint company secretary of our Company. Ms. Sze has over 15 years of experiences in corporate secretarial field.

Ms. Sze is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom since November 2014.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

None of our Directors had interests in any other companies as of the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on December 12, 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his/her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules, (ii) that he/she has no past or present financial or other interest in the business of the Company or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointment.

MANAGEMENT CONTINUITY

During the Track Record Period, Mr. Zhang Kuang is responsible for deciding on matters in relation to strategic planning, important personnel appointment and removal, investment decision of major projects, utilization of large amount of funds and annual production and operation plan of our Company (“**All Major Issues**”), regardless of his position as general manager of our Company between May 2019 and June 2022, deputy general manager of Shuoshi Mining between June 2022 and October 2023, and chairman of our Company since October 2023.

Mr. Zhang joined our Company in May 2019 and served as our general manager from May 2019 to June 2022, responsible for our Company’s All Major Issues. He has deep expertise and knowledge of our Company’s overall management and operation, policies and the industry, and has been instrumental in our Company’s past development and growth. In June 2022, our Controlling Shareholder Huaibei Mining Group designated Shuoshi Mining as a management platform to oversee its four subsidiaries, including our Company. Mr. Zhang was removed from his position of our Company’s general manager, but continued to be in-charge of deciding All Major Issues of our Company in his capacity of deputy general manager of Shuoshi Mining between June 2022 and October 2023 pursuant to an official document of Huaibei Mining Group, namely “Notice on the appointment and dismissal of Zhang Kuang” (《關於張礦職務任免的通知》(淮礦發[2020]4號)). In October 2023, Huaibei Mining Group discontinued the platform management model of Shuoshi Mining, and Mr. Zhang Kuang re-joined our Company

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

as an executive director and chairman of the Board since then. As such, significant responsibilities with respect to our Company's business operations and management were primarily bestowed upon Mr. Zhang Kuang and that his contributions have continued throughout the Relevant Period and up to the date of this prospectus.

In addition, our Company has no subsidiary as of the Latest Practicable Date and mainly conducts its business and production through its direct management over its three plants, namely, Mining Plant, Chamotte Plant, and Mullite Precision Casting Sand and Powder Plant, and its three core business departments, namely Safety Production and Management Department, Technology R&D Center and Sales Department, which are overseen by a group of its senior officials (the "**Management Committee**"). Considering mining of kaolin ore is a critical operation which plays a vital role in our Company's business development, the three plants are front-line production arms of our Company. Meanwhile, the three core business departments of our Company are key supportive departments of our Company at middle and back offices, which closely collaborate with our Company's three plants to formulate and implement the production, development, and sales plans of our Company. Accordingly, the members of the Management Committee, which are most relevant to the trading results of our Company, includes our senior managers, as well as the heads of three plants and three core business departments of our Company who report directly to the senior managers of our Company. A majority of our Executive Directors and the members of the Management Committee had continued to serve our Company throughout the Track Record Period and up to the Latest Practicable Date, and all the Executive Directors and the members of the Management Committee are under the overall supervision and management by Mr. Zhang Kuang.

In light of the above, the key decision-making authority of our Company remain substantially unchanged considering Mr. Zhang Kuang has been primarily entrusted to make decisions over our Company's All Major Issues during the Track Record Period, and that the actual operation of our Company had been carried out through the Executive Directors and the members of the Management Committee, who are under the overall supervision and management by Mr. Zhang Kuang. As such, our Company is able to satisfy the management continuity requirement during the Track Record Period under Rule 8.05(1)(b) of the Listing Rules.

Based on the documents provided by the Company and the independent due diligence conducted by the Joint Sponsors, which included but not limited to: (i) discussion with the management and Directors of the Company to understand the historical management changes during the Track Record Period; (ii) review of the employment records relating to Mr. Zhang Kuang's roles and responsibilities during the Track Record Period; (iii) review of the meeting agendas and minutes of major board meetings and shareholders' meetings of the Company during the Track Record Period; (iv) review of the Articles of Association; and (v) assessment of the internal review and approval guidelines of the Company during the Track Record Period, nothing has come to the attention of the Joint Sponsors that would cast reasonable doubt on the views and conclusions of the Directors that the Company satisfied the management continuity requirement under the Rule 8.05(1)(b) of the Listing Rules.

BOARD COMMITTEES

Our Company has established four Board Committees in accordance with the relevant PRC laws and regulations, the Articles and the corporate governance practice under the Listing Rules, namely the Audit and Risk Committee, the Remuneration and Appraisal Committee, the Nomination Committee, and Strategy and Investment Committee.

Audit and Risk Committee

We have established Audit and Risk Committee in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Audit and Risk Committee consists of three non-executive Directors, namely Mr. Jiang Weidong, Mr. Chan Ngai Fan and Mr. Yang Chong. Mr. Jiang Weidong currently serves as the chairman of the Audit and Risk Committee. The primary duties of the Audit and Risk Committee are as follows:

- (i) to make recommendations to the Board on the appointment, replacement and removal of an external auditor, consider and approve the remuneration and terms of engagement of an external auditor and any questions of its resignation or dismissal;
- (ii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit and Risk Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (iii) to develop and implement policies on engaging an external auditor to provide non-audit services;
- (iv) to review and supervise the truthfulness, completeness and correctness of financial statement, annual report and accounts and interim report;
- (v) to review the financial policy, risk management and internal control evaluation system of the Company;
- (vi) to facilitate communications between the internal audit department and the external auditor; and
- (vii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Remuneration and Appraisal Committee

We have established Remuneration and Appraisal Committee in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Remuneration and Appraisal Committee consists of three Directors, namely Mr. Miao Guanghong, Mr. Jiang Weidong and Mr. Li Zhuangzhi. Mr. Miao Guanghong currently serves as the chairman of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee are as follows:

- (i) to organize and formulate the remuneration policy and plan of Directors and senior management with reference to their main duties, scope, importance, time commitment and salary level of relevant positions. The remuneration plan and policy mainly include but are not limited to performance evaluation standards, procedures and main evaluation systems, and main plans for rewards and punishments, and shall include benefits in kind, pension rights and compensation payments (including compensation for loss or termination of their office or appointment);
- (ii) to make recommendations to the Board on the remuneration packages of the executive Directors and senior management;
- (iii) to make recommendations to the Board on the remuneration of non-executive directors;
- (iv) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Company;
- (v) to study and make recommendations to the Board on the appraisal criteria for Directors and senior management, review the performance of Directors (excluding independent non-executive Directors) and senior management and conduct annual performance appraisals;
- (vi) to review and approve the compensation payable to the executive Directors and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;
- (vii) to review and approve the compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;
- (viii) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- (ix) to supervise the implementation of the remuneration procedures and review the relevant remuneration policies on a regular basis; and
- (x) to review and/or approve relevant share schemes as set out in Chapter 17 of the Listing Rules.

Nomination Committee

We have established Nomination Committee in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. Li Chenhui, Mr. Jiang Weidong and Ms. Wang Yuli. Mr. Li Chenhui currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are as follows:

- (i) to review the size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy;
- (ii) to formulate the corporate governance policies and standards, monitor the implementation, and make recommendations to the Board;
- (iii) to examine the select standards and procedures of directors and senior management and make recommendation to the Board, and supervise the training and development plan of directors and senior management;
- (iv) to identify individuals suitably qualified to become board members and select and make recommendations to the Board on the selection of individuals nominated for directorships;
- (v) to assess the independence of the independent non-executive Directors;
- (vi) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman of the Board and the general manager); and
- (vii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Strategic and Investment Committee

We have established the Strategic and Investment Committee with the purpose of enhancing strategic and investment decision-making processes of our Company. The Strategic and Investment Committee consists of three Directors, Mr. Zhang Kuang, Mr. Li Chenhui and Mr. Miao Guanghong. Mr. Zhang Kuang currently serves as the chairman of the Strategic and Investment Committee. The primary responsibilities of the Strategic and Investment Committee are as follows:

- (i) to research and propose recommendations for our Company's long-term strategic development plan;
- (ii) to examine and advise on major investment and financing proposals that require Board approval as stipulated in the Articles of Association;
- (iii) to consider and provide suggestions on significant capital operations and asset management projects needing Board approval; and
- (iv) to research and advise on other major matters affecting our Company's development and monitors the implementation of these matters to ensure effective execution.

BOARD DIVERSITY POLICY

Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

Our Board currently consists of two female Directors and eight male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance, accounting and risk management. Our Directors are of the view that the Board satisfies our board diversity policy.

Our Nomination Committee is responsible for the implementation of our board diversity policy. Upon completion of the Listing, our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management members receive remuneration in the forms of salaries, allowances, contribution to pension schemes, discretionary bonuses and other benefits in kind.

The aggregate amount of remuneration (including salaries, allowances, contribution to pension schemes and discretionary bonuses) and other benefits in kind paid to our Directors, Supervisors and senior management for the three years ended December 31, 2024 and the five months ended May 31, 2025 were approximately RMB1.5 million, RMB1.6 million, RMB3.3 million and RMB1.8 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration (including any discretionary bonus which may be paid) payable by our Company to our Directors and Supervisors for the financial year ending December 31, 2025 is expected to be approximately RMB1.5 million.

The five highest paid employees during the three years ended December 31, 2024 and the five months ended May 31, 2025 included two, nil, one and two Directors, respectively. The aggregate amount of fees, salaries, allowances, discretionary bonus, pension schemes contribution and other benefits in kind (if applicable) paid to remaining highest paid employees for the three years ended December 31, 2024 and the five months ended May 31, 2025 were approximately RMB1.1 million, RMB2.0 million, RMB2.1 million and RMB0.9 million.

During the Track Record Period, there was no remuneration paid or payable by our Company to our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. During the Track Record Period, there was no compensation paid or payable by our Company to our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of our Company.

During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any remuneration or benefits in kind for the past three years. Save as disclosed above, there was no other payments paid or payable by our Company to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules after the Listing.

JOINT COMPLIANCE ADVISORS

We have appointed Guoyuan Capital (Hong Kong) Limited and Goldlink Capital (Corporate Finance) Limited as our Joint Compliance Advisors pursuant to Rule 3A.19 of the Listing Rules. The Joint Compliance Advisors will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Joint Compliance Advisors will advise our Company in certain circumstances including:

- a. before the publication of any regulatory announcement, circular or financial report;
- b. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- c. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- d. where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Huaibei Mining Group, directly and indirectly through its wholly-owned subsidiary Wanhui Investment, is entitled to control the exercise of 60.13% of the voting rights of our Company. Huaibei Mining Group was held as to 62.96% by Anhui SASAC and 37.04% by Anhui Energy Group, which is wholly owned by Anhui SASAC. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Huaibei Mining Group, directly and indirectly through its wholly-owned subsidiary Wanhui Investment, will be entitled to control the exercise of approximately 45.09% of the voting rights of the Company. As such, each of Huaibei Mining Group, Wanhui Investment and Anhui Energy Group constitutes a Controlling Shareholder of our Company.

In addition, as of the Latest Practicable Date, Huaibei Jiaotou is entitled to control the exercise of 39.87% of the voting rights of our Company. Huaibei Jiaotou is wholly owned by Huaibei Jiantou Holding. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Huaibei Jiaotou will be entitled to control the exercise of approximately 29.91% of the voting rights of the Company. Considering, among others, (i) the historical voting patterns of Huaibei Mining Group and Huaibei Jiaotou with respect to major issues of the Company have been consistent, and (ii) Huaibei Mining Group is controlled by Anhui SASAC and Huaibei Jiaotou is controlled by Huaibei SASAC, which is under the supervision of Anhui SASAC, it is not anticipated that any major disagreement will arise between Huaibei Mining Group and Huaibei Jiaotou in terms of major issues to be considered at the general meetings of the Company after the Listing. As such each of Huaibei Jiaotou and Huaibei Jiantou Holding constitutes a Controlling Shareholder of our Company. For details of the Controlling Shareholders' shareholding in the Company, please refer to "History, Development and Corporate Structure".

PRINCIPAL BUSINESS OF OUR COMPANY AND THE CONTROLLING SHAREHOLDERS

Our Principal Business

Our principal business involves production and sales of precision casting mullite products and refractory mullite products, which are essential materials for precision casting shell mold and refractory materials. We also sell raw coke and raw powder to customers for further processing.

Principal business of Huaibei Mining Group

Huaibei Mining Group was established on March 15, 1993 with a registered capital of approximately RMB4,784.0 million. Huaibei Mining Group is a large group with coal-fired power generation, chemical products and modern services as its leading industries, and its principal business involves external equity investment. As of the Latest Practicable Date, Huaibei Mining Group holds (i) 60.50% equity interests in Huaibei Mining Holdings Co., Ltd. (淮北矿业控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code:

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

600985), the principal businesses of which are coal mining, coal washing, coal processing as well as production and sales of coal chemical products, (ii) 47.12% equity interests in Anhui Hwasu Co., Ltd. (安徽華塑股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600935), the principal businesses of which are production and sales of chlor-alkali chemical products based on PVC and caustic soda, and (iii) 85.0% equity interests in Linhuan Water Co. Ltd. (臨渙水務股份有限公司), a company listed on the NEEQ, the principal businesses of which are production and sales of industrial purified water and demineralized water.

Principal business of Wanhui Investment

Wanhui Investment was established on March 30, 2017 with a registered capital of approximately RMB500 million. Its principal business involves bond investment, securities fund investment, business management consulting, financial consulting and information consulting services.

Principal business of Anhui Energy Group

Anhui Energy Group was established on April 9, 1994 with a registered capital of RMB10 billion. Its principal business involves power generation (including thermal, wind, solar and biomass energy), natural gas infrastructure and supply (pipelines, city gas, and LNG terminals), and integrated energy services.

Principal business of Huaibei Jiaotou

Huaibei Jiaotou was established on July 19, 2013 with a registered capital of approximately RMB1,320 million. Its principal business involves operation and investment of urban public transportation projects.

Principal business of Huaibei Jiantou Holding

Huaibei Jiantou Holding was established on April 24, 2008 with a registered capital of approximately RMB1,250 million. Its principal business involves investment and management of infrastructure construction projects. As of the Latest Practicable Date, Huaibei Jiantou Holding holds 75.0% equity interests in Huaibei Greengold Industry Investment Co., Ltd. (淮北綠金產業投資股份有限公司), a company listed on the Stock Exchange (stock code: 2450), the principal businesses of which are sales of aggregate products and concrete products for construction purpose.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONFIRMATION OF NO COMPETING INTERESTS

Each of our Controlling Shareholders confirms that, as of the Latest Practicable Date, it did not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that our business will function independently from the Controlling Shareholders and their close associates after the completion of the Global Offering.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board consists of three executive Directors, three non-executive Director and four independent non-executive Directors. Our Directors believe that our Company is capable of maintaining management independence due to the following reasons:

- (i) our executive Directors and all our senior management members, who did not hold any management position in our Controlling Shareholders or their respective close associates, are responsible for the day-to-day management and operation of our Company;
- (ii) Although our Directors, Mr. Yang Chong and Mr. Jiao Daojie, currently hold certain positions in our Controlling Shareholder Huaibei Mining Group or its subsidiary, and Mr. Li Zhuangzhi, currently holds certain positions in the subsidiary of our Controlling Shareholder Huaibei Jiantou Holding, they are non-executive Directors of the Company and are not involved in the daily operation of the Company;
- (iii) each of our Directors is aware of his/her fiduciary duties as a director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and the Controlling Shareholders, the interested Directors shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- (v) our Board has a balanced composition of executive Directors, non-executive Director and independent non-executive Directors which ensures the independence of our Board in making decisions affecting our Company. Specifically, all of our four independent non-executive Directors are independent of the Controlling Shareholders and have extensive experience in its areas of expertise. See “Directors,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Supervisors and Senior Management”. All of our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions; and

- (vi) upon completion of the Global Offering, our Company will adopt series of corporate governance measures to manage conflicts of interest, if any, between our Company and the Controlling Shareholders, which would support our independent management. See “— Corporate Governance Measures” in this section below for further information.

Therefore, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

Based on the above, the Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial responsibility in our Company independently.

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders and their respective close associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective close associates after Listing:

- (i) we are not reliant on trademarks owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;
- (ii) we are the holder of all relevant licenses material to the operation of our business;
- (iii) we have independent access to our customers and suppliers;
- (iv) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders;
- (v) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (vi) none of our Controlling Shareholders or their respective close associates have any interests in any business which competes or is likely to compete with the business of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We have entered into a number of transactions with Huaibei Mining Group. See “Connected Transactions” in this prospectus for further details of, and the reasons for entering into, these transactions.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

As of the Latest Practicable Date, we have one outstanding loan from Huaibei Mining Group in the amount of RMB80,000,000. The loan was applied by Huaibei Mining Group, as a directly controlled entity of Anhui SASAC, to Anhui SASAC on behalf of the Company and granted to the Company through Huaibei Mining Group for the purpose of funding our “Diversified Comprehensive Utilization Project for High-quality Coal-associated” (“**the High-quality Coal-associated Project**”) to enhance the utilization rate of coal-associated kaolin or promote its applicability. Other than above, as of the Latest Practicable Date, we did not have any outstanding loans or non-trade balances granted, guaranteed or pledged by any of our Controlling Shareholders to us.

Our Directors are of the view that we are capable of carrying on our business independently from, and the loan granted by Huaibei Mining Group stated above do not place undue reliance on, our Controlling Shareholders and their respective close associates after the Listing for the following reasons:

- (1) we have sufficient capital to operate our business independently. As of the Latest Practicable Date, our banking deposit balance amounted to approximately RMB86,259,448. We are capable of obtaining, if necessary, financing from Independent Third Parties banks without relying on any guarantee or security provided by our Controlling Shareholders and/or their close associates. In particular, as of the Latest Practicable Date, we have obtained the credit facility approval from an independent third-party commercial bank that is willing to provide our Company with loans in the amount of RMB212.5 million in aggregate (the “**Loans**”), without any assistance, guarantee or security from our Controlling Shareholders or its associates for the purpose of funding our High-quality Coal-associated Project, subject to certain customary requirement of such bank, which the Company does not foresee any difficulties in satisfying such requirement. Having considered the financial status and business development of the Company, the Company considers that it would be in the best interests of the Company and its shareholders to maintain the current loan from Huaibei Mining Group to fund our High-quality Coal-associated Project; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (2) we have an independent financial system and make financial decisions according to our Company's own business needs independently. We have internal control and accounting systems and an independent finance department. None of our Controlling Shareholders and/or their close associates interferes with our use of funds.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. Our Company would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders and their respective close associates upon Listing:

- (i) where a Board meeting is held for the matters in which any Director has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (ii) where a Shareholders' meeting involves proposed transactions in which the Controlling Shareholders or their respective close associates has a material interest, the Controlling Shareholders or their respective close associates will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (iii) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with the Controlling Shareholders or any of their respective close associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;
- (iv) our Board will consist of a balanced composition of executive and non-executive Directors, including more than one-third of whom are independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;
- (v) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix C1 to the Listing Rules; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (vi) we have appointed Guoyuan Capital (Hong Kong) Limited and Goldlink Capital (Corporate Finance) Limited as our Joint Compliance Advisors, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Company and the Controlling Shareholders and/or Directors to protect minority Shareholders' rights after Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons are expected to have an interest in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Nature of interest	Class of Shares	Shares held as of the Latest Practicable Date		Shares held following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
			Number	Percentage	Number	Percentage
Huaibei Mining Group ⁽¹⁾	Beneficial interest	Domestic Shares	41,820,759	57.37%	41,820,759	43.03%
	Interest in controlled corporation	Domestic Shares	2,007,299	2.75%	2,007,299	2.06%
Anhui Energy Group ⁽²⁾	Interest in controlled corporation	Domestic Shares	43,828,058	60.12%	43,828,058	45.09%
Huaibei Jiaotou.	Beneficial interest	Domestic Shares	29,066,258	39.87%	29,066,258	29.91%
Huaibei Jiantou Holding ⁽³⁾	Interest in controlled corporation	Domestic Shares	29,066,258	39.87%	29,066,258	29.91%

Notes:

- (1) As of the Latest Practicable Date, Wanhui Investment holds approximately 2.75% of equity interest in the Company, and Huaibei Mining Group holds 100% of the equity interest in Wanhui Investment. Therefore, Huaibei Mining Group is deemed to be interested in the Shares held by Wanhui Investment in the Company under the SFO.
- (2) As of the Latest Practicable Date, Huaibei Mining Group is directly owned by Anhui Energy Group as to 37.04%. Therefore, Anhui Energy Group is deemed to be interested in the Shares held by Huaibei Mining Group in the Company under the SFO.
- (3) As of the Latest Practicable Date, Huaibei Jiaotou is wholly owned by Huaibei Jiantou Holding. Therefore, Huaibei Jiantou Holding is deemed to be interested in the Shares held by Huaibei Jiaotou in the Company under the SFO.

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following the Global Offering (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

SHARE CAPITAL

OUR SHARE CAPITAL

Immediately before the Global Offering

As of the Latest Practicable Date, the registered share capital of our Company was RMB72,894,316 comprising 72,894,316 Shares with a nominal value of RMB1.00 each.

Upon the Completion of the Global Offering

Immediately after the Global Offering, assuming that the Over-Allotment Option is not exercised, the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Shares	72,894,316	75%
H Shares to be issued pursuant to the Global Offering	<u>24,300,000</u>	<u>25%</u>
Total	<u><u>97,194,316</u></u>	<u><u>100%</u></u>

Immediately after the Global Offering, assuming that the Over-Allotment Option is fully exercised, the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Shares	72,894,316	72.29%
H Shares to be issued pursuant to the Global Offering	<u>27,945,000</u>	<u>27.71%</u>
Total	<u><u>100,839,316</u></u>	<u><u>100%</u></u>

SHARE CAPITAL

DOMESTIC SHARES AND H SHARES

Upon the completion of the Global Offering, the Shares will consist of Domestic Shares and H Shares. Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic Shares held by whom will be converted into H Shares according to the approval of the CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic Shares and H Shares shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the stipulations by the State Council's securities regulatory authorities, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted Shares, the requisite internal approval processes have been duly completed and the approval from or filing with the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Shares are to be converted, listed and traded as H Shares on the Stock Exchange, such conversion, listing and trading will need to be filed with relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange.

SHARE CAPITAL

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share registration and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (1) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates, and (2) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

In accordance with Article 160 of the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the Global Offering will be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See “Appendix V — Summary of the Articles of Association” in this prospectus.

SHAREHOLDERS’ APPROVAL FOR THE GLOBAL OFFERING

Approval from holders of the Shares is required for the Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. The Company has obtained such approval at the Shareholders’ general meeting held on October 14, 2024.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our financial statements, included in the Accountants' Report in Appendix I, together with the respective accompanying notes. Our financial information has been prepared in accordance with the International Financial Reporting Standards ("IFRS accounting standards").

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business," and elsewhere in this Prospectus. For further details, see "Forward-Looking Statements."

OVERVIEW

We are a coal-series kaolin company in China, with integrated capabilities spanning the entire value chain from mining, R&D, processing to production and sales. In 2021, we obtained the mining rights over the Shuoli Kaolin Mine located in Huaibei City, Anhui, which provides abundant coal-series kaolin resources. According to the Independent Technical Report, as of May 31, 2025, our Shuoli Kaolin Mine possesses total estimated Mineral Resources of approximately 18,649 kt, comprising 2,367 kt of Measured Resources, 8,990 kt of Indicated Resources and 7,292 kt of Inferred Resources and total estimated Ore Reserves of approximately 6,062 kt, comprising 1,093 kt of Proved Reserves and 4,969 kt of Probable Reserves. According to the Independent Technical Report, as of May 31, 2025, the remaining LoM of the Shuoli Kaolin Mine was estimated to be approximately 16 years. Our products mainly include precision casting mullite products and refractory mullite products, which are essential materials for precision casting shell mold and refractory materials. We also sell raw coke and raw powder to customers for further processing. To meet the increasing demand for domestically-produced high-grade fibers, we began selling ceramic fibers in the fourth quarter of 2024. We were the largest precision casting mullite products producer in China in terms of the sale value of precision casting mullite products in 2024, with a market share of 19.1%, according to Frost & Sullivan. For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, we produced 117.9 kt, 114.5 kt, 105.6 kt, 46.8 kt and 84.8 kt of precision casting mullite products and 5.2 kt, 19.8 kt, 25.7 kt, 10.6 kt and 10.6 kt of refractory mullite products, respectively.

FINANCIAL INFORMATION

We have experienced robust growth during the Track Record Period. Our revenue increased from RMB190.4 million for the year ended December 31, 2022 to RMB204.7 million for the year ended December 31, 2023, representing a growth rate of 7.5%. Our revenue increased from RMB204.7 million in the year ended December 31, 2023 to RMB267.1 million in the year ended December 31, 2024 representing a growth rate of 30.5%. Our revenue increased from RMB88.3 million in the five months ended May 31, 2024 to RMB104.9 million in the five months ended May 31, 2025 representing a growth rate of 18.8%. In addition, our gross profit increased from RMB57.6 million for the year ended December 31, 2022 to RMB71.3 million for the year ended December 31, 2023, representing a growth rate of 23.8%. Our gross profit increased from RMB71.3 million in the year ended December 31, 2023 to RMB98.2 million in the year ended December 31, 2024 representing a growth rate of 37.7%. Our gross profit increased from RMB30.8 million in the five months ended May 31, 2024 to RMB37.3 million in the five months ended May 31, 2025 representing a growth rate of 21.1%. In 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, we recorded net profits of RMB24.4 million, RMB43.6 million, RMB52.6 million, RMB14.5 million and RMB18.0 million, respectively.

BASIS OF PRESENTATION

Our Historical Financial Information has been prepared in accordance with IFRS accounting standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRS accounting standards effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted by the Company in the preparation of the Historical Financial Information throughout the Relevant Periods and in the periods covered by the Interim Financial Information. The historical financial information has been prepared under the historical cost convention, except for debt investments at fair value through other comprehensive which have been measured at fair value.

The preparation of the historical financial information in conformity with IFRS accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 2.3 and 3 to the Accountants’ Report included in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our results of operations and financial condition have been, and will continue to be, materially affected by a number of factors, some of which are outside our control, including:

Pricing of Products

Our results of operations are subject to the fluctuations of market prices of coal-series kaolin products. During the Track Record Period, we directly sold our products to end-users and traders. The selling prices of our products take into account various factors, including raw material costs and production costs, customer relationship, product specification, expected profit margin, length of contract and other contract terms. See “Business — Sales and Marketing — Pricing Strategies.”

FINANCIAL INFORMATION

Our product selling prices may be influenced by several factors beyond our control, such as inflation rate, interest rate and macroeconomic environment. The prices of our products are also subject to the fluctuating market demand, which is driven by various unpredictable factors, including the availability of coal-series kaolin products and evolving requirements in the precision casting and refractory material industry. Any changes in market acceptance or customer preferences for our existing or future products may affect our business, financial condition and results of operations. Additionally, heightened market competition, either from new entrants or the existing competitors, can lead to price wars, decreased sales and lowered profitability. To maintain our market leadership, we may need to engage in aggressive pricing strategies to maintain our market leadership, potentially undermining our profit margins.

The average selling price of our precision casting mullite products was relatively stable in 2022 and 2023 but fell from RMB1,522 per tonne in 2023, to RMB1,394 per tonne in 2024, primarily due to our flexible pricing strategy to expand our market presence. The average selling price of our precision casting mullite products decreased from RMB1,483 per ton in the five months ended May 31, 2024 to RMB1,307 per ton in the five months ended May 31, 2025 primarily due to our pricing strategy to further penetrate the precision casting mullite products market, reinforcing our market leadership. The average selling price of our refractory mullite products remained relatively stable in 2022 and 2023. The average selling price of our refractory mullite products decreased from 2023 to 2024 and from the five months ended May 31, 2024 to the five months ended May 31, 2025. Such decreases were primarily attributable to an increase in the proportion of sales of certain product variants with relatively lower selling prices and our strategic adjustments of certain products' prices, thereby further penetrating the refractory mullite products market and responding to the intensified market competition. The average selling price of raw coke and raw powder has remained relatively stable since we began selling it in 2023. The average selling price of our raw coke and raw powder decreased from RMB458 per tonne for the five months ended May 31, 2024 to RMB246 per tonne for the five months ended May 31, 2025. This decline was primarily driven by a shift in our sales mix towards certain product sizes with lower selling prices, in response to identified customer demand.

The following table illustrates the sensitivity analysis of hypothetical fluctuation in price of our products on gross profit during the Track Record Period, assuming all other factors were to remain unchanged.

Hypothetical fluctuations in the prices of our products	Increase/(Decrease) in gross profit				
	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
<i>(RMB in thousands)</i>					
+5%	9,518	10,234	13,357	4,414	5,245
+10%	19,037	20,469	26,714	8,829	10,490
-5%	(9,518)	(10,234)	(13,357)	(4,414)	(5,245)
-10%	(19,037)	(20,469)	(26,714)	(8,829)	(10,490)

FINANCIAL INFORMATION

Production Capacity

Our sales volume relies on the market demand and our ability to meet that demand with sufficient production capacity. During the Track Record Period, the utilization rate of the production line for precision casting mullite products exceeded 100% in 2022 and 2023 and the five months ended May 31, 2024 because we extended production time beyond the initially planned schedule, and reached 96.0% in 2024. During the five months ended May 31, 2025, the utilization rate of the production line for precision casting mullite products was 65.6%, primarily due to the ramp-up phase of the new production line that commenced commercial production in January 2025 and scheduled maintenance of the existing production lines, respectively. In anticipation of the increasing market demand for precision casting mullite products, we plan to enhance our production capacity for precision casting mullite products to accommodate such demand. In addition, we increased our sales efforts of refractory mullite products, and the utilization rate of the production line for refractory mullite products significantly increased from 17.3% in 2022 to 85.7% in 2024 in response to the increased customer demand. The utilization rate of the production line for refractory mullite products remained stable at 84.9% and 84.8% for the five months ended May 31, 2024 and 2025, respectively, as we established market presence in the refractory mullite products market in China. Looking forward, we plan to enhance the production capacity for refractory mullite products to meet the increasing customer demand for our refractory mullite products, which is driven by our strategic expansion of the sales of refractory mullite products. The following table sets forth the breakdown of the historical production volume during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
Precision casting mullite products					
Designed production capacity ⁽¹⁾ (kt)	110.0	110.0	110.0	45.8	129.2 ⁽⁵⁾
Actual production volume (kt)	117.9	114.5	105.6 ⁽⁴⁾	46.8	84.8
Utilization rate ⁽²⁾ (%)	107.2 ⁽³⁾	104.1 ⁽³⁾	96.0	102.2 ⁽³⁾	65.6
Refractory mullite products					
Designed production capacity ⁽¹⁾ (kt)	30.0	30.0	30.0	12.5	12.5
Actual production volume (kt)	5.2	19.8	25.7	10.6	10.6
Utilization rate ⁽²⁾ (%)	17.3	65.9	85.7	84.9	84.8
Overall					
Designed production capacity ⁽¹⁾ (kt)	140.0	140.0	140.0	58.3	141.7
Actual production volume (kt)	123.1	134.3	131.3	57.4	95.4
Utilization rate ⁽²⁾ (%)	87.9	95.9	93.8	98.5	67.3

Notes:

- (1) The designed production capacity represents the maximum annual production output at the bottleneck of the production process assuming: (i) sufficient labor is available at all times; (ii) approximately 300 working days per year for production; (iii) three eight-hour shifts per working day; and (iv) no major equipment breakdown.

FINANCIAL INFORMATION

- (2) The utilization rate is calculated based on the actual production volume for the relevant year/period divided by the designed production capacity.
- (3) The utilization rate of precision casting mullite products in 2022 and 2023 and the five months ended May 31, 2024 exceeded 100% because we extended production time beyond the initially planned schedule of 300 days for a fiscal year or 125 days for the five months ended May 31, 2024. This adjustment was necessary to accommodate increased demand and fulfil customer orders promptly, ensuring we meet our clients' needs effectively. To increase our production capacity for precision casting mullite products, we engaged a construction contractor to design and construct a production line for precision casting mullite products with an annual production capacity of 200,000 tonnes. The main construction was completed in December 2023. Since November 2024, the production lines started trial production. We commenced commercial production in January 2025. See “— Suppliers and Contractors — Construction Contractors.”
- (4) The actual production volume of precision casting mullite products in 2024 did not include the trial production volume from the new production line mentioned above, which amounted to 25.6 kt.
- (5) The designed production capacity of precision casting mullite products in the five months ended May 31, 2025 is derived by aggregating the existing annual capacity of 110.0 kt and the new production line's annual capacity of 200.0 kt, dividing the total by 12 months and multiplying by 5 months.

According to the Independent Technical Report, as of May 31, 2025, the estimated LoM of the Shuoli Kaolin Mine is 16 years, at the annual production volume of 400,000 tonnes. We expect that our current Mineral and Ore Reserves are sufficient to support our future production capacity expansions.

We plan to continuously enhance our production capacity to drive our sales volume and revenue growth in the future. The following table sets forth a summary of our major expansion plan:

Plant Name	Primary products Produced	Current Production Capacity	Expected Increase in Production Capacity	Key Timeline	Current Status	Amount of Capital Expenditure Incurred as of May 31, 2025	Expected Source of Funding
		(tpa)	(tpa)			(RMB)	
Chamotte Plant	Refractory mullite products	30,000	40,000	2026	Under construction	4,945,111	Net proceeds from the Global Offering

Governmental Policies and Regulations

We operate our business within the mining industry, which is heavily regulated by various laws and regulations regarding mine exploration, development, production, taxation, labor, occupational health, safety, waste treatment and environmental protection. The ever-changing regulatory framework governing the mining industry may expose us to increased litigation risks and unforeseen regulatory scrutiny, which may cause us to incur substantial legal and compliance costs.

FINANCIAL INFORMATION

Furthermore, our continued operations rely on the acquisition and renewal of government licenses and permits for mining and production activities. While we expect to renew our mining and production permits, if for any reason we are unable to do so in a timely manner or at all, our business, financial condition and results of operations may be materially and adversely affected. See “Risk Factors — Risks Relating to the PRC — Our business is subject to various and developing laws and regulations. Any adverse changes in the regulatory regime relating to the areas where we operate businesses may limit our ability to provide product offerings, thereby affecting our business, financial condition and results of operations.”

Preferential Tax Treatments and Government Grants

Changes in preferential tax treatments and governmental grants can significantly affect our financial performance. We were designated as a “High-tech Enterprise” on October 21, 2016 and renewed the qualification on October 18, 2022, enjoying a preferential enterprise income tax rate of 15% for three years beginning from January 1, 2022, and such status had expired on October 18, 2025. Subsequently, we successfully got approval as “High-tech Enterprise” and subject to the successful renewal of the certificate, we will continue to enjoy the preferential enterprise income tax rate status. This preferential tax treatment substantially enhances our profitability by lowering our tax liabilities. However, any changes in tax policies or failure to renew our High-tech Enterprise status may result in increased tax burdens and restrain our business operations.

Government grants also form a crucial part in our financial condition. In recent years, we have received significant government grants to support our daily operations. In 2022, we received one-off government grants recognizing our leadership in establishing the industry standard of determining the free quartz content in Kaolin and our R&D efforts. In 2023, we received government grants primarily for awarding our listing on the NEEQ and supporting our digital transformation. Furthermore, in 2024, we received government grants primarily for awarding our listing on the NEEQ and our achievements such as being recognized as a National Specialized and Innovative “Little Giant” Enterprise. These grants are typically non-recurring and contingent upon the discretion of local governments, adhering to specific criteria and procedures. Our government grants increased from approximately RMB1.1 million for the year ended December 31, 2022 to approximately RMB5.0 million for the year ended December 31, 2023. However, our government grants decreased from approximately RMB5.0 million in the year ended December 31, 2023 to approximately RMB2.8 million in the year ended December 31, 2024. Further, our government grants decreased from approximately RMB0.6 million in the five months ended May 31, 2024 to approximately RMB0.3 million in the five months ended May 31, 2025. The uncertainty surrounding the continuation of such grants may materially and adversely affect our business, financial condition and results of operations.

FINANCIAL INFORMATION

MATERIAL ACCOUNTING POLICY INFORMATION

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this Prospectus.

New standards and amendments to existing standards not yet adopted by our Company

We have not applied the following new and revised IFRS accounting standards, that have been issued but are not yet effective, in this Historical Financial Information.

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7 ..	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7 ..	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>

¹ Effective for annual periods beginning on or after January 1, 2026

² Effective for annual periods/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

FINANCIAL INFORMATION

See Note 2.2 to the Accountants' Report in Appendix I to this prospectus for further information about the new and revised IFRS accounting standards that are expected to be applicable to our Company.

Revenue recognition

Revenue from contracts with customers

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of products

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on receipt of the products by the customers.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

FINANCIAL INFORMATION

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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 capitalized 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, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life or it is calculated using the units of production (“UOP”) basis to write off the cost of the asset proportionately to the value obtained from the extraction of the mineral reserves.

The estimated useful lives of property, plant and equipment depreciated on the straight-line basis are as follows:

Buildings	15-20 years
Plant and machinery	5-10 years
Office equipment and other devices	3 years
Motor vehicles	3-5 years
Asset related to rehabilitation	Life of mine

Included in property, plant and equipment is mining infrastructure located at the mining sites. Depreciation is provided to write off the cost of the mining infrastructure using the UOP method based on the mineral reserves.

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

FINANCIAL INFORMATION

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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 lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining right

Mining right is stated at cost less accumulated amortisation and any impairment losses. Mining right includes the cost of acquiring mining licence. The mining right is amortised over the estimated useful life of the mine, in accordance with the production plans of the Company concerned and the reserves of the mine using the UOP method. Mining right is written off to profit or loss if the mining property is abandoned.

Research expenses

All research costs are charged to the statement of profit or loss as incurred.

Inventories

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

FINANCIAL INFORMATION

Impairment of financial assets

We recognize an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, we assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

We consider a financial asset in default when contractual payments are past due. However, in certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

FINANCIAL INFORMATION

Simplified approach

For trade receivables that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. We have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Provisions

A provision is recognized 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 each of the Relevant Periods 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 statement of profit or loss.

Provisions for our obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the rules and regulations of the PRC. The obligation generally arises when an asset is installed or the ground environment is disturbed at the production location. We estimate our liabilities for the final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in the present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in profit or loss. The asset is depreciated using the straight-line method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognized as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

FINANCIAL INFORMATION

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

FINANCIAL INFORMATION

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

SENSITIVITY ANALYSIS

Our results of operations are affected by the changes in raw materials costs, energy consumption costs, transportation fees and outsourcing fees. The tables below set forth the impact of the fluctuations of raw materials costs, energy costs, transportation costs and outsourcing fees during the Track Record Period, assuming all other factors were to remain unchanged.

Percentage changes in the raw materials costs	Increase/(Decrease) in gross profit				
	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
<i>(RMB in thousands)</i>					
+5%	(1,266)	(921)	(1,211)	(500)	(416)
+10%	(2,533)	(1,841)	(2,423)	(1,001)	(832)
-5%	1,266	921	1,211	500	416
-10%	2,533	1,841	2,423	1,001	832

FINANCIAL INFORMATION

Percentage changes in the energy costs	Increase/(Decrease) in gross profit				
	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
	<i>(RMB in thousands)</i>				
+5%	(2,437)	(2,649)	(2,452)	(1,200)	(1,798)
+10%	(4,874)	(5,299)	(4,904)	(2,401)	(3,596)
-5%	2,437	2,649	2,452	1,200	1,798
-10%	4,874	5,299	4,904	2,401	3,596

Percentage changes in the transportation costs	Increase/(Decrease) in gross profit				
	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
	<i>(RMB in thousands)</i>				
+5%	(398)	(499)	(530)	(201)	(214)
+10%	(796)	(997)	(1,059)	(401)	(428)
-5%	398	499	530	201	214
-10%	796	997	1,059	401	428

Percentage changes in the outsourcing fees	Increase/(Decrease) in gross profit				
	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
	<i>(RMB in thousands)</i>				
+5%	N/A	(67)	(751)	(253)	(103)
+10%	N/A	(133)	(1,501)	(506)	(205)
-5%	N/A	67	751	253	103
-10%	N/A	133	1,501	506	205

FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our statements of profit or loss for the years/periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
	<i>(unaudited)</i>				
	<i>(RMB in thousands)</i>				
Revenue	190,366	204,687	267,142	88,289	104,899
Cost of sales	<u>(132,810)</u>	<u>(133,410)</u>	<u>(168,972)</u>	<u>(57,491)</u>	<u>(67,625)</u>
Gross profit	57,556	71,277	98,170	30,798	37,274
Other income and gains	2,872	7,992	4,733	1,405	911
Research expenses . . .	(7,282)	(6,978)	(12,638)	(4,518)	(4,131)
Selling and distribution expenses	(4,028)	(3,783)	(4,574)	(1,972)	(1,479)
Administrative expenses	(22,752)	(17,477)	(22,329)	(8,731)	(8,742)
Other expenses	(476)	(9)	—	—	—
Finance costs	(1,039)	(973)	(3,709)	(638)	(3,192)
Reversal of/(provision for) impairment losses on financial assets, net	<u>1,752</u>	<u>(48)</u>	<u>(163)</u>	<u>(5)</u>	<u>(112)</u>
Profit before tax . . .	26,603	50,001	59,490	16,339	20,529
Income tax expense . .	<u>(2,180)</u>	<u>(6,384)</u>	<u>(6,888)</u>	<u>(1,869)</u>	<u>(2,497)</u>
Profit and total comprehensive income for the year/period	<u>24,423</u>	<u>43,617</u>	<u>52,602</u>	<u>14,470</u>	<u>18,032</u>
Attributable to owners of the parent	<u>24,423</u>	<u>43,617</u>	<u>52,602</u>	<u>14,470</u>	<u>18,032</u>
Earning per share attributable to ordinary equity holders of the parent					
Basic and diluted . . .	<u>0.43</u>	<u>0.60</u>	<u>0.72</u>	<u>0.20</u>	<u>0.25</u>

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we derived revenue from the sales of precision casting mullite products, refractory mullite products, as well as raw coke and raw powder. For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, we recorded the revenue of RMB190.4 million, RMB204.7 million, RMB267.1 million, RMB88.3 million and RMB104.9 million, respectively. We only began generating revenue from the sales of raw coke and raw powder for the year ended December 31, 2023 and began generating revenue from the sales of ceramic fiber in the second half of 2024. The table below sets forth our revenue breakdown by product categories in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(unaudited)</i>										
<i>(RMB in thousands, except for percentages)</i>										
Precision casting										
mullite products . .	184,193	96.8	165,931	81.1	185,492	69.4	66,139	74.9	68,111	65.0
– Precision casting										
mullite sand . . .	95,347	50.1	82,585	40.3	96,798	36.2	32,343	36.6	35,232	33.7
– Precision casting										
mullite powder .	88,846	46.7	83,346	40.8	88,694	33.2	33,796	38.3	32,879	31.3
Refractory mullite										
products	6,173	3.2	23,522	11.5	52,056	19.5	18,671	21.2	24,703	23.5
– Large-sized										
chamotte										
particles	4,875	2.6	18,587	9.1	44,332	16.6	15,767	17.9	17,144	16.3
– Small-sized										
chamotte										
particles	1,298	0.7	4,935	2.4	7,724	2.9	2,904	3.3	7,559	7.2
Raw coke and raw										
powder	–	–	15,234	7.4	26,621	10.0	3,479	3.9	9,328	8.9
Ceramic fiber	–	–	–	–	2,973	1.1	–	–	2,757	2.6
Total	190,366	100.0	204,687	100.0	267,142	100.0	88,289	100.0	104,899	100.0

FINANCIAL INFORMATION

A few of our products were sold overseas, mainly in India and Thailand. For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, we generated revenues from the overseas sales of approximately RMB1.2 million, RMB1.0 million, RMB0.9 million, RMB0.6 million and RMB0.5 million, respectively. The following table sets forth our revenue breakdown by geographical regions for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
PRC	189,173	99.4	203,733	99.5	266,267	99.7	87,722	99.4	104,362	99.5
Overseas	1,193	0.6	954	0.5	875	0.3	567	0.6	537	0.5
Total	190,366	100.0	204,687	100.0	267,142	100.0	88,289	100.0	104,899	100.0

The following table sets forth a breakdown of revenue generated by the sales volume and the average selling prices of our products for the periods indicated:

	Year ended December 31,									Five months ended May 31,					
	2022			2023			2024			2024			2025		
	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price	Revenue	Sales volume	Average selling price
(RMB in thousands) (kt) (RMB per tonne) (RMB in thousands) (kt) (RMB per tonne) (RMB in thousands) (kt) (RMB per tonne) (RMB in thousands) (kt) (RMB per tonne) (RMB in thousands) (kt) (RMB per tonne)															
(unaudited)															
Precision casting															
mullite products	184,193	118.5 ⁽¹⁾	1,554	165,931	109.0	1,522	185,492	133.1 ⁽²⁾	1,394	66,139	44.6	1,483	68,111	52.1	1,307
– Precision casting mullite sand	95,347	60.4	1,579	82,585	53.7	1,538	96,798	70.2	1,379	32,343	21.4	1,511	35,232	26.7	1,320
– Precision casting mullite powder	88,846	58.1	1,528	83,346	55.3	1,507	88,694	62.9	1,410	33,796	23.2	1,457	32,879	25.4	1,294
Refractory mullite products	6,173	5.2	1,187	23,522	19.6	1,200	52,056	52.2 ⁽³⁾	997	18,671	17.9	1,043	24,703	24.9	992
– Large-sized chamotte particles	4,875	4.4	1,108	18,587	16.2	1,147	44,332	46.2	960	15,767	15.8	998	17,144	18.2	942
– Small-sized chamotte particles	1,298	0.8	1,623	4,935	3.4	1,451	7,724	6.0	1,287	2,904	2.1	1,383	7,559	6.7	1,128
Raw coke and raw powder	–	–	–	15,234	39.4	387	26,621	86.9	306	3,479	7.6	458	9,328	37.9	246
Ceramic Fiber	–	–	–	–	–	–	2,973	0.3	9,910	–	–	–	2,757	0.3	9,190
Total	190,366	–	–	204,687	–	–	267,142	–	–	88,289	–	–	104,899	–	–

FINANCIAL INFORMATION

Notes:

- (1) The sales volume includes the sales of certain inventories of precision casting mullite products, which exceeded the production volume of such products in the respective years.
- (2) The sales volume includes trial production volume from the new production line for the precision mullite products.
- (3) The sales volume includes refractory mullite products supplied by our external supplier of processing services, Shandong Yonganda. To supplement our production capacity of refractory mullite products, since October 2023, we have engaged Shandong Yonganda, an external processing service provider, to supply processing service related to the production of refractory mullite products to us. In 2024, Shandong Yonganda supplied to us 32.5 kt finished refractory mullite products. See “Business — Suppliers and Contractors — Supplier of Process Service”

Cost of Sales

Our cost of sales amounted to RMB132.8 million, RMB133.4 million, RMB169.0 million, RMB57.5 million and RMB67.6 million in 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively. During the Track Record Period, our cost of sales primarily consisted of raw material costs, energy costs, transportation costs, depreciation and amortization, labor costs and others.

The following table sets forth a breakdown of our cost of sales by nature in absolute amount and as a percentage of our production cost attributable to our sales of products, for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
Raw material costs . .	25,326	18.2	18,414	12.5	24,228	13.9	10,009	13.8	8,319	9.3
Energy costs	48,737	34.9	52,986	35.9	49,035	28.2	24,007	33.0	35,960	40.2
Transportation costs .	7,963	5.7	9,973	6.8	10,591	6.1	4,012	5.5	4,280	4.8
Depreciation and amortization	18,608	13.3	23,699	16.1	34,428	19.8	10,212	14.1	22,219	24.8
Labor costs	34,237	24.5	38,279	25.9	36,963	21.3	16,268	22.4	14,721	16.5
Others	4,625	3.4	4,287	2.8	18,638	10.7	8,146	11.2	3,979	4.4
Total production costs	139,496	100.0	147,638	100.0	173,883	100.0	72,654	100.0	89,478	100.0
Inventory movements ⁽¹⁾	(6,686)		(14,228)		(4,911)		(15,163)		(21,853)	
Total	132,810		133,410		168,972		57,491		67,625	

Note:

- (1) Inventory here includes semi-finished products, finished products and kaolin ore.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of sales by product categories in absolute amount and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(unaudited)</i>										
<i>(RMB in thousands, except for percentages)</i>										
Precision casting										
mullite products . .	127,232	95.8	114,746	86.0	117,597	69.6	42,949	74.7	42,070	62.2
– Precision casting										
mullite sand . . .	57,859	43.6	49,889	37.4	55,577	32.9	18,431	32.1	18,977	28.1
– Precision casting										
mullite powder .	69,373	52.2	64,857	48.6	62,020	36.7	24,518	42.6	23,093	34.1
Refractory mullite										
products	5,578	4.2	14,207	10.7	39,948	23.6	13,150	22.9	19,538	28.9
– Large-sized										
chamotte										
particles	4,816	3.6	11,298	8.5	33,950	20.1	11,208	19.5	13,116	19.4
– Small-sized										
chamotte										
particles	762	0.6	2,909	2.2	5,998	3.5	1,942	3.4	6,422	9.5
Raw coke and raw										
powder	–	–	4,457	3.3	9,964	5.9	1,392	2.4	4,046	6.0
Ceramic fiber	–	–	–	–	1,463	0.9	–	–	1,971	2.9
Total	132,810	100.0	133,410	100.0	168,972	100.0	57,491	100.0	67,625	100.0

Gross Profit and Gross Profit Margin

Our gross profit amounted to RMB57.6 million, RMB71.3 million, RMB98.2 million, RMB30.8 million and RMB37.3 million for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively. Our gross profit margin was 30.2%, 34.8%, 36.7%, 34.9% and 35.5% for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our gross profit and gross profit margin by product categories for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %
(unaudited)										
(RMB in thousands, except for percentages)										
Precision casting										
mullite products . .	56,961	30.9	51,185	30.8	67,895	36.6	23,190	35.1	26,041	38.2
– Precision casting										
mullite sand . . .	37,488	39.3	32,696	39.6	41,221	42.6	13,912	43.0	16,255	46.1
– Precision casting										
mullite										
powder	19,473	21.9	18,489	22.2	26,674	30.1	9,278	27.5	9,786	29.8
Refractory mullite										
products	595	9.6	9,315	39.6	12,108	23.3	5,521	29.6	5,165	20.9
– Large-sized										
chamotte										
particles	59	1.2	7,289	39.2	10,382	23.4	4,559	28.9	4,028	23.5
– Small-sized										
chamotte										
particles	536	41.3	2,026	41.0	1,726	22.3	962	33.1	1,137	15.0
Raw coke and raw										
powder	–	–	10,777	70.7	16,657	62.6	2,087	60.0	5,282	56.6
Ceramic fiber	–	–	–	–	1,510	50.8	–	–	786	28.5
Total	57,556	30.2	71,277	34.8	98,170	36.7	30,798	34.9	37,274	35.5

FINANCIAL INFORMATION

Other Income and Gains

During the Track Record Period, our other income and gains primarily included sale of scrap, government grants, income from value-added tax super deduction, interest income, gains on disposal of items of property, plant and equipment, and others. Our other income and gains amounted to RMB2.9 million, RMB8.0 million, RMB4.7 million, RMB1.4 million and RMB0.9 million for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(unaudited)</i>										
<i>(RMB in thousands, except for percentages)</i>										
Sale of scrap	864	30.1	1,220	15.3	211	4.5	139	9.9	150	16.5
Government grants ⁽¹⁾	1,108	38.6	5,001	62.6	2,835	59.9	608	43.3	325	35.7
Income from value-added tax Super deduction ⁽²⁾	—	—	1,429	17.9	1,555	32.9	648	46.1	313	34.4
Interest income	361	12.6	140	1.8	54	1.1	9	0.6	15	1.6
Gains on disposal of items of property, plant and equipment	—	—	8	0.1	—	—	—	—	—	—
Others	539	18.7	194	2.3	78	1.6	1	0.1	108	11.8
Total	2,872	100.0	7,992	100.0	4,733	100.0	1,405	100.0	911	100.0

Notes:

- (1) The government grants have been received from local government authorities to support our daily operations. During the Relevant Periods, government grants amounting to RMB857,000, RMB1,668,000, RMB736,000, RMB307,000 and RMB303,000, respectively, were released from deferred income (note 26) of the accountant's report in the Appendix I to this prospectus.
- (2) Tax incentives on value-added tax ("VAT") are related to an additional 5% VAT input tax deduction for taxpayers of advanced manufacturing industries from January 1, 2023 to December 31, 2027.

FINANCIAL INFORMATION

Research Expenses

During the Track Record Period, our research expenses primarily consisted of employee salaries, electricity expenses, research material expenses, depreciation and amortization, and others. Our research expenses amounted to RMB7.3 million, RMB7.0 million, RMB12.6 million, RMB4.5 million and RMB4.1 million for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively.

The following table sets forth a breakdown of our research expenses in absolute amount and as a percentage of our total research expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(unaudited)</i>										
<i>(RMB in thousands, except for percentages)</i>										
Employee salaries . . .	2,689	36.9	3,369	48.3	6,781	53.7	2,938	65.0	2,369	57.3
Electricity expenses .	2,577	35.4	2,093	30.0	3,273	25.9	905	20.0	1,137	27.5
Research material expenses	1,837	25.2	1,201	17.2	2,046	16.2	599	13.3	390	9.4
Depreciation and amortization	46	0.6	110	1.6	133	1.1	58	1.3	91	2.2
Others	133	1.9	205	2.9	405	3.1	18	0.4	144	3.6
Total	<u>7,282</u>	<u>100.0</u>	<u>6,978</u>	<u>100.0</u>	<u>12,638</u>	<u>100.0</u>	<u>4,518</u>	<u>100.0</u>	<u>4,131</u>	<u>100.0</u>

Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses primarily consisted of employee salaries, depreciation and amortization, traveling expenses, business development expenses and others. Our selling and distribution expenses amounted to RMB4.0 million, RMB3.8 million, RMB4.6 million, RMB2.0 million and RMB1.5 million, for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our selling and distribution expenses in absolute amount and as a percentage of our total selling and distribution expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
Employee salaries . . .	3,672	91.2	2,950	78.0	3,561	77.9	1,685	85.5	1,180	79.7
Depreciation and amortization	34	0.8	34	0.9	35	0.8	14	0.7	15	1.0
Traveling expenses . .	42	1.0	284	7.5	319	7.0	121	6.1	60	4.1
Business development expenses	31	0.8	251	6.6	189	4.1	54	2.7	84	5.7
Others	249	6.2	264	7.0	470	10.2	98	5.0	140	9.5
Total	4,028	100.0	3,783	100.0	4,574	100.0	1,972	100.0	1,479	100.0

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of employee salaries, depreciation and amortization, professional service fees, other taxes, and others. Our administrative expenses amounted to RMB22.8 million, RMB17.5 million, RMB22.3 million, RMB8.7 million and RMB8.7 million, for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively.

The following table sets forth a breakdown of our administrative expenses in absolute amount and as a percentage of our total administrative expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(unaudited)										
(RMB in thousands, except for percentages)										
Employee salaries . . .	9,543	41.9	10,085	57.7	12,591	56.4	5,040	57.7	4,896	56.0
Depreciation and amortization	525	2.3	830	4.7	1,056	4.7	756	8.7	702	8.0
Professional service fees	8,373	36.8	1,568	9.0	1,929	8.6	791	9.1	665	7.6
Other taxes	1,691	7.4	2,064	11.8	2,414	10.8	1,035	11.9	1,326	15.2
Others	2,620	11.6	2,930	16.8	4,339	19.5	1,109	12.6	1,153	13.2
Total	22,752	100.0	17,477	100.0	22,329	100.0	8,731	100.0	8,742	100.0

FINANCIAL INFORMATION

Other Expenses

During the Track Record Period, our other expenses mainly represented compensation fees and fines, exchange losses and others. Our other expenses amounted to RMB0.5 million, RMB9 thousand, nil, nil and nil, for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively. We recorded other expenses of RMB0.5 million in 2022 mainly because we paid overdue tax surcharges in that year.

Finance Costs

During the Track Record Period, our finance costs primarily include interest on borrowings and increased in discounted amounts of provisions arising from the passage of time. Our finance costs amounted to RMB1.0 million, RMB1.0 million, RMB3.7 million, RMB0.6 million and RMB3.2 million, for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively.

The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
	<i>(unaudited)</i>				
	<i>(RMB in thousands)</i>				
Interest on					
borrowings	–	1,824	6,508	2,364	2,815
Increased in					
discounted amounts					
of provisions					
arising from the					
passage of time . . .	1,039	941	833	267	377
Less: Interest					
capitalized	–	(1,792)	(3,632)	(1,993)	–
Total	<u>1,039</u>	<u>973</u>	<u>3,709</u>	<u>638</u>	<u>3,192</u>

(Reversal of)/Provision for Impairment Losses on Financial Assets, Net

During the Track Record Period, our (reversal of)/provision for impairment losses on financial assets, net mainly represented impairment losses on account receivables and impairment losses on other receivables. Our reversal of impairment losses on financial assets, net, amounted to RMB1.8 million for the year ended December 31, 2022. Our provision for impairment losses on financial assets, net, amounted to RMB48.0 thousand, and RMB163.0 thousand for the year ended December 31, 2023 and 2024. Our provision of impairment losses on financial assets, net, amounted to RMB5.0 thousand and RMB112.0 thousand, for the five months ended May 31, 2024 and 2025, respectively.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our (reversal of)/provision for impairment losses on financial assets, net, in absolute amount and as a percentage of our total (reversal of)/provision for impairment losses on financial assets, net, for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2022		2023		2024		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in thousands, except for percentages)									
Provision for										
impairment losses										
on trade and bills										
receivables, net . . .	68	(4)	236	492	124	76	5	100	112	100
(Reversal of)/										
provision for										
impairment losses										
on other										
receivables, net . . .	(1,820)	104	(188)	(392)	39	24	—	—	—	—
Total	(1,752)	100.0	48	100.0	163	100.0	5	100.0	112	100.0

Income Tax Expenses

Our income tax expenses amounted to RMB2.2 million, RMB6.4 million, RMB6.9 million, RMB1.9 million and RMB2.5 million, for the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, respectively. We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which we are domiciled and operate. Certified as a “High-tech Enterprise,” we enjoyed preferential tax rates of 15% during the Track Record Period, and subject to the successful renewal of the certificate, we will continue to enjoy such tax rate as we have successfully got approval as “High-tech Enterprise”. For more details, see Note 10 of the Accountant’s Report in Appendix I to this prospectus.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

The Five Months Ended May 31, 2024, Compared With The Five Months Ended May 31, 2025

Revenue

Our revenue increased by 18.8% from RMB88.3 million for the five months ended May 31, 2024 to RMB104.9 million for the five months ended May 31, 2025, primarily due to the increased sales of all our major product categories and the additional revenue stream brought by the sales of ceramic fiber.

FINANCIAL INFORMATION

Revenue generated from the sales of precision casting mullite products

Our revenue generated from the sales of precision casting mullite products increased by RMB2.0 million, or 3.0%, from approximately RMB66.1 million for the five months ended May 31, 2024 to approximately RMB68.1 million for the five months ended May 31, 2025, driven by increase in the sales volume of our precision casting mullite products from 44.6 kt for the five months ended May 31, 2024 to 52.1 kt for the five months ended May 31, 2025, mainly attributable to the growing market demand for precision casting mullite products. The average selling price of our precision casting mullite products decreased from RMB1,483 per tonne for the five months ended May 31, 2024 to RMB1,307 per tonne for the five months ended May 31, 2025, mainly due to the decrease in the average selling prices of both our precision casting mullite powder and precision casting mullite sand. The average selling price of our precision casting mullite powder decreased from RMB1,457 per tonne for the five months ended May 31, 2024 to RMB1,294 per tonne for the five months ended May 31, 2025, while the average selling price of our precision casting mullite sand decreased from RMB1,511 per tonne to RMB1,320 per tonne during the same period, as we strategically adjusted pricing to better align with market dynamics and enhance our market penetration, thereby reinforcing our leadership in the precision casting mullite products market.

Revenue generated from the sales of refractory mullite products

Our revenue generated from the sales of refractory mullite products significantly increased by RMB6.0 million or 32.1%, from approximately RMB18.7 million for the five months ended May 31, 2024 to approximately RMB24.7 million for the five months ended May 31, 2025, primarily due to the increase in the sales volumes from 17.9 kt for the five months ended May 31, 2024 to 24.9 kt for the five months ended May 31, 2025. This increase was primarily attributable to our continued expansion into the refractory mullite products market. Meanwhile, our average selling price for refractory mullite products decreased slightly from RMB1,043 per tonne for the five months ended May 31, 2024 to RMB992 per tonne for the five months ended May 31, 2025. The decrease in the price was primarily attributable to an increase in the sales of refractory mullite products of certain grades, which command lower selling prices, and our strategic pricing strategy in response to the intensified market competition.

Revenue generated from the sales of raw coke and raw powder

Our revenue generated from the sales of raw coke and raw powder significantly increased by RMB5.8 million or 165.7%, from approximately RMB3.5 million for the five months ended May 31, 2024 to approximately RMB9.3 million for the five months ended May 31, 2025, primarily because we increased the sales of raw coke and raw powder to expand this segment. The sales volume of our raw coke and raw powder increased from 7.6 kt for the five months ended May 31, 2024 to 37.9 kt for the five months ended May 31, 2025, driven by the growing customer demand and engagements of new customers. The average selling price of our raw coke and raw powder decreased from RMB458 per tonne to RMB246 per tonne during the same period, primarily attributable to a shift in our sales mix towards certain products with relatively lower selling prices, in alignment with evolving customer needs.

FINANCIAL INFORMATION

Revenue generated from the sales of ceramic fiber

Our revenue generated from the sales of ceramic fiber was approximately RMB2.8 million for the five months ended May 31, 2025, primarily because we began the sales of ceramic fiber in the second half of 2024 to bring an additional revenue stream and further diversify our product portfolio.

Cost of Sales

Our cost of sales increased by 17.6% from approximately RMB57.5 million for the five months ended May 31, 2024 to approximately RMB67.6 million for the five months ended May 31, 2025, which was generally in line with our increased revenue during the same period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from approximately RMB30.8 million for the five months ended May 31, 2024 to approximately RMB37.3 million for the five months ended May 31, 2025. Our gross profit margin increased from 34.9% to 35.5% during the same period.

Gross profit and gross profit margin from the sales of precision casting mullite products

Gross profit from our sales of precision casting mullite products increased from approximately RMB23.2 million for the five months ended May 31, 2024 to approximately RMB26.0 million for the five months ended May 31, 2025, and gross profit margin from the sales of precision casting mullite products increased from 35.1% to 38.2% during the same period. The gross profit margin of our precision casting mullite powder increased from 27.5% for the five months ended May 31, 2024 to 29.8% for the five months ended May 31, 2025, and the gross profit margin of our precision casting mullite sand increased from 43.0% to 46.1% during the same period, primarily because we continued to increase the sales of both products while effectively controlling costs such as raw material costs and employee costs.

Gross profit and gross profit margin from the sales of refractory mullite products

Gross profit from our sales of refractory mullite products decreased from approximately RMB5.5 million for the five months ended May 31, 2024 to approximately RMB5.2 million for the five months ended May 31, 2025. Gross profit margin from our sales of refractory mullite products decreased from 29.6% to 20.9% during the same period. Within the segment, gross profit from the sales of large-sized chamotte particles decreased from approximately RMB4.6 million in the five months ended May 31, 2024 to approximately RMB4.0 million in the five months ended May 31, 2025, while gross profit margin of large-sized chamotte particles decreased from 28.9% to 23.5% during the same period, mainly because we lowered the prices for large-sized chamotte particles of all grades, thereby supporting our further expansion into the refractory mullite products market. On the other hand, gross profit from small-sized chamotte particles remained relatively stable at approximately RMB1.0 million in the five

FINANCIAL INFORMATION

months ended May 31, 2024 and approximately RMB1.1 million in the five months ended May 31, 2025. Gross profit margin of our small-sized chamotte particles decreased from 33.1% to 15.0% during the same period, mainly because we lowered the selling prices for small-sized chamotte particles of all sizes to address the intensified market competition, and increased the sales of certain grades of small-sized chamotte particles that command relatively lower selling prices, in response to customers' demand for such products.

Gross profit and gross profit margin from the sales of raw coke and raw powder

Gross profit from our sales of raw coke and raw powder increased from approximately RMB2.1 million for the five months ended May 31, 2024 to approximately RMB5.3 million for the five months ended May 31, 2025, and gross profit margin from our sales of raw coke and raw powder decreased from 60.0% to 56.6% during the same period. The decrease was primarily due to the increased sales of certain products with lower selling prices in response to certain customers' demand.

Gross profit from the sales of ceramic fiber

Gross profit from our sales of ceramic fiber was approximately RMB0.8 million, and gross profit margin from our sales of this category of product was 28.5% for the five months ended May 31, 2025.

Other Income and Gains

Our other net income and gains decreased from approximately RMB1.4 million for the five months ended May 31, 2024 to approximately RMB0.9 million for the five months ended May 31, 2025.

Research Expenses

Our research expenses decreased from approximately RMB4.5 million for the five months ended May 31, 2024 to approximately RMB4.1 million for the five months ended May 31, 2025, mainly due to the adjustments of compensation packages of our R&D staff, in particular, the annual bonuses based on the completion of research projects, as well as a decrease in research material costs due to the completion of certain research projects.

Selling and Distribution Expenses

Our selling and distribution expenses decreased from approximately RMB2.0 million for the five months ended May 31, 2024 to approximately RMB1.5 million for the five months ended May 31, 2025, mainly because a decrease in employee salaries due to the adjustments of performance-based incentive plan.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses remained relatively stable at RMB8.7 million for the five months ended May 31, 2024 and RMB8.7 million for the five months ended May 31, 2025.

Finance Costs

Our finance costs significantly increased from approximately RMB0.6 million in the five months ended May 31, 2024 to approximately RMB3.2 million in the five months ended May 31, 2025, primarily due to the interest on borrowings incurred in relation to the construction of our new production line were no longer capitalised as the construction was completed in 2024.

Provision for Impairment Losses on Financial Assets, Net

Our provision for impairment losses on financial assets, net, increased from approximately RMB5.0 thousand in the five months ended May 31, 2024 to RMB112.0 thousand in the five months ended May 31, 2025.

Income Tax Expenses

Our income tax expenses increased by 31.6% from approximately RMB1.9 million in the five months ended May 31, 2024 to approximately RMB2.5 million in the five months ended May 31, 2025, in line with our increased taxable profits.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 24.1% from approximately RMB14.5 million in the five months ended May 31, 2024 to approximately RMB18.0 million in the five months ended May 31, 2025.

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our revenue increased by 30.5% from RMB204.7 million for the year ended December 31, 2023 to RMB267.1 million for the year ended December 31, 2024, primarily due to the increased revenue from sales of all three product categories, which were primarily driven by increased sales volumes. We also began generating revenue from the sales of ceramic fiber.

FINANCIAL INFORMATION

Revenue generated from the sales of precision casting mullite products

Our revenue generated from the sales of precision casting mullite products increased by RMB19.6 million, or 11.8%, from approximately RMB165.9 million for the year ended December 31, 2023 to approximately RMB185.5 million for the year ended December 31, 2024, driven by increase in the sales volume of our precision casting mullite products. Our sales volume of precision casting mullite products increased from 109.0 kt for the year ended December 31, 2023 to 133.1 kt for the year ended December 31, 2024, mainly attributable to the increased market demands for precision casting mullite products, and our expanded production volume to meet such increasing market demand. On the other hand, the average selling price of our precision casting mullite products decreased from RMB1,522 per tonne for the year ended December 31, 2023 to RMB1,394 per tonne for the year ended December 31, 2024. In particular, the average selling price of precision casting mullite powder decreased from RMB1,507 per tonne in 2023 to RMB1,410 per tonne in 2024, and the average selling price of precision casting mullite sand decreased from RMB1,538 per tonne to RMB1,379 per tonne during the same period. These decreases in prices were primarily due to our pricing strategy to lower the average selling price of our precision casting mullite products in response to the intensified market competition, thereby driving the adoption of our products and aligning with such market demand.

Revenue generated from the sales of refractory mullite products

Our revenue generated from the sales of refractory mullite products significantly increased by RMB28.6 million or 121.7%, from approximately RMB23.5 million for the year ended December 31, 2023 to approximately RMB52.1 million for the year ended December 31, 2024, primarily due to the substantial increase in the sales volumes from 19.6 kt for the year ended December 31, 2023 to 52.2 kt for the year ended December 31, 2024. Our sales volume of refractory mullite products increased mainly because we engaged more customers for refractory mullite products due to our increased sales efforts for such products, and we enhanced the production volume while outsourcing the processing of some refractory mullite products to an external contractor since October 2023 to meet increasing customer demand. Meanwhile, our average selling price for refractory mullite products decreased from RMB1,200 per tonne for the year ended December 31, 2023 to RMB997 per tonne for the year ended December 31, 2024. In particular, the average selling price of large-sized chamotte particles decreased from RMB1,147 per tonne for the year ended December 31, 2023 to RMB960 per tonne for the year ended December 31, 2024, and the average selling price of small-sized chamotte particles decreased from RMB1,451 per tonne to RMB1,287 per tonne during the same period. The price decreases were primarily attributable to our strategic pricing strategy for certain refractory mullite products to expand this product category, and the increase in the sales volume of lower-priced products, which was driven by the market demand for such products.

FINANCIAL INFORMATION

Revenue generated from the sales of raw coke and raw powder

Our revenue generated from the sales of raw coke and raw powder significantly increased by RMB11.4 million or 75.0%, from approximately RMB15.2 million for the year ended December 31, 2023 to approximately RMB26.6 million for the year ended December 31, 2024, primarily due to the substantial increase in the sales volume of raw coke and raw powder from 39.4 kt to 86.9 kt, which was caused by our continued expansion into the raw coke and raw powder market by engaging more customers and identifying several customers who had substantial needs for raw coke.

Revenue generated from the sales of ceramic fiber

Our revenue generated from the sales of ceramic fiber was approximately RMB3.0 million for the year ended December 31, 2024, primarily because we began the sales of ceramic fiber in the fourth quarter of 2024. The sales volume of ceramic fibers was 0.3 kt for the year ended December 31, 2024, mainly because we intended to further diversify our product portfolio to capitalize on the growing demand for domestically-produced high-grade fibers that are suitable for engineering ceramic environmental protection filter tuber and automobile liner and other products, and can be used for desulfurization and denitrification in metallurgy, electric power, thermal kiln, petrochemical, building materials and other environmental protection fields.

Cost of Sales

Our cost of sales increased by 26.7% from approximately RMB133.4 million for the year ended December 31, 2023 to approximately RMB169.0 million for the year ended December 31, 2024, primarily attributable to the increases in raw material costs, labor costs and other costs that were caused by the increase in the production volume, partially offset by the decrease in energy costs, which was caused by the increasing use of coal for calcination in the production of some of our products.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from approximately RMB71.3 million for the year ended December 31, 2023 to approximately RMB98.2 million for the year ended December 31, 2024. Our gross profit margin increased from 34.8% to 36.7% during the same period.

Gross profit and gross profit margin from the sales of precision casting mullite products

Gross profit from our sales of precision casting mullite products increased from approximately RMB51.2 million for the year ended December 31, 2023 to approximately RMB67.9 million for the year ended December 31, 2024, and gross profit margin from our sales of precision casting mullite products increased from 30.8% to 36.6% during the same period, primarily due to the increased sales of our precision casting mullite powder and precision casting mullite sand through our pricing strategy and marketing efforts, while effectively controlling the costs in relation to production. We effectively controlled the costs

FINANCIAL INFORMATION

by reducing energy costs, while enjoying benefits of economies of scale. Our energy costs decreased by approximately RMB4.0 million from approximately RMB53.0 million for the year ended December 31, 2023 to approximately RMB49.0 million for the year ended December 31, 2024, mainly because we adopted coal as fuel for kilns designed to be capable of using both coal and natural gas for calcination in the production of precision casting mullite products, when the supply of natural gas was relatively tight in 2024. In producing the same unit of calorific value required for the calcination, using coal costs RMB134.1, whereas gas costs RMB420.9 during the Track Record Period.

Gross profit and gross profit margin from the sales of refractory mullite products

Gross profit from our sales of refractory mullite products increased from approximately RMB9.3 million for the year ended December 31, 2023 to approximately RMB12.1 million for the year ended December 31, 2024. Gross profit margin from our sales of refractory mullite products decreased from 39.6% to 23.3% during the same period. Specifically, the gross profit margin from the sales of our large-sized chamotte particles decreased from 39.2% in 2023 to 23.4% in 2024, while the gross profit margin from the sales of our small-sized chamotte particles decreased from 41.0% to 22.3% over the same period. Gross profit margin of our large-sized chamotte particles decreased during this period as we strategically lowered the prices of our large-sized chamotte particles of certain grades in response to the intensified market competition. The average selling price of our large-size chamotte particles was particularly high in 2023 after we ramped up the production of refractory mullite product, which caused the production capacity to return to the normal level and resulted in higher-quality chamotte particles that command higher average selling prices. In the meantime, gross profit margin of our small-sized chamotte particles decreased we adjusted the pricing for small-sized chamotte particles to further broaden our market presence within the refractory mullite products market.

Gross profit and gross profit margin from the sales of raw coke and raw powder

Gross profit from our sales of raw coke and raw powder increased from approximately RMB10.8 million for the year ended December 31, 2023 to approximately RMB16.7 million for the year ended December 31, 2024, and gross profit margin from our sales of raw coke and raw powder decreased from 70.7% to 62.6% during the same period. The decrease in gross profit margin from the sales of raw coke and raw powder was primarily due to the increased sales of lower-priced raw coke of different sizes to meet the increased customer demand for such products and the launch of raw powder in 2024, which had lower gross profit margin.

Gross profit and gross profit margin from the sales of ceramic fiber

Gross profit from our sales of ceramic fibers was approximately RMB1.5 million, and gross profit margin from our sales of this category of product was 50.8% for the year ended December 31, 2024 as we began the sales of ceramic fiber in 2024. The gross profit margin was high because the high-quality ceramic fibers were sold at the higher price, while our cost of sales related to the production of such products remained low as we possess high-quality kaolin ore.

FINANCIAL INFORMATION

Other Income and Gains

Our other net income and gains decreased by 40.8% from approximately RMB8.0 million for the year ended December 31, 2023 to approximately RMB4.7 million for the year ended December 31, 2024, primarily due to the decrease in the one-off government grants and decreased sales of scrap, which does not occur on a regular basis.

Research Expenses

Our research expenses increased by 81.1% from approximately RMB7.0 million for the year ended December 31, 2023 to approximately RMB12.6 million for the year ended December 31, 2024, mainly because we launched several new research projects during the period, resulting in increases in our employee salaries, electricity expenses and research material expenses.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 20.9% from approximately RMB3.8 million for the year ended December 31, 2023 to approximately RMB4.6 million for the year ended December 31, 2024, mainly because we offered bonuses to sales and marketing employees to award their sales efforts.

Administrative Expenses

Our administrative expenses increased by 27.8% from approximately RMB17.5 million in 2023 to approximately RMB22.3 million in 2024, primarily due to the increased employee salaries for some of our administrative employees.

Finance Costs

Our finance costs significantly increased from approximately RMB1.0 million in 2023 to approximately RMB3.7 million in 2024, primarily due to an increase in the interests on borrowings of approximately RMB4.7 million, mainly due to the decrease in the capitalized interests on bank borrowings as we had achieved certain milestones for the construction of a production line for precision casting mullite products with an annual production capacity of 200,000 tonnes.

Provision for Impairment Losses on Financial Assets, Net

Our provision for impairment losses on financial assets, net, increased from approximately RMB48 thousand in 2023 to RMB163 thousand in 2024 primarily due to the provision for impairment on other receivables.

Income Tax Expenses

Our income tax expenses increased by 7.9% from approximately RMB6.4 million in 2023 to approximately RMB6.9 million in 2024, in line with our increased taxable profits.

FINANCIAL INFORMATION

Profit for the Year

As a result of the foregoing, our profit for the year increased by 20.6% from approximately RMB43.6 million in 2023 to approximately RMB52.6 million in 2024.

Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

Revenue

Our revenue increased by 7.5% from approximately RMB190.4 million for the year ended December 31, 2022 to approximately RMB204.7 million for the year ended December 31, 2023, primarily due to our increased revenue generated from the sales of refractory mullite products and raw coke and raw powder.

Revenue generated from the sales of precision casting mullite products

Our revenue generated from the sales of precision casting mullite products decreased by RMB18.3 million, or 9.9%, from approximately RMB184.2 million for the year ended December 31, 2022 to approximately RMB165.9 million for the year ended December 31, 2023, primarily due to the decrease in the sales volume of our precision casting mullite products from 118.5 kt for the year ended December 31, 2022 to 109.0 kt for the year ended December 31, 2023. The sales volume declined mainly due to the fluctuation in production volume caused by the maintenance of our rotary kiln for our precision casting mullite products. The average selling price of precision casting mullite products remained relatively stable during the periods.

Revenue generated from the sales of refractory mullite products

Our revenue generated from the sales of refractory mullite products significantly increased by RMB17.3 million or 281%, from approximately RMB6.2 million for the year ended December 31, 2022 to approximately RMB23.5 million for the year ended December 31, 2023. The sales volume of our refractory mullite products increased from 5.2 kt for the year ended December 31, 2022 to 19.6 kt for the year ended December 31, 2023. The increase in sales volume primarily resulted from our outsourcing of a part of the production to an external contractor, allowing us to meet growing market demand and satisfy our expanded customer base.

Revenue generated from the sales of raw coke and raw powder

Our revenue generated from the sales of raw coke and raw powder was approximately RMB15.2 million for the year ended December 31, 2023, primarily because we began the sales of raw coke in 2023. The sales volume of raw coke was 39.4 kt for the year ended December 31, 2023, mainly because we identified customers who had substantial demands for our raw coke in 2023.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales remained relatively stable at approximately RMB132.8 million for the year ended December 31, 2022 and approximately RMB133.4 million for the year ended December 31, 2023. Our energy costs, transportation costs, depreciation and amortization costs, labor costs and others increased due to the increase in production volume, and these increases were partially offset by the decrease in raw materials.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 23.8% from approximately RMB57.6 million for the year ended December 31, 2022 to approximately RMB71.3 million for the year ended December 31, 2023. Our gross profit margin increased from 30.2% to 34.8% during the same periods.

Gross profit and gross profit margin from the sales of precision casting mullite products

Gross profit from our sales of precision casting mullite products decreased from approximately RMB57.0 million for the year ended December 31, 2022 to approximately RMB51.2 million for the year ended December 31, 2023 due to the decreased sales volume of precision casting mullite products. Gross profit margin from our sales of precision casting mullite products remained relatively stable at 30.9% for the year ended December 31, 2022 and 30.8% for the year ended December 31, 2023.

Gross profit and gross profit margin from the sales of refractory mullite products

Gross profit from our sales of refractory mullite products significantly increased from approximately RMB0.6 million for the year ended December 31, 2022 to approximately RMB9.3 million for the year ended December 31, 2023, and gross profit margin from our sales of refractory mullite products increased from 9.6% to 39.6% during the same periods. The increase in gross profit margin was mainly due to the increased sales of large-sized chamotte particles in 2023, with its gross profit margin increasing from 1.2% in 2022 to 39.2% in 2023. Gross profit margin of large-sized chamotte particles was low in 2022 mainly because we conducted maintenance work of the shaft kiln in 2022, causing the temporary suspension of the production of refractory mullite products to optimize the kiln temperature, and when we resumed the production, we initially produced certain batches of large-sized chamotte particles with lower quality that commanded lower selling prices during the early phase. In 2023, as we ramped up the production, and the production capacity returned to normal levels, the overall quality of our large-sized chamotte particles improved, driving a surge in market demand, which in turn drives our sales volume. Our gross profit margin for large-sized chamotte particles was notably high in 2023, as we were able to command premium pricing for higher-quality products amid strong demand. In the meantime, gross profit margin of small-sized chamotte particles remained relatively stable at 41.3% and 41.0% during the same period, respectively.

FINANCIAL INFORMATION

Gross profit from the sales of raw coke and raw powder

Gross profit from our sales of raw coke and raw powder was approximately RMB10.8 million, and gross profit margin from our sales of this category of product was 70.6% for the year ended December 31, 2023 as we began the sales of raw coke in 2023. The gross profit margin was high because we seized the market opportunity for raw coke by leveraging our high-quality coal-series kaolin resources.

Other Income and Gains

Our other income and gains significantly increased from approximately RMB2.9 million for the year ended December 31, 2022 to approximately RMB8.0 million for the year ended December 31, 2023, which was primarily attributable to increased one-off government grants and increased income from value-added tax super deduction caused by preferential tax treatment.

Research Expenses

Our research expenses remained relatively stable at approximately RMB7.3 million for the year ended December 31, 2022 and approximately RMB7.0 million for the year ended December 31, 2023.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at approximately RMB4.0 million for the year ended December 31, 2022 and approximately RMB3.8 million for the year ended December 31, 2023.

Administrative Expenses

Our administrative expenses decreased by 23.2% from RMB22.8 million in 2022 to RMB17.5 million in 2023, primarily due to the decreased professional service fees and decreased maintenance fees, partially offset by an increased employee expenses, increased depreciation and amortization, and increased operational tax and value-added tax. Our professional service fees decreased as we incurred professional service fees for our listing on the NEEQ in 2022.

Finance Expenses

Our finance costs remained relatively stable at approximately RMB1.0 million for the year ended December 31, 2023.

Reversal of/(Provision) for Impairment Losses on Financial Assets, Net

Our reversal of impairment losses on financial assets, net, amounted to RMB1.8 million in 2022, primarily due to our efforts to collect outstanding other receivables, resulting in the reversal of impairment loss of other receivables of RMB1.8 million. Our provision for impairment losses on financial assets, net, amounted to RMB48 thousand in 2023, primarily due to our provision of impairment loss of trade receivables.

FINANCIAL INFORMATION

Income Tax Expenses

Our income tax increased by 190.9% from approximately RMB2.2 million in 2022 to approximately RMB6.4 million in 2023, in line with the significant increase in our taxable profit.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 78.7% from approximately RMB24.4 million in 2022 to approximately RMB43.6 million in 2023.

WORKING CAPITAL

We recorded net current liabilities of approximately RMB22.5 million and RMB12.3 million as of December 31, 2022 and 2023, respectively. We recorded net current assets of RMB53.1 million and RMB87.8 million as of December 31, 2024 and May 31, 2025, respectively. The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2022	2023	2024	May 31,	September 30,
				2025	2025
					(unaudited)
					(RMB in thousands)
Current assets					
Inventories	27,905	41,219	47,274	68,117	67,042
Trade and bills receivables	26,595	42,274	52,978	40,035	46,032
Prepayments, other receivables and other assets	5,161	10,383	25,121	31,623	44,479
Debt investments at fair value through other comprehensive income	12,401	1,453	19,185	18,576	11,481
Cash and cash equivalents	95,085	32,564	71,694	62,478	82,908
Total current assets	167,147	127,893	216,252	220,829	251,942
Current liabilities					
Trade and other payables .	187,469	113,677	156,986	125,626	127,110
Tax payable	2,219	2,392	–	–	2,162
Interest-bearing bank and other borrowings	–	24,145	6,141	7,366	9,374
Total current liabilities .	189,688	140,214	163,127	132,992	138,646
Net current (liabilities)/assets	(22,541)	(12,321)	53,125	87,837	113,296

FINANCIAL INFORMATION

Our net current assets increased by 29.0% from RMB87.8 million as of May 31, 2025 to RMB113.3 million as of September 30, 2025, primarily due to (i) an increase in cash and cash equivalents of RMB20.4 million; (ii) an increase in prepayments, other receivables and other assets of RMB12.9 million; and (iii) an increase in trade and bills receivables of RMB6.0 million.

Our net current assets increased by 65.3% from RMB53.1 million as of December 31, 2024 to RMB87.8 million as of May 31, 2025, primarily due to (i) an increase in inventories of RMB20.8 million primarily due to the increased work-in-progress resulting from the expanded production to meet the growing market demand; (ii) an increase in prepayments, other receivables and other assets of RMB6.5 million primarily due to the increased prepayments for raw materials for our rising production needs, as well as an increase in deductible income tax; (iii) a decrease in trade and other payables of RMB31.4 million mainly due to a decrease in payables for construction equipment caused by the completion of certain construction projects, along with a decrease in other payables; (iv) and partially offset by a decrease in trade and bills receivables of RMB13.0 million.

We recorded net current liabilities of RMB12.3 million as of December 31, 2023, and recorded net current assets of RMB53.1 million as of December 31, 2024 primarily due to (i) an increase of RMB39.1 million in cash and cash equivalents as we obtained long-term borrowings; (ii) an increase of RMB10.7 million in trade and bills receivables, which was attributable to the increase in the sales of our products as well as the changes in credit terms and payment methods of our customers; (iii) an increase of RMB17.7 million in debt investments at fair value through other comprehensive income, which was attributable to the increase in bills used by our customers to settle our receivables; and (iv) a decrease of RMB18.0 million in interest-bearing bank and other borrowings due to our repayment of prior interest-bearing bank borrowings.

Our net current liabilities decreased by RMB10.2 million from RMB22.5 million as of December 31, 2022 to RMB12.3 million as of December 31, 2023, primarily due to (i) a decrease of RMB73.8 million in trade and other payables, due to a decrease in payables for purchase of property, plant and equipment and other intangible assets and a decrease in dividends payables; (ii) an increase in inventories of RMB13.3 million; (iii) an increase in trade and bills receivables of RMB15.7 million, which was attributable to the increased sales volumes during the same period as well as the changes in credit terms and payment methods of our customers; and (iv) partially offset by a decrease in cash and cash equivalents of RMB62.5 million, which was caused by our increased spending to fund the construction of a production line for precision casting mullite products with an annual production capacity of 200,000 tonnes.

FINANCIAL INFORMATION

Our future cash requirements will depend on many factors, including our operating cash flows, capital expenditures on property, plant and equipment and intangible assets, market acceptance of our products or other changing business conditions and future developments. We may require additional cash for commencing new projects or businesses, and we require significant capital resources to purchase and maintain mining, processing and manufacturing plants, machinery and equipment. Additionally, we also require significant capital resources to build, maintain, operate and expand production facilities, purchase machinery and equipment, and develop new technologies and products. If our existing cash is insufficient to meet our requirements, we may seek funding from the capital markets or borrow from financial institutions. See “Risk Factors — Risks Relating to Our Business and Industry — Our business requires significant and continuous capital investment. We may incur capital expenditures beyond current estimates and we may not be able to obtain adequate financing for our business in the future.”

Working capital sufficiency

During the Track Record Period, we relied on our cash flows generated from operating activities and bank borrowings to meet our capital requirements. We expect to finance our working capital requirements for the next 12 months from the date of this prospectus as required under the Listing Rules with the following sources of funding:

- (i) cash flows generated from our operating activities, being approximately RMB27.5 million for the five months ended May 31, 2025;
- (ii) proceeds from bank loans. As at September 30, 2025, we had total banking facilities of approximately RMB277.5 million*, of which approximately RMB74.5 million had been drawn down and approximately RMB203.0 million is unutilized;
- (iii) the cash and cash equivalents on hand, which were approximately RMB82.9 million as at September 30, 2025; and
- (iv) estimated net proceeds of approximately HK\$124.3 million to be received by the Company from the Global Offering (assuming an Offer Price of HK\$7.3 per Offer Share).

Our Directors confirm that, taking into consideration the financial resources presently available to us, which are primarily our cash and cash equivalents on hand, our cash from operating activities, our bank and other borrowings, our available banking facilities, and the estimated net proceeds available to us from the Global Offering, our Directors believe that we have sufficient working capital for 125% of our present requirements and for at least the next 12 months from the date of this Prospectus as required by the Listing Rules.

* the figure of total banking facilities includes the loan earmarked for the deep-processing project

FINANCIAL INFORMATION

DISCUSSION OF KEY ITEMS OF STATEMENTS OF FINANCIAL POSITION

The following table sets out a summary of our statements of financial position as of the dates indicated:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Non-current assets				
Property, plant and equipment . . .	179,277	385,701	493,516	480,628
Right-of-use assets	94,068	91,305	88,542	87,390
Other intangible assets	138,912	134,104	128,405	125,570
Other non-current assets	736	—	—	—
Total non-current assets	412,993	611,110	710,463	693,588
Current assets				
Inventories	27,905	41,219	47,274	68,117
Trade and bills receivables	26,595	42,274	52,978	40,035
Prepayments, other receivables and other assets	5,161	10,383	25,121	31,623
Debt investments at fair value through other comprehensive income	12,401	1,453	19,185	18,576
Cash and cash equivalents	95,085	32,564	71,694	62,478
Total current assets	167,147	127,893	216,252	220,829
Current liabilities				
Trade and other payables	187,469	113,677	156,986	125,626
Tax payable	2,219	2,392	—	—
Interest-bearing bank and other borrowings	—	24,145	6,141	7,366
Total current liabilities	189,688	140,214	163,127	132,992
Net current (liabilities)/assets . .	(22,541)	(12,321)	53,125	87,837
Total assets less current liabilities	390,452	598,789	763,588	781,425
Non-current liabilities				
Interest-bearing bank and other borrowings	—	153,000	258,100	258,100
Deferred income	14,701	13,033	12,503	12,200
Provisions	21,824	22,765	25,463	26,117
Deferred tax liabilities	307	2,301	7,230	6,684
Total non-current liabilities . . .	36,832	191,099	303,296	303,101
Net assets	353,620	407,690	460,292	478,324
Equity				
Equity attributable to owners of the parent				
Share capital	70,887	72,894	72,894	72,894
Reserves	282,733	334,796	387,398	405,430
Total Equity	353,620	407,690	460,292	478,324

FINANCIAL INFORMATION

Property, plant and equipment

The following table sets forth a breakdown of the net book value of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Plant and machinery	72,386	71,024	273,678	261,032
Buildings	37,965	41,553	171,001	167,079
Mining infrastructure	27,522	26,554	25,430	24,868
Construction in progress	20,539	226,165	1,388	6,176
Asset related to rehabilitation . .	19,797	18,809	19,428	19,228
Vehicles	575	1,013	698	566
Office equipment and other devices	493	583	1,893	1,679
Total	179,277	385,701	493,516	480,628

Our property, plant and equipment primarily consisted of (i) plant and machinery, (ii) buildings, (iii) mining infrastructure, (iv) construction in progress, (v) asset related to rehabilitation, (vi) vehicles, and (vii) office equipment and other devices.

Our property, plant and equipment increased significantly by 115.1% from approximately RMB179.3 million as of December 31, 2022 to approximately RMB385.7 million as of December 31, 2023, primarily due to the increased construction in progress of RMB205.6 million, which was primarily the construction of a production line for precision casting mullite products with an annual production capacity of 200,000 tonnes.

Our property, plant and equipment increased by 28.0% from approximately RMB385.7 million as of December 31, 2023 to approximately RMB493.5 million as of December 31, 2024, primarily due to the increased buildings and increased plant and machinery, partially offset by the decreased construction in progress. Parts of the construction in progress were completed in 2024, resulting in the increases in plant and machinery and buildings, as well as a partial decrease in construction in progress. Meanwhile, we continued to construct a production line for precision casting mullite products with an annual production capacity of 200,000 tonnes, leading to a partial increase in the construction in progress. Our property, plant and equipment decreased by 2.6% from approximately RMB493.5 million as of December 31, 2024 to approximately RMB480.6 million as of May 31, 2025, primarily due to the depreciation of certain plant and machinery, buildings, and mining infrastructure.

Other Intangible Assets

Our other intangible assets primarily consisted of mining rights over the Shuoli Kaolin Mine. In 2021, we procured such mining rights at the price of RMB141.9 million. Our other intangible assets decreased from RMB138.9 million as of December 31, 2022 to RMB134.1 million as of December 31, 2023, and further decreased to RMB128.4 million as of December 31, 2024, primarily due to the amortization. Our other intangible assets decreased by 2.2% from RMB128.4 million as of December 31, 2024 to RMB125.6 million as of May 31, 2025, primarily due to the further amortization of mining rights.

FINANCIAL INFORMATION

Inventories

We have implemented inventory management policies to manage inventory levels pursuant to our production plan and the prevailing market conditions, aiming to meet customers' demand in a timely manner without straining our liquidity. In particular, we have adopted the ERP system to monitor the inventory level of our raw material on the real-time basis. Our inventories primarily consisted of raw materials, work in progress and finished goods. Our raw materials primarily include kaolin ore and raw materials used in our production. The following table sets out a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Raw materials	9,104	11,256	13,155	10,952
Work in progress	6,717	15,395	17,963	34,485
Finished goods	12,084	14,568	16,156	22,680
Total	<u>27,905</u>	<u>41,219</u>	<u>47,274</u>	<u>68,117</u>

Our inventories increased by 47.7% from RMB27.9 million as of December 31, 2022, to RMB41.2 million as of December 31, 2023, primarily due to the maintenance of our production facilities in 2022, resulting in a lower production volume in that year. Our inventories increased by 14.8% from RMB41.2 million as of December 31, 2023 to RMB47.3 million as of December 31, 2024, mainly because we continued to increase kaolin ore reserves to meet our increased production needs in response to the growing market demand, which resulted in the increase in raw materials. Our inventories increased by 44.1% from RMB47.3 million as of December 31, 2024 to RMB68.1 million as of May 31, 2025, primarily due to an increase in work-in-progress due to our expanded production to meet the growing market demand.

The following table sets out an aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Under one year	26,387	40,106	46,277	67,334
One to two years	601	135	300	192
Two to three years	327	160	75	75
Over three years	590	818	622	516
Total	<u>27,905</u>	<u>41,219</u>	<u>47,274</u>	<u>68,117</u>

FINANCIAL INFORMATION

As of September 30, 2025, RMB48.1 million, or 70.6% of inventories as of May 31, 2025, had been used, consumed or sold subsequent to May 31, 2025. We assess impairment to inventories according to the IAS 2 timely during the Track Record Period, and may make provision to write down our inventories to the net realizable value if the inventories become damaged, or their prices go down, and their net realizable value substantially decreases. Based on the historical sales performance during the Track Record Period and subsequent sales prices, and that we had not encountered any material impairment loss that have materially and adversely affected our business operations caused by slow-moving inventories. In addition, the majority of our inventory consisted of non-perishable, durable products, thereby preserving their saleable value. Based on these reasons, our Directors are of the view that sufficient provision for impairment of inventories has been made.

The following table sets forth our inventory turnover days for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2022	2023	2024	2025
	(days)			
Inventory turnover days ⁽¹⁾ . .	74	95	96	130

Note:

- (1) The inventory turnover days is calculated as the average balances of inventories at the beginning and end of the year/period divided by cost of sales for the year/period and multiplied by 365 days for the years ended December 31, 2022, 2023, 2024, and 151 days for the five months ended May 31, 2025.

Our inventory turnover days increased from 74 days for the year ended December 31, 2022 to 95 days for the year ended December 31, 2023, mainly because our production volume was reduced in 2022 due to the kiln maintenance. Our inventory turnover days remained relatively stable at 95 days for the year ended December 31, 2023 and 96 days for the year ended December 31, 2024. Our inventory turnover days increased from 96 days for the year ended December 31, 2024 to 130 days for the five months ended May 31, 2025, mainly due to the increase in our inventories in anticipation of the rise in sales in the second half of the year.

Trade and Bills Receivables

Our trade and bills receivables primarily consisted of (i) bills receivable and (ii) trade receivables, less impairment. Trade receivables principally represent the outstanding amounts receivable by us from our customers. Bills receivables represent bank acceptance bills receivables that entitle us to receive the full-face amount from the banks at maturity. For the bills receivable that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, they are measured at financial assets at fair value through other comprehensive income. See Note 21 of the Accountants' Report in Appendix I to this prospectus. We endorsed

FINANCIAL INFORMATION

certain bills receivable included in bills receivable and debt investments at fair value through other comprehensive income, which were all accepted by banks to certain suppliers in order to settle the trade and other payables due to such suppliers. Depending on whether these bills are derecognized in their entirety, the aggregate amounts of the bills not derecognized that were not due remained part of our bills receivable. See Note 34 of the Accountants' Report in Appendix I to this prospectus. The following table sets out a breakdown of our bills receivables and trade receivables as of the dates indicated:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Bills receivable	24,801	38,380	46,745	31,939
Trade receivables	2,012	4,344	6,807	8,782
Impairment	(218)	(450)	(574)	(686)
Total	<u>26,595</u>	<u>42,274</u>	<u>52,978</u>	<u>40,035</u>

We maintain strict control over our outstanding receivables. Our credit control department is responsible for minimizing credit risks. Overdue balances are reviewed regularly by senior management. We generally require customers to pay in advance of delivery. However, based on their scale, fiscal condition, operational results and historical contractual performance, we engaged in credit sales with customers who had established relationship with us and were deemed creditable during the Track Record Period, granting credit terms of 30 to 90 days. In addition, we allow certain customers to settle our receivables by bills issued by banks, which normally have a maturity period of 180 days after the receiving date.

The following table sets out an aging analysis of our trade receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Within three months	1,577	3,671	5,313	6,190
Three to six months	33	157	897	1,373
Six months to one year	120	17	1	520
One to three years	54	47	–	1
Over three years	10	2	22	12
Total	<u>1,794</u>	<u>3,894</u>	<u>6,233</u>	<u>8,096</u>

FINANCIAL INFORMATION

Our trade and bills receivables increased by 59.0% from RMB26.6 million as of December 31, 2022, to RMB42.3 million as of December 31, 2023, and further increased by 25.3% from RMB42.3 million as of December 31, 2023 to RMB53.0 million as of December 31, 2024, partially attributable to our business expansion in the relevant periods. Our bills receivables increased mainly because an increasing number of customers chose to settle with bank acceptance bills. Our trade and bills receivables decreased by 24.4% from RMB53.0 million as of December 31, 2024 to RMB40.0 million as of May 31, 2025 primarily due to a decrease in bills receivables as certain payments had been settled in bills in the fourth quarter of 2024. This trend is also reflected in the fluctuation of financial assets at fair value through other comprehensive income, from RMB12.4 million as of December 31, 2022, to RMB1.5 million as of December 31, 2023, and RMB19.2 million as of December 31, 2024. Financial assets at fair value through other comprehensive income fluctuated from RMB19.2 million as of December 31, 2024 to RMB18.6 million as of May 31, 2025. Our trade receivables outpaced our revenue growth mainly because certain of our major customers with long credit periods placed orders with us towards the end of each period.

The following table sets forth our trade and bills receivables turnover days for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2022	2023	2024	2025
	<i>(days)</i>			
Trade and bills receivables turnover days ⁽¹⁾	51	61	65	67

Note:

- (1) Trade and bills receivables turnover days are calculated as the relevant average balances at the beginning and end of the year/period divided by the corresponding revenue for the year/period and multiplied by 365 days for the years ended December 31, 2022, 2023, 2024 and 151 days for the five months ended May 31, 2025.

Our trade and bills receivables turnover days increased from 51 days for the year ended December 31, 2022 to 61 days for the year ended December 31, 2023, further increased from 61 days for the year ended December 31, 2023 to 65 days for the year ended December 31, 2024, mainly because an increasing proportion of our receivables due from our customers comprised of bills receivables to be settled by banks, which typically have maturity period of 180 days, and the risk of non-recovery is relatively low. Our trade and bills receivables turnover days remained relatively stable at 65 days as of December 31, 2024 and at 67 days as of May 31, 2025.

FINANCIAL INFORMATION

An impairment analysis was made based on the expected credit loss model on the recoverability of trade and bills receivables, performed using a provision matrix to measure expected credit losses. Our provision for impairment of trade and bills receivables increased as a result of the overall increase in trade and bills receivables during the Track Record Period.

As of September 30, 2025, RMB7.2 million, or 89.2% of our trade receivables as of May 31, 2025, had been settled subsequent to May 31, 2025. In view of the current subsequent settlement of trade receivables, we believe that we have made sufficient provisions on our trade receivables. We assess whether the credit risk on our trade and bills receivables have increased significantly since initial recognition during Track Record Period. When making the assessment, we compare 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 and consider reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. We consider our trade and bills receivables in default when contractual payments are past due. In certain cases, we may also consider a financial asset to be in default when internal or external information indicates that the we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us. We frequently assess the recoverability of our trade receivables, and make provision based on the customers' past credit history and ongoing monitoring of their financial position. Our Directors are of the view that sufficient provision for trade and bills receivables have been made.

Furthermore, our Directors considered that our trade receivables balance would be recoverable primarily because (i) majority of our trade receivables balance as of May 31, 2025 had been subsequently settled as of June 30, 2025; (ii) after taking into account the impairment of trade receivables as mentioned above, our Directors were not aware of any material adverse events that may affect the financial condition and credibility of our customers; (iii) most of our customers have demonstrated good historical repayment record; and (iv) we exerted strong efforts in collecting receivable balance and assessed the repayment schedules of customers by having regular communications with them, and we were not aware of any circumstances which might cause impairment to these trade receivables.

FINANCIAL INFORMATION

Trade and Other Payables

Our trade and other payables primarily consisted of (i) payables for purchase of property, plant and equipment and other intangible assets, (ii) dividends payables, (iii) trade payables, (iv) contract liabilities, (v) payroll and welfare payables, (vi) other tax payables, (vii) other payables, (viii) deposits and (ix) other current liabilities. The following table sets out a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Payables for purchase of property, plant and equipment and other intangible assets	85,352	42,765	80,723	61,812
Dividends payable	55,311	—	—	—
Trade payables ⁽¹⁾	18,269	49,676	43,635	38,902
Contract liabilities ⁽²⁾	4,313	3,060	2,407	4,277
Payroll and welfare payables . .	9,434	6,820	7,458	6,854
Other tax payables	9,609	2,852	1,415	3,317
Other payables	3,014	5,869	18,774	7,861
Deposits	1,606	2,237	2,262	2,046
Other current liabilities	561	398	312	557
Total	<u>187,469</u>	<u>113,677</u>	<u>156,986</u>	<u>125,626</u>

Notes:

- (1) Our trade payables include certain endorsed bills receivable that have not been derecognized and not yet due, which represent bills that we have received and endorsed, but have not yet been paid and have not yet reached their maturity date. See Note 34 of the Accountants' Report in Appendix I to this prospectus.
- (2) Contract liabilities include short-term advances received to sales of goods.

Our trade and other payables decreased by 39.4% from RMB187.5 million as of December 31, 2022, to RMB113.7 million as of December 31, 2023, primarily due to (i) a decrease in payables for purchase of property, plant and equipment and other intangible assets of approximately RMB42.6 million as we had settled these payables, and (ii) a decrease in dividends payable of approximately RMB55.3 million, partially offset by an increase in trade payables of RMB31.4 million caused by our increased purchase of raw materials to satisfy our expanding production needs, as well as the increase in the amount of bills receivable endorsed to settle our payables that have not been derecognized and not yet due.

FINANCIAL INFORMATION

Our trade and other payables increased by 38.1% from RMB113.7 million as of December 31, 2023 to RMB157.0 million as of December 31, 2024, primarily due to an increase in payables for purchase of property, plant and equipment and other intangible assets of approximately RMB38.0 million, which were mainly used for payment for reaching certain milestones of the construction in progress.

Our trade and other payables decreased by 20.0% from RMB157.0 million as of December 31, 2024 to RMB125.6 million as of May 31, 2025, primarily due to a decrease in payables for construction equipment and other payables due to the completion of certain construction projects.

The following table sets out an aging analysis of our trade and other payables as of the dates indicated:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	(RMB in thousands)			
Within one year	17,631	49,192	43,561	38,587
One year to two years	510	248	6	252
Two years to three years . . .	3	166	4	—
Over three years	125	70	64	63
Total	18,269	49,676	43,635	38,902

The following table sets forth our trade payables turnover days for the Track Record Period:

	Year ended December 31,			Five months ended May 31,
	2022	2023	2024	2025
	(days)			
Trade payables turnover days ⁽¹⁾	45	93	101	93

Note:

- (1) Trade payables turnover days are calculated as the relevant average balances at the beginning and end of the year/period divided by cost of sales for the year/period and multiplied by 365 days for the years ended December 31, 2022, 2023, 2024 and 151 days for the five months ended May 31, 2025.

FINANCIAL INFORMATION

Our trade payables turnover days increased from 45 days for the year ended December 31, 2022 to 93 days for the year ended December 31, 2023, increased to 101 days for the year ended December 31, 2024, mainly attributable to an increase in endorsed bills receivable that have not been derecognized and not yet due. These endorsed bills receivables typically have a maturity period up to 180 days. Our trade payables turnover days decreased from 101 days as of December 31, 2024 to 93 days as of May 31, 2025, in line with the decrease in our trade payables

As of September 30, 2025, RMB28.8 million, or 74.0% of our trade payables as of May 31, 2025, had been settled subsequent to May 31, 2025.

Provision

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
Provision for rehabilitation .	21,824	22,765	25,463	26,117
Less: current portion	—	—	—	—
Non-current portion	<u>21,824</u>	<u>22,765</u>	<u>25,463</u>	<u>26,117</u>

We are required to conduct our mining operations in a manner that minimizes the impact on the environment, such as through rehabilitation and re-vegetation of mined land. We recognized a provision for environmental rehabilitation on the estimation of the life of mining tenement, timing of mine closure and costs of rehabilitation to be incurred in the future periods. Such provision will be re-estimated based on the updated plans of rehabilitating mine sites.

The movement in the present value for rehabilitation are as follows:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	<i>(RMB in thousands)</i>			
As of the beginning of the				
year/period	20,785	21,824	22,765	25,463
Interest increments	1,039	941	833	377
Change in discount rate . . .	—	—	1,626	277
Change in estimated				
rehabilitation cost	—	—	239	—
As of the end of the				
year/period	<u>21,824</u>	<u>22,765</u>	<u>25,463</u>	<u>26,117</u>

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements primarily with net cash generated from our operations, bank and other borrowings. As of May 31, 2025, we had cash and cash equivalents of RMB62.5 million, which primarily consisted of cash and bank balances. After the Global Offering, we intend to finance our future capital requirements through cash generated from our business operations, bank and other borrowings, and the net proceeds from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
				<i>(unaudited)</i>	
				<i>(RMB in thousands)</i>	
Net cash flows from/(used in) operating activities.	45,624	11,971	36,650	(24,641)	27,519
Net cash flows used in investing activities	(131,313)	(204,956)	(69,545)	(37,597)	(21,762)
Net cash flows from/(used in) financing activities	121,242	130,463	72,019	49,627	(14,972)
Cash and cash equivalents at beginning of year . .	59,378	95,085	32,564	32,564	71,694
Effect of foreign exchange rate changes, net.	154	1	6	1	(1)
Cash and cash equivalents at end of year	95,085	32,564	71,694	19,954	62,478

FINANCIAL INFORMATION

Net Cash Flows Generated from/Used in Operating Activities

For the five months ended May 31, 2025, we had net cash generated from operating activities of RMB27.5 million, which represents our profit before taxation of RMB20.5 million, as adjusted by non-cash and non-operating items, primarily comprising (i) depreciation of items of property, plant and equipment of RMB19.0 million; and (ii) decrease in trade and bills receivables of RMB10.5 million, partially offset by (i) increase in inventories of RMB20.8 million; and (ii) decrease in trade and other payables of RMB5.1 million.

For the year ended December 31, 2024, we had net cash generated from operating activities of RMB36.7 million, which represents our profit before taxation of RMB59.5 million, as adjusted by non-cash and non-operating items, primarily comprising (i) depreciation of items of property, plant and equipment of RMB27.2 million; (ii) decrease in prepayments, other receivables and other assets of RMB18.3 million; and (iii) decrease in trade and other payables of RMB14.0 million, partially offset by (i) increase in trade and bills receivables of RMB35.6 million; (ii) increase in debt investments at fair value through other comprehensive income of RMB17.7 million; and (iii) increase in inventories of RMB6.1 million.

For the year ended December 31, 2023, we had net cash generated from operating activities of RMB12.0 million, which represents our profit before taxation of RMB50.0 million, as adjusted by non-cash and non-operating items, primarily consisting of (i) depreciation of items of property, plant and equipment of RMB17.1 million; (ii) decrease in prepayments, other receivables and other assets of RMB19.0 million; (iii) decrease in debt investments at fair value through other comprehensive income of RMB10.9 million; and (iv) increase in trade and other payables of RMB8.6 million, partially offset by (i) increase in inventories of RMB13.3 million; and (ii) increase in trade and bills receivables of RMB83.0 million.

For the year ended December 31, 2022, we had net cash generated from operating activities of RMB45.6 million, which represents our profit before taxation of RMB26.6 million, as adjusted by non-cash and non-operating items, primarily comprising (i) depreciation of items of property, plant and equipment of RMB14.5 million; and (ii) increase in trade and other payables of RMB7.8 million, partially offset by (i) increase in inventories of RMB1.9 million; (ii) reversal of impairment losses of trade and bills receivables of RMB1.8 million; and (iii) increase in trade and bills receivables of RMB3.6 million.

FINANCIAL INFORMATION

Net Cash Flows Used in Investing Activities

For the five months ended May 31, 2025, our net cash flows used in investing activities was RMB21.8 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB21.8 million.

For the year ended December 31, 2024, our net cash flows used in investing activities was RMB69.5 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB69.5 million.

For the year ended December 31, 2023, our net cash flows used in investing activities was RMB205.0 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB205.0 million.

For the year ended December 31, 2022, our net cash flows used in investing activities was RMB131.3 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB164.1 million which was partially offset by disposal of subsidiaries of RMB32.8 million.

Net Cash Flows Generated from/Used in Financing Activities

For the five months ended May 31, 2025, our net cash flows used in financing activities were RMB15.0 million, primarily attributable to (i) payment of listing expenses of RMB13.4 million and (ii) interest paid of RMB1.6 million.

For the year ended December 31, 2024, our net cash flows generated from financing activities were RMB72.0 million, primarily attributable to new bank loans and others of RMB131.1 million, partially offset by (i) interest paid of RMB6.5 million; (ii) listing expenses of RMB8.6 million and (iii) repayment of bank loans of RMB44.0 million.

For the year ended December 31, 2023, our net cash flows generated from financing activities were RMB130.5 million, primarily attributable to (i) new bank loans and others of RMB177.0 million; and (ii) proceeds from issuance of new shares of RMB11 million, partially offset by (i) dividends paid of RMB55.3 million; and (ii) interest paid of RMB1.7 million.

For the year ended December 31, 2022, our net cash flows generated from financing activities were RMB121.2 million, primarily attributable to proceeds from capital contribution by shareholders of RMB100.2 million and issuance of new shares of RMB21.0 million.

FINANCIAL INFORMATION

INDEBTEDNESS

During the Track Record Period, our indebtedness included bank loans and other borrowings. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of May 31,	As of September 30,
	2022	2023	2024	2025	2025
					(unaudited)
					(RMB in thousands)
Bank borrowings	–	177,145	184,241	185,197	194,443
Other borrowings	–	–	80,000	80,269	80,000
Total	–	177,145	264,241	265,466	274,443

As of the Latest Practicable Date, there was no restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank loans, we did not have plans for other material external debt financing.

Interest-Bearing Bank and Other Borrowings

The following table below sets out our interest-bearing bank and other borrowings as of the dates indicated:

	As of December 31,			As of May 31,	As of September 30,
	2022	2023	2024	2025	2025
					(unaudited)
					(RMB in thousands)
Current					
Bank borrowings –					
unsecured	–	24,145	6,141	7,097	9,374
Other borrowings –					
unsecured ⁽¹⁾	–	–	–	269	–
Non-Current					
Bank borrowings –					
unsecured	–	153,000	178,100	178,100	185,069
Other borrowings –					
unsecured ⁽¹⁾	–	–	80,000	80,000	80,000
Total	–	177,145	264,241	265,466	274,443

(1) See Note 32 of the Accountants' Report Appendix I to this prospectus for other borrowings from Huaibei Mining (Group) Co., Ltd.

FINANCIAL INFORMATION

Banking Facilities

As of September 30, 2025, we had aggregate banking facilities of RMB277.5 million* and had drawn down RMB74.5 million, leaving RMB203.0 million of our banking facilities unutilized. Our Directors confirm that we did not experience any difficulty in obtaining credit facilities or withdrawal of facilities during the Track Record Period. To the best knowledge and belief of our Directors, our Group will not have difficulties in obtaining new banking facilities or renewing banking facilities after the Listing.

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2022, 2023 and 2024, May 31, 2025 and September 30, 2025, respectively.

Indebtedness Statement

Except as disclosed above, as of September 30, 2025, being the latest practicable date for determining our indebtedness, we did not have any lease liabilities, outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since September 30, 2025 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	Year ended December 31,			As of May 31,
	2022	2023	2024	2025
Current ratio ⁽¹⁾	0.88	0.91	1.33	1.66
Gearing ratio ⁽²⁾	16.2%	37.5%	42.3%	39.6%
Return on total assets ⁽³⁾ . . .	4.2%	5.9%	5.7%	2.0% ⁽⁵⁾
Return on equity ⁽⁴⁾	6.9%	10.7%	11.4%	3.8% ⁽⁵⁾

Notes:

- (1) Current ratio equals current assets divided by current liabilities as of the same date.
- (2) Gearing ratio equals to net debt divided by total capital plus net debt. The Company includes, within net debt, interest-bearing bank and other borrowings, financial liabilities included in trade and other payables, less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

* the figure of total banking facilities includes the loan earmarked for the deep-processing project

FINANCIAL INFORMATION

- (3) Return on total assets equals to profits for the year/period divided by total assets as of the end of the year/period and multiplied by 100%.
- (4) Return on equity equals to profits for the year/period divided by total equity as of the end of the year/period and multiplied by 100%.
- (5) Such ratios for the five months ended May 31, 2025 are not meaningful as such ratios do not reflect a full year of operations.

Current Ratio

Our current ratio remained relatively stable at approximately 0.9 times as of December 31, 2022 and 2023.

Our current ratio increased from approximately 0.9 times as of December 31, 2023 to approximately 1.3 times as of December 31, 2024, primarily due to (i) a significant increase in the cash and cash equivalents of RMB39.1 million as we timely collect customers' payments while receiving extended credit terms from our suppliers; (ii) a increase in the interest bearing bank and other borrowings of RMB87.1 million; (iii) an increase in debt investments at fair value through other comprehensive income of RMB17.7 million and (iv) an increase in trade and bills receivables of RMB10.7 million, partially offset by an increase in trade and other payables of RMB43.3 million.

Our current ratio increased from approximately 1.3 times as of December 31, 2024 to approximately 1.7 times as of May 31, 2025, primarily due to (i) a significant increase in our inventories of RMB20.8 million caused by the increased work-in-progress; (ii) an increase in prepayments, other receivables and other assets of RMB6.5 million; and (iii) a decrease in trade and other payables of RMB31.4 million.

Gearing Ratio

Our gearing ratio increased from 16.2% as of December 31, 2022 to approximately 37.5% as of December 31, 2023, primarily due to an increase in interest-bearing bank and other borrowings of RMB177.1 million, partially offset by an increase in our total equity of RMB54.1 million caused by an increase in our other reserves of RMB52.1 million.

Our gearing ratio increased from approximately 37.5% as of December 31, 2023 to approximately 42.3% as of December 31, 2024, primarily due to an increase in interest-bearing bank and other borrowings of RMB105.0 million, partially offset by an increase in our total equity of RMB52.6 million caused by an increase in other reserves of RMB52.6 million.

Our gearing ratio decreased from approximately 42.3% as of December 31, 2024 to approximately 39.6% as of May 31, 2025, primarily due to a increase in interest-bearing bank and other borrowings of RMB1.2 million and an increase in our total equity of RMB18.1 million.

FINANCIAL INFORMATION

Return of Total Assets

Our return of total assets increased from approximately 4.2% as of December 31, 2022 to approximately 6.0% as of December 31, 2023, mainly due to the increase in our net profit during the relevant period. Our return of total assets decreased from approximately 6.0% as of December 31, 2023 to approximately 5.7% as of December 31, 2024, mainly due to the increase in total assets.

Return on Equity

Our return on equity increased from approximately 6.9% as of December 31, 2022 to approximately 10.7% as of December 31, 2023, mainly due to an increase in our net profit by 78.6%, while our total equity only increased by 15.3% during the same period. Our return on equity increased from approximately 10.7% as of December 31, 2023 to approximately 11.4% as of December 31, 2024, mainly due to an increase in our net profit by 20.1%, while our total equity only increased by 12.8% during the same period.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures were primarily for purchases of items of property, plant and equipment.

For the years ended December 31, 2022, 2023, 2024 and the five months ended May 31, 2024 and 2025, our capital expenditures were approximately RMB170.6 million, RMB287.6 million, RMB102.7 million, RMB51.1 million and RMB25.4 million, respectively. We funded these expenditures mainly with cash generated from our operations and interest-bearing bank and other borrowings.

	Year ended December 31,			Five months ended May 31,	
	2022	2023	2024	2024	2025
				<i>(unaudited)</i>	
				<i>(RMB in thousands)</i>	
Purchases of items of property, plant and equipment	164,111	204,977	69,545	37,597	21,762
Non-cash additions to property, plant and equipment and other intangible assets	6,495	82,637	33,105	13,486	3,687
Total capital expenditure	170,606	287,614	102,650	51,083	25,449

FINANCIAL INFORMATION

Following the Global Offering, we will continue to incur capital expenditures to grow our business. We plan to fund our planned capital expenditures primarily with cash flows generated from our operations, bank borrowings, and the net proceeds received from the Global Offering. See “Future Plans and Use of Proceeds.” We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments were mainly plant and machinery. See Note 31 to the Accountant’s Report in Appendix I to this Prospectus. As of December 31, 2022, 2023, 2024 and May 31, 2025, the total amount of our capital commitments was RMB304.9 million, RMB135.6 million, nil and RMB80.0 thousand, respectively. The table below sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
	(RMB in thousands)			
Contracted, but not provided for:				
plant and machinery	304,920	135,565	—	80
Total	304,920	135,565	—	80

RELATED PARTY TRANSACTIONS

Our Directors are of the view that each of the related party transactions set out in Note 32(2) to the Accountant’s Report in Appendix I to this Prospectus was conducted in the ordinary course of business on an arm’s-length basis and with normal commercial terms between the relevant parties. Based on the documents provided by the Company and the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that would reasonably cause it to cast doubt on the view and conclusion of the Directors that the related party transactions were conducted in the ordinary course of business on an arm’s-length basis and with normal commercial terms. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners’ equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

FINANCIAL INFORMATION

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate and currency risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 36 of Appendix I to this prospectus.

Interest Rate Risk

Our exposure to risk for changes in market interest rates relates primarily to the our interest-bearing bank and other borrowings. We do not use derivative financial instruments to hedge interest rate risk, and obtain all bank borrowings with a floating rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of our profit before tax and our equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	<i>(RMB in thousands)</i>		
December 31, 2022			
If interest rate increases	25	—	—
If interest rate decreases	(25)	—	—
December 31, 2023			
If interest rate increases	25	(383)	—
If interest rate decreases	(25)	383	—
December 31, 2024			
If interest rate increases	25	(660)	—
If interest rate decreases	(25)	660	—
May 31, 2025			
If interest rate increases	25	(271)	—
If interest rate decreases	(25)	271	—

Credit Risk

We trade only with recognized and creditworthy customers with no requirement for collateral. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimize the credit risk, we review the recoverable amount of each individual trade receivable periodically and our management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. In this regard, our directors consider that our credit risk is significantly reduced.

FINANCIAL INFORMATION

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on our credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as of December 31, 2022, 2023, 2024 and May 31, 2025.

The amounts presented are gross carrying amounts for financial assets.

December 31, 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	<i>(RMB in thousands)</i>				
Financial assets included in prepayments, other receivables and other assets					
– Normal ⁽¹⁾	1,071	–	–	–	1,071
Trade and bills receivables					
– Normal ⁽²⁾	–	–	–	26,813	26,813
Debt investments at fair value through other comprehensive income . .	12,401	–	–	–	12,401
Cash and cash equivalents					
– Not yet past due	95,085	–	–	–	95,085
Total	108,557	–	–	26,813	135,370

FINANCIAL INFORMATION

December 31, 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	<i>(RMB in thousands)</i>				
Financial assets included in prepayments, other receivables and other assets					
– Normal ⁽¹⁾	211	–	–	–	211
Trade and bills receivables					
– Normal ⁽²⁾	–	–	–	42,724	42,724
Debt investments at fair value through other comprehensive income . .	1,453	–	–	–	1,453
Cash and cash equivalents					
– Not yet past due	<u>32,564</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>32,564</u>
Total	<u>34,228</u>	<u>–</u>	<u>–</u>	<u>42,724</u>	<u>76,952</u>

December 31, 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	<i>(RMB in thousands)</i>				
Financial assets included in prepayments, other receivables and other assets					
– Normal ⁽¹⁾	285	–	–	–	285
Trade and bills receivables ⁽²⁾	–	–	–	53,552	53,552
Debt investments at fair value through other comprehensive income . .	19,185	–	–	–	19,185
Cash and cash equivalents					
– Not yet past due	<u>71,694</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>71,694</u>
Total	<u>91,164</u>	<u>–</u>	<u>–</u>	<u>53,552</u>	<u>144,716</u>

FINANCIAL INFORMATION

May 31, 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	<i>(RMB in thousands)</i>				
Financial assets included in prepayments, other receivables and other assets					
– Normal ⁽¹⁾	250	–	–	–	250
Trade and bills receivables ⁽²⁾	–	–	–	40,721	40,721
Debt investments at fair value through other comprehensive income . .	18,576	–	–	–	18,576
Cash and cash equivalents					
– Not yet past due	<u>62,478</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>62,478</u>
Total	<u>81,304</u>	<u>–</u>	<u>–</u>	<u>40,721</u>	<u>122,025</u>

(1) The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

(2) For trade and bills receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

FINANCIAL INFORMATION

The maturity profile of our financial liabilities as of December 31, 2022, 2023, 2024 and May 31, 2025, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
<i>(RMB in thousands)</i>						
December 31, 2022						
Financial liabilities included in trade and other payables	163,552	–	–	–	–	163,552
Total	<u>163,552</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>163,552</u>

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
<i>(RMB in thousands)</i>						
December 31, 2023						
Interest-bearing bank and other borrowings	–	1,419	27,816	38,573	128,163	195,971
Financial liabilities included in trade and other payables	100,547	–	–	–	–	100,547
Total	<u>100,547</u>	<u>1,419</u>	<u>27,816</u>	<u>38,573</u>	<u>128,163</u>	<u>296,518</u>

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
<i>(RMB in thousands)</i>						
December 31, 2024						
Interest-bearing bank and other borrowings	–	1,890	8,238	90,680	191,668	292,476
Financial liabilities included in trade and other payables	145,394	–	–	–	–	145,394
Total	<u>145,394</u>	<u>1,890</u>	<u>8,238</u>	<u>90,680</u>	<u>191,668</u>	<u>437,870</u>

FINANCIAL INFORMATION

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
<i>(RMB in thousands)</i>						
May 31, 2025						
Interest-bearing						
bank and other						
borrowings	–	5,960	7,684	82,616	190,318	286,578
Financial liabilities						
included in trade						
and other						
payables	110,621	–	–	–	–	110,621
Total	110,621	5,960	7,684	82,616	190,318	397,199

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholders' value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

We monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. We include, within net debt, interest-bearing bank and other borrowings, financial liabilities included in trade and other payables, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as of December 31, 2022, 2023, 2024 and May 31, 2025 were as follows:

	As of December 31,			As of May 31,
	2022	2023	2024	2025
<i>(RMB in thousands)</i>				
Interest-bearing bank				
borrowings	–	177,145	264,241	265,466
Financial liabilities				
included in trade and				
other payables	163,552	100,547	145,394	110,621
Less: Cash and cash				
equivalents	(95,085)	(32,564)	(71,694)	(62,478)
Net debt	68,467	245,128	337,941	313,609
Equity attributable to				
owners of the parent	353,620	407,690	460,292	478,324
Capital and net debt	422,087	652,818	798,233	791,933
Gearing ratio	16.2%	37.5%	42.3%	39.6%

FINANCIAL INFORMATION

DIVIDENDS

We declared the dividends of approximately RMB55.3 million for the year ended December 31, 2022, and we did not declare any other dividend during the Track Record Period. All the dividends declared in 2022 were paid in August 2023. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any formal dividend policy with fixed dividend pay-out ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by our PRC Legal Advisors, according to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

PROPERTY INTERESTS AND PROPERTY VALUATION

Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, has valued our selective property interests and is of the opinion that the fair value of such property interests as of September 30, 2025 was approximately RMB278.3 million. The full text of the valuation report and the valuation certificate are set forth in Appendix VII to this prospectus.

A reconciliation between the net book value of our selective property interests in our financial statements as of May 31, 2025 and the market value of our selective property interests as of September 30, 2025 as required under Rule 5.07 of the Listing Rules is set forth below:

(RMB in thousands)

Net book value of property interests as of May 31, 2025	254,799
Movements during the one month ended September 30, 2025	(4,162)
Net book value of property interests as of September 30, 2025	<u>250,637</u>
Valuation as of September 30, 2025	<u>278,272</u>

DISTRIBUTABLE RESERVES

As of May 31, 2025, we did not have any distributable reserves.

FINANCIAL INFORMATION

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately RMB48.4 million (based on the Offer Price of HK\$7.3 per Offer Share and assuming no exercise of the Over-allotment Option), representing 29.9% of the gross proceeds assuming that the Over-allotment Option is not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB23.6 million, of which RMB0.5 million was charged to the statements of profit or loss and other comprehensive income as administrative expenses and RMB23.1 million have been deducted from equity. We expect to incur listing expenses of approximately RMB24.8 million, of which approximately RMB1.1 million is expected to be recognized in the statements of profit or loss as administrative expenses and approximately RMB23.7 million is expected to be recognized as a deduction in equity directly upon the Listing. Our Directors do not expect such expenses to materially impact our results of operations in five months ended May 31, 2025. By nature, our listing expenses are composed of (i) underwriting commission of approximately RMB5.5 million, and (ii) non-underwriting related expenses of approximately RMB42.9 million, which consist of fees and expenses of legal advisors and Reporting Accountant of approximately RMB30.3 million and other fees and expenses of approximately RMB12.6 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

See “Appendix II — Unaudited Pro Forma Financial Information.”

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this Prospectus there has been no material adverse change in our financial or trading position or prospects since May 31, 2025, being the end date of the periods reported in Appendix I to this Prospectus, and there is no event since May 31, 2025 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

THE CORNERSTONE PLACING

We, the Joint Sponsors and the Overall Coordinators have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**” and collectively, the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**” and collectively, the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of HK\$76.2 million (the “**Cornerstone Placing**”). The aggregate amount of the investment contributed by the Cornerstone Investors does not include brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee which the Cornerstone Investors will pay in respect of the International Offer Shares to be subscribed by them.

Based on the Offer Price of HK\$7.30 per Share, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 10,441,000 Offer Shares, representing (i) approximately 42.97% of the Offer Shares pursuant to the Global Offering and approximately 10.74% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (ii) approximately 37.36% of the Offer Shares to be issued pursuant to the Global Offering and approximately 10.35% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

Our Company is of the view that the Cornerstone Investment will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Further, we believe that we will benefit from the cornerstone investment, taking into account the business sectors they primarily focus on. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the Group’s business network or through introduction by the Company’s business partners or Overall Coordinators.

The Cornerstone Placing will form part of the International Offering, and save as otherwise obtained consent from the Stock Exchange, the Cornerstone Investors and their respective close associates will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and all the Shares to be subscribed by the cornerstone investors will be counted towards the public float for the purpose of Rule 8.08 (as amended and replaced by Rule 19A.13A) of the Listing Rules. The three largest public Shareholders will not hold more than 50% of the Shares held in public hands at the time of the Listing in compliance with Rule 8.08(3) of the Listing Rules.

CORNERSTONE INVESTORS

Immediately following the completion of the Global Offering, the Cornerstone Investors will not, by virtue of their cornerstone investments, have any Board representation in our Company; and none of the Cornerstone Investors will become a Substantial Shareholder of our Company. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

As confirmed by each of the Cornerstone Investors, there are no side agreements or arrangements between the Company, any member of the Group, or any of their respective affiliates, directors, officers, employees, agents or representatives in the Global Offering and the Cornerstone Investors, any of their respective affiliates, directors, officers, employees, agents or representatives, or any benefit, direct or indirect, conferred on the Cornerstone Investors, any of their respective affiliates, directors, officers, employees, agents or representatives by virtue of or in relation to the Cornerstone Placing other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

All Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Shares commence on the Stock Exchange. To the best of the knowledge, information and belief of our Company, (i) each of the Cornerstone Investors and the respective qualified domestic institutional investors (as applicable) are independent of the Company, its connected persons and their respective associates; (ii) none of the Cornerstone Investor is accustomed to take and has not taken instructions from the Company, our Directors, our Supervisors, chief executive, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; and (iii) none of the subscription of the Offer Shares by the Cornerstone Investors is financed by the Company, our Directors, our Supervisors, chief executive, Controlling Shareholders, substantial Shareholders, or existing Shareholders or any of its subsidiaries or their respective close associates.

To the best knowledge of our Company and as confirmed by each of the Cornerstone Investors, each of the Cornerstone Investors make independent investment decisions, and their subscription under the Cornerstone Investment Agreements would be financed by their own internal resources and they have sufficient funds to settle their respective investment under the Cornerstone Placing. Each of the Cornerstone Investor has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing, and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Shares commence on the Stock Exchange. Each of Pingmei HK, Jinyuan HK, Degao Mining has agreed that our Company and the Overall Coordinators in their sole discretion may defer the delivery of all or part of the Offer Shares it will subscribe to on a date later than the Listing Date. Such delayed delivery arrangement

CORNERSTONE INVESTORS

is in place to facilitate the over-allocation in the International Offering. Nevertheless, each of Pingmei HK, Jinyuan HK, Degao Mining has agreed to pay for the relevant Offer Shares that it has subscribed for before the Listing. As such, there will be no deferred settlement of the Offer Shares to be subscribed by these Cornerstone Investors pursuant to the relevant Cornerstone Investment Agreements. If there is no over-allocation in the International Offering, delayed delivery will not take place.

The number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “*Structure of the Global Offering — The Hong Kong Public Offering — Reallocation.*” The Company and Overall Coordinators have the absolute discretion, but not obliged, to deduct the number of Offer Shares to be subscribed by the Cornerstone Investors on a pro rata basis under the Hong Kong Public Offering pursuant to Practice Note 18 of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around December 2, 2025.

The table below sets forth the details of the Cornerstone Placing:

Based on the Offer Price of HK\$7.30 (being the low-end of the indicative Offer Price range)

Cornerstone Investors	Total Investment Amount	Number of Offer Shares to be subscribed ⁽¹⁾	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering
	(HK\$)					
Pingmei HK. Chuangli	29,696,400	4,068,000	16.74%	4.19%	14.56%	4.03%
HK	24,747,000	3,390,000	13.95%	3.49%	12.13%	3.36%
Jinyuan HK . Degao	10,887,950	1,491,500	6.14%	1.53%	5.34%	1.48%
Mining.	10,887,950	1,491,500	6.14%	1.53%	5.34%	1.48%
Total	<u>76,219,300</u>	<u>10,441,000</u>	<u>42.97%</u>	<u>10.74%</u>	<u>37.36%</u>	<u>10.35%</u>

Note:

- (1) Subject to rounding down to the nearest whole board lot of 500 Shares. Calculated based on the exchange rate set out in the section headed “*Information about this Prospectus and the Global Offering — Exchange Rate Conversion.*”

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Placing.

Pingmei HK

Pingmei Shenma (Hong Kong) International Investment Limited (平煤神馬(香港)國際投資有限公司) (“**Pingmei HK**”) is a limited liability company incorporated under the laws of Hong Kong. Pingmei HK is a special purpose vehicle primarily engaged in investment holding. Pingmei HK is wholly owned by China Pingmei Shenma Holding Group Co., Ltd. (中國平煤神馬控股集團有限公司) (“**Pingmei Shenma Group**”), which is a state-owned enterprise controlled by the State-owned Assets Supervision and Administration Commission of Henan Provincial People’s Government (河南省人民政府國有資產管理委員會). Pingmei Shenma Group is primarily engaged in coal mining and selection, coal and coke, nylon chemical industry, new energy and new materials fields.

Chuangli HK

Hong Kong Chuangli Yingtai Investment Limited (香港創力贏泰投資有限公司) (“**Chuangli HK**”) is incorporated as a limited liability company under the laws of Hong Kong. Chuangli HK is a special purpose vehicle primarily engaged in investment holding. Chuangli HK is wholly-owned by Chuangli (Anhui) Mining Mechanics Manufacturing Co., Ltd. (創力(安徽)礦山機械製造有限公司) (“**Anhui Chuangli**”), which in turn is ultimately controlled by Shanghai Chuangli Group Co., Ltd. (上海創力集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603012). Anhui Chuangli is primarily engaged in providing coal mining equipment such as shearers and roadheaders, along with after-sales services, major equipment overhauls and related services, in Anhui province and periphery area.

Jinyuan HK

Hong Kong Jinyuan Industry and Trade Limited (香港金源工貿有限公司) (“**Jinyuan HK**”) is incorporated as a limited liability company under the laws of Hong Kong. Jinyuan HK is primarily engaged in the sales of coal-series kaolin and equity investment holding activities. Jinyuan HK is wholly owned by Huaibei Jinyuan Industry and Trade Limited (淮北金源工貿有限責任公司), which in turn is ultimately beneficially owned as to approximately 54.68% and 45.32% by Gao Qixing (高岐行) and Sun Jinrong (孫進榮), respectively. Each of Gao Qixing and Sun Jinrong is an Independent Third Party. Huaibei Jinyuan Industry and Trade Limited is primarily engaged in the production and processing of machinery, mining and rail system components used in the mining industry.

Degao Mining

Degao Mining Technology Limited (德高礦山科技有限公司) (“**Degao Mining**”) is a limited liability company incorporated under the laws of Hong Kong. Degao Mining is primarily engaged in the sales of coal-series kaolin and equity investment holding activities. Degao Mining is wholly owned by Anhui Degao Mining Technology Limited (安徽德高礦山科技有限公司), which in turn is ultimately beneficially owned as to 95% and 5% by Gao Jie (高潔) and Guo Xilin (郭喜林), respectively. Each of Gao Jie and Guo Xilin is an Independent Third Party. Anhui Degao Mining Technology Limited is primarily engaged in the R&D, manufacturing, sales, and providing technical services of mining transportation and safety systems, machinery and electrical equipment, along with import/export, equipment leasing, maintenance and repair of mining-related equipment.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (ii) the Offer Price having been agreed upon between our Company and the Overall Coordinators (for themselves and on behalf of the underwriters of the Global Offering);
- (iii) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in the Global Offering or the respective Cornerstone Investment Agreement, and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions;

CORNERSTONE INVESTORS

- (v) the CSRC having accepted the CSRC filings and published the filing results in respect of the CSRC filings on its website, and such notice of acceptance and/or filing results published not having otherwise been rejected, withdrawn, revoked or invalidated prior to the commencement of dealings in the H Shares on the Stock Exchange; and
- (vi) the respective agreements, representations, warranties, undertakings, confirmations and acknowledgements of the Cornerstone Investors under the respective Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the Closing (as defined in the Cornerstone Investment Agreement)) accurate and true in all respects and not misleading or deceptive and that there is no material breach of the respective Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that without the prior written consent of our Company, the Joint Sponsors and the Overall Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of, in any way, any of the Offer Shares it has purchased, pursuant to the respective Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investor, including the Lock-up Period restriction.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the entire net proceeds of the Global Offering will be approximately HK\$124.3 million (after deduction of underwriting fees and commissions and other estimated expenses payable by us in connection with the Global Offering), assuming that the Over-allotment Option is not exercised and based on the Offer price of HK\$7.3 per Offer Share. If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds that we receive from the offering of these additional Shares will be approximately HK\$25.7 million, after deducting the relevant expenses and based on the Offer Price of HK\$7.3 per Offer Share. We plan to allocate the net proceeds from the Global Offering in the following manner:

- (i) approximately 70.8%, or HK\$88.0 million will be used for the deep processing project of mullite-based aluminosilicate materials over the next two years, aiming to increase the production capacity of refractory mullite products. The total capital expenditure required for this project amounts to HK\$88.0 million. Net proceeds will be used for paying the expenditure directly or by repaying certain loans designated for the same use*. In the case where the net proceeds from the Global Offering does not meet the capital expenditure needs, we plan to fund the project through the cash flows generated from operating activities or other financing methods. Specifically:
 - (a) approximately 22.5%, or HK\$28 million will be allocated for the construction of one production line and ancillary facilities for this project. In particular, we plan to build a new shaft kiln calcination workshop with four shaft kilns, a deep processing workshop for refractory mullite granules, a kaolin fine powder deep processing workshop, a finished product warehouse and supporting facilities.
 - (b) approximately 48.3%, or HK\$60.0 million will be allocated for the procurement and installation of machinery and equipment for this project. To improve product quality and automate the production process, we also plan to procure various advanced equipment, including intelligent gangue sorting machines and automatic color sorting machines that refine and automate kaolin ore classification. Additionally, we plan to upgrade our shaft kiln, and implement various automation technologies to optimize production efficiency while ensuring product quality.

* As of September 30, 2025, we had obtained the loan of RMB65.0 million for the deep processing project from a licensed bank and had drawn down RMB12.0 million.

FUTURE PLANS AND USE OF PROCEEDS

As of December 31, 2024, we have received certifications required for the project, including the feasibility report, safe production and facility evaluation, energy conservation report and environmental impact assessment. In order to meet the increasing market demand for refractory mullite products, we outsourced the processing of some refractory mullite products since October 2023. As we are transitioning to the self-production of such products, we plan to expand our annual production capacity to 70 kt of refractory mullite granules and build a new kaolin fine powder production line with an annual production capacity of 60 kt. This expansion aligns with our growth strategy focusing on the sales of refractory mullite products and exploring new market opportunities of kaolin fine powder.

According to Frost & Sullivan, the refractory mullite product market in China remains fragmented, in which the combined market share of the top five market players is less than 20%. Meanwhile, according to the same source, the market has the great potential, as the market size of the refractory mullite products in China is expected to grow from RMB5,525.8 million to RMB6,430.9 million from 2024 to 2029 with a CAGR of 3.1%, driven by the development of steel, glass and other chemical engineering industries. By contrast, during the Track Record Period our refractory mullite products delivered the above-industry growth, as revenue increased from RMB6.2 million in 2022 to RMB23.5 million in 2023 and RMB52.1 million in 2024, representing a CAGR of 190.4%. Our revenue from refractory mullite products increased from RMB18.7 million for the five months ended May 31, 2024 to RMB24.7 million for the five months ended May 31, 2025, evidencing rapid market share gains and our capability of meeting the untapped demand. In the meantime, the sales volume surged from 5.2 kt in 2022 to 19.6 kt in 2023 and 52.2 kt in 2024, demonstrating steadily increasing customer demand for our refractory mullite products and our expanded market presence. Our above-industry revenue growth and sales increase have established our emerging leadership in this fragmented market and underscore our ability to continue capturing the market demand as the industry grows. Compared to other refractory materials, our refractory mullite products feature several advantages, such as their stable, uniform mullite crystal phase, fine-grained texture, high hardness, low expansion coefficient, excellent wear resistance and strong thermo-chemical stability. These features established our refractory mullite products as the preferred choice for customers, leading to steadily rising demand and consistently growing sales.

With the utilization rate of our refractory mullite products reaching 85.7% and 84.8% in 2024 and the five months ended May 31, 2025, respectively, we have the urgent needs to expand production capacity in order to satisfy this increasing market demand. According to Frost & Sullivan, with the continuous development of high-temperature industries such as steel, cement and glass, the demand for refractory materials is expected to increase steadily. Kaolin mullite is widely used in these industries due to its excellent fire-resistance, thermal-shock resistance and low thermal-expansion coefficient, which will support its price. By enhancing our production capacity, we hold the competitive advantage to meet the growing market demand for refractory mullite products and tap into the substantial market potential

FUTURE PLANS AND USE OF PROCEEDS

of kaolin fine powder in the fiberglass and electrical ceramics industries. Taking into account the following factors: (i) our historical growth rate in sales of refractory mullite products during the Track Record Period has outpaced industry growth; (ii) the utilization rate of our refractory mullite products was near full capacity in 2024 and the five months ended May 31, 2025; (iii) the promising future prospects for the demand for refractory materials; and (iv) the fact that our future plan is a long-term one, and it would not be commercially sensible to undertake the construction of our deep processing project for expansion in a piecemeal manner only when demand materializes, we believe that the implementation of our deep processing project is justified.

The breakeven period of our deep processing project is expected to be achieved within one month, given that the corresponding monthly revenue generated from this project is expected to exceed its monthly operating costs and expenses. The payback period of the deep processing project of mullite-based aluminosilicate material is expected to be 2.7 years, as the accumulated cash flow generated since the commencement of the business operation of this project is expected to cover the total investment amount.

We do not have plans to hire additional personnel for the deep processing project for mullite-based aluminosilicate materials, as we expect to leverage the current personnel within the R&D, sales and marketing, as well as production departments to support the operation of this project. The project will be counted as a fixed asset, which may incur costs relating to depreciation and amortization, as well as variable costs associated with the increased production, such as raw material costs and utility costs.

The following table sets forth the implementation plan for our deep processing project of mullite-based aluminosilicate materials:

	Amount of Proceeds from the Global Offering ⁽¹⁾	Time Frame ⁽²⁾	Current Status	Basis of Cost Estimation	Amount Spent	Source of Funding
	<i>HK\$ million</i>				<i>HK\$ million</i>	
Deep Processing Project of Mullite-Based Aluminosilicate Materials						
Project planning	0.1	–	We have received the project feasibility report	Consulting and research fees charged for the preparation of the project feasibility report	0.1	Operating cash flows

FUTURE PLANS AND USE OF PROCEEDS

	Amount of Proceeds from the Global Offering ⁽¹⁾	Time Frame ⁽²⁾	Current Status	Basis of Cost Estimation	Amount Spent	Source of Funding
	<i>HK\$ million</i>				<i>HK\$ million</i>	
Project survey, project design and completion of foundational construction	0.8	April, 2025 to June, 2025	We have completed the site survey of the kiln, and submitted the survey report	The project survey and design fees are estimated by with reference to the fee schedule, taking into consideration prevailing market conditions; Construction costs are estimated by referencing to the market costs of comparable construction projects	0.02	Bank acceptance bills
Completion of construction, including the kiln framework, kiln masonry and other production facilities	12.8	July, 2025 to December, 2025	We have completed the kiln pile foundation and the underground concrete works. Most of the steel structural frame has been installed	Construction costs are estimated by referencing to the market costs of comparable construction projects	10.3	Bank acceptance bills and bank loans for the project
Procurement for production machinery and equipment	33.0	April, 2025 to November, 2025	The kiln has arrived on site, and the shell has been installed	The costs for standard equipment are calculated based on the quotations from manufacturers, while the costs for customized equipment are determined according to the equipment functionality and performance	8.0	Bank acceptance bills, operating cash flows and bank loans for the project

FUTURE PLANS AND USE OF PROCEEDS

	Amount of Proceeds from the Global Offering ⁽¹⁾	Time Frame ⁽²⁾	Current Status	Basis of Cost Estimation	Amount Spent	Source of Funding
	HK\$ million				HK\$ million	
Engineering process management, including construction supervision, financial auditing, construction evaluation, commissioning and personnel training	3.0	June, 2025 to December, 2025	We have conducted regular engineering process management	The fees are calculated based on the market rate for the management, design and supervision of construction projects, as well as fees for environmental impact assessment, office appliance, commissioning and personnel training	0.5	Bank acceptance bills
Testing, completion and acceptance check	31.1	November, 2025 to January, 2026	–	The rest of the construction fees are paid in the month after the testing and acceptance check	–	–
Warranty deposit	7.2	January, 2027	–	The standard deposits for the one-year warranty to cover the costs of future repairs or corrective actions	–	–
Total	88.0					

Note:

- (1) The estimated amount of funds required for this stage of the project will be settled in bills payables, which will be repaid with the net proceeds from the Offering or the cash generated from the operation and debt financing for any shortfall.
- (2) The time frame refers to the anticipated schedule for the key capital investment stages of the project.

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately 20.6%, or HK\$25.6 million will be used for the establishment of new aluminosilicate material engineering and technology research center, which greatly enhances our R&D capabilities to continuously develop new products. The total capital expenditure required for this research center is estimated at HK\$25.6 million, which will be funded entirely by the net proceeds from the Global Offering. In the case where the net proceeds from the Global Offering are insufficient to meet the capital expenditure needs, we intend to fund the shortfall through the cash flows generated from operating activities or through bank and other borrowings. Specifically:
 - (a) approximately 7.3%, or HK\$9.1 million will be used for the construction of our research center over the next one to two years, including a precision casting materials lab, synthetic materials lab, testing lab and supporting facilities.
 - (b) approximately 13.3%, or HK\$16.5 million will be allocated for the procurement of key equipment for our labs in the research center.

As of December 31, 2024, we have received certifications required for our new aluminosilicate material engineering and technology research center, including the feasibility report and environmental impact assessment. We have also obtained the filing report from the local Development and Reform Commission. Looking forward, we plan to recruit 5 to 10 R&D personnel with extensive industry experience and relevant academic background to facilitate our R&D projects. After the completion of its construction, the research center will be counted as a fixed asset, which may incur costs relating to depreciation and amortization, as well as variable costs associated with the increased production, such as raw material costs and utility costs.

The establishment of this research center is pivotal in advancing several crucial research projects that align with our company's growth strategy, including: (i) development of high-grade precision casting shell materials for industries requiring high precision, such as automotive and aviation; (ii) research on enhancing the quality and purity of kaolin fine powder through new processing techniques, aiming to meet high-end market demands; (iii) research on intelligent ore sorting technologies and intelligent mining techniques for kaolinite, which aim to increase processing efficiency and yield; (iv) energy consumption management research that explores innovative strategies to reduce energy use and carbon emissions, aligning with our sustainable development strategy; and (v) research on the synthesis of new refractory mullite products that can withstand extreme working conditions, essential for industries like metal production.

FUTURE PLANS AND USE OF PROCEEDS

The aluminosilicate material engineering and technology research center aims to consolidate and strengthen our existing R&D capabilities to address specific operational challenges in the current kaolin processing operations, such as energy inefficiency, complex production workflows, high labor intensity and limited automation. Specifically, the center is intended to facilitate the digital transformation of our kaolin product processing and integrate advanced technologies in waste heat recovery and tailings reuse, significantly enhancing automation, improving operational efficiency and reducing carbon emissions. The center will include specialized laboratories dedicated to precision casting materials, synthetic materials and advanced material testing, supported by dedicated production infrastructure, enabling targeted innovation and efficient product development. Leveraging our high-quality kaolin ore resources, the research center will strategically focus on developing high-value coal-series kaolin products, including premium synthetic materials, precision casting mullite products, refined refractory mullite products and environmentally friendly refractory fibers. Key research priorities encompass improving high-temperature stability, optimizing shelling efficiency and refining the quality of precision casting surface materials. Additionally, the key R&D initiatives focus on employing purification technologies to achieve impurity removal rates exceeding 80%, while achieving a Fe_2O_3 content below 0.7% in kaolin ore. The center also aims to refine refractory fiber cutting processes and remove slag balls during the production. Furthermore, the center aims to drive the fundamental research to analyze kaolin-to-mullite transformation mechanisms to enable the engineering of synthetic mullite products, laying a robust foundation for advanced kaolin processing and product diversification. The advanced material testing laboratory further empowers us to conduct diversified product quality tests to certain customers who have such demand, while our precision casting material laboratory offers performance tests on precision casting materials and shell materials. The center also expects to actively engage with leading academic institutions and industry partners, accelerating the commercialization of novel kaolin-based materials, attracting top-tier talents, setting industry benchmarks and reinforcing our industry leadership.

The breakeven period and payback period of the establishment of the research center cannot be estimated as the research center does not directly generate revenues but instead facilitates the production efficiency and enhances our product testing capabilities through various R&D initiatives.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth the implementation plan for the establishment of new aluminosilicate material engineering and technology research center:

	Amount of Proceeds from the Global Offering ⁽¹⁾	Time Frame ⁽²⁾	Current Status	Basis of Cost Estimation
<i>HK\$ million</i>				
New Aluminosilicate Material Engineering and Technology Research Center				
Laboratory construction and renovations	9.1	July, 2025 to October, 2027	–	Costs of construction and renovations of our laboratories, which are estimated by referencing to the market costs of comparable construction projects
Equipment selection	–	July, 2025 to September, 2025	–	–
Establishment of our material testing laboratory	9.5	October, 2025 to January, 2026	–	Costs of equipment, machinery, as well as the costs of installation, which are estimated at the market costs
Establishment of our precision casting material laboratory .	3.2	March, 2026 to October, 2026	–	Costs of equipment, machinery, as well as the costs of installation, which are estimated at the market costs
Establishment of our synthetic material laboratory	3.8	March, 2027 to October, 2027	–	Costs of equipment, machinery, as well as the costs of installation, which are estimated at the market costs
Equipment commissioning and maintenance	–	August, 2025 to December, 2027	–	–
Total	25.6			

Note:

- (1) The estimated amount of funds required for this stage of the project will be settled in bills payables, which will be repaid with the net proceeds from the Offering or the cash generated from the operation and debt financing for any shortfall.
- (2) The time frame refers to the anticipated schedule for the key capital investment of the research center.

FUTURE PLANS AND USE OF PROCEEDS

- (iii) approximately 0.6%, or HK\$0.8 million will be used to repay the aggregate principal amounts and interests accrued on several of our bank loans. Such bank loans have an effective interest rate of 2.5% and mature in 2025.

As of December 31, 2022, 2023 and 2024 and as of May 31, 2025 our gearing ratio was 16.2%, 37.5%, 42.3% and 39.6%, respectively. Our Directors believe that high gearing ratio for our Company could materially and adversely affect our liquidity. Such repayment of bank loans is expected to improve our gearing ratio and reduce financial costs.

- (iv) approximately 8.0%, or HK\$9.9 million will be allocated for working capital and general corporate purposes.

Based on the Offer Price of HK\$7.3 per Offer Share and assuming that the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK\$25.7 million.

To the extent that the net proceeds are not immediately used for the above purposes or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we will only hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

UNDERWRITING

HONG KONG UNDERWRITERS

Guoyuan Securities Brokerage (Hong Kong) Limited
CMBC Securities Company Limited
CCB International Capital Limited
DBS Asia Capital Limited
China Sunrise Securities (International) Limited
First Shanghai Securities Limited
Futu Securities International (Hong Kong) Limited
ICBC International Securities Limited
Shenwan Hongyuan Securities (H.K.) Limited
uSmart Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 2,430,000 Hong Kong Offer Shares and the International Offering of initially 21,870,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this prospectus as well as to the Over-Allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-Allotment Option) on the Main Board of the Hong Kong Stock Exchange and such approval not subsequently having been revoked prior to the commencement of trading of the H Shares on the Hong Kong Stock Exchange and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

UNDERWRITING

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion, shall have the right by giving a notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, economic sanctions, strikes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, rebellion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation) in or affecting Hong Kong, the PRC, the United States or any other jurisdiction relevant to the Company (each a “**Relevant Jurisdiction**” and collectively, the “**Relevant Jurisdictions**”);
 - (ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development, in any local, national or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including conditions in the stock and bond markets, money and foreign exchange markets, interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

UNDERWRITING

- (iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the SEHK, the New York Stock Exchange, the NASDAQ Global Market the Shanghai Stock Exchange or the Shenzhen Stock Exchange;
- (iv) any general moratorium on commercial banking activities in the PRC (imposed by the People's Bank of China), Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority (as defined in the Hong Kong Underwriting Agreement), New York (imposed at the U.S. Federal or New York State level or by any other competent Authority), or any of the other Relevant Jurisdictions (declared by any relevant competent Authority) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;
- (v) any new Law or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any other competent governmental authority in or affecting any of the Relevant Jurisdictions;
- (vi) any change or development involving a prospective change or amendment in or affecting Taxation (as defined in the Hong Kong Underwriting Agreement) or foreign exchange control, currency exchange rates or foreign investment regulations (including a significant devaluation of the United States dollar, the Hong Kong dollar or RMB against or a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;
- (vii) other than with the prior written consent of the Joint Sponsors and the Overall Coordinators, the issue or requirement to issue by the Company of a supplement or an amendment to the Hong Kong Prospectus, the offering circular, the CSRC Filings or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (WUMP) Ordinance or the Listing Rules or upon any requirement or request of the SEHK, the CSRC and/or the SFC;

UNDERWRITING

- (viii) any valid demand by any creditors for repayment or payment of any of significant indebtedness of the Company or an order or petition for the winding up or liquidation of the Company or any composition or arrangement made by the Company with its creditors or a scheme of arrangement entered into by the Company or any resolution for the winding-up of the Company or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of the Company or anything analogous thereto occurring in respect of the Company;
- (ix) any litigation, dispute, proceeding, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against the Company or any Director, Supervisor or any member of the senior management of the Company as named in the Hong Kong Prospectus;
- (x) any contravention by the Company or any Director, Supervisor or any member of the senior management of the Company as named in the Hong Kong Prospectus of any applicable Laws and regulations, including the Listing Rules, the Companies Ordinance, the Companies (WUMP) Ordinance and the PRC Company Law;
- (xi) any executive Director vacating his/her office;
- (xii) any Director or senior management of the Company is being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking a directorship or role of senior management of a company;
- (xiii) any non-compliance of the Hong Kong Public Offering Documents or the CSRC Filings with the Listing Rules or any other applicable Laws and regulations (including, without limitation, the Listing Rules, the Companies Ordinance, the Companies (WUMP) Ordinance and the CSRC Rules); or
- (xiv) any change or prospective change which has the effect of materialisation of, any of the risks set out in the section headed “Risk Factors” in the Hong Kong Prospectus,

UNDERWRITING

which, individually or in the aggregate, after prior consultation with the Company and in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (1) has or will have or is likely to have a Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement);
 - (2) has or will have or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications for or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;
 - (3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offer Related Documents (as defined below); or
 - (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting the Hong Kong Public Offering) incapable or impracticable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Sponsors and/or the Overall Coordinators that:
- (a) any statement contained in any of the Offering Documents, the CSRC Filings and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or approved by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto but excluding names and addresses of the Underwriters) (the “**Offer Related Documents**”) was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents (including any supplement or amendment thereto) is not fair and honest in any material respects and not based on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting taken as a whole;

UNDERWRITING

- (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Hong Kong Prospectus, constitute a material misstatement in, or material omission from the Hong Kong Prospectus;
- (c) there is a material breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the representations or warranties given by the Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;
- (d) there is a material breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;
- (e) there is any change or development involving a prospective change, constituting or having a Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement);
- (f) the approval of the SEHK of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including pursuant to any exercise of the Over-Allotment Option), other than subject to customary conditions, is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;
- (g) the notice of acceptance of the CSRC Filings issued by the CSRC and/or the results of the CSRC Filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated;
- (h) any person named as an expert in the Hong Kong Prospectus (other than the Joint Sponsors) has withdrawn or is subject to withdrawing its consent to the issue of the Hong Kong Prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (i) the Company withdraws any of the Hong Kong Prospectus (and/or any other documents used in connection with the Global Offering) or the Global Offering;
- (j) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the Option Shares) pursuant to the terms of the Global Offering;

UNDERWRITING

- (k) there is an order or petition for the winding-up of the Company or any composition or arrangement made by the Company with its creditors or a scheme of arrangement entered into by the Company or any resolution for the winding-up of the Company or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of the Company or anything analogous thereto occurring in respect of the Company; or
- (l) a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.
- (m) there is an order or petition for the winding-up of the Company or any composition or arrangement made by the Company with its creditors or a scheme of arrangement entered into by the Company or any resolution for the winding-up of the Company or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of the Company or anything analogous thereto occurring in respect of the Company; or
- (n) a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

provided that the exercise of right of the Joint Sponsors and/or the Overall Coordinators shall be effective when all/majority of the Joint Sponsors and the Overall Coordinators in number elect to exercise such right by final, conclusive and binding on the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not issue any further Shares, or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

UNDERWRITING

Undertakings by Our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to us and to the Stock Exchange that, except pursuant to the Global Offering, they shall not, and shall procure that the relevant registered holders of the Shares in which they are beneficially interested shall not:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which they are shown by this prospectus to be the beneficial owner (as defined in the Listing Rules (the “**Relevant Securities**”)); and
- (b) in the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be our controlling shareholders of our Company.

In addition, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have also irrevocably undertaken to the Stock Exchange and us that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, they will:

- (a) when they pledge or charge any Shares or securities of our Company beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when they receive any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and announce such as soon as possible after being so informed by our Controlling Shareholders.

UNDERWRITING

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Company

Pursuant to the Hong Kong Underwriting Agreement, except for the issue, offer and sale of the Offer Shares pursuant to the Global Offering and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the First Six-Month Period, our Company has undertaken to each of the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and the Joint Sponsors not to, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) whose consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the Listing Rules:

- (a) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in the share capital or any other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of our Company, as applicable), or deposit any share capital or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the Shares or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of our Company, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any such transaction described in (a), (b) or (c) above,

UNDERWRITING

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six-Month Period). Our Company further agreed that, in the event our Company is allowed to enter into any of the transactions described in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the first six-month period expires, it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any Shares or other equity securities of our Company.

Our Company has agreed and undertaken to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that it will comply with the minimum public float requirements as allowed by the Stock Exchange (the “**Minimum Public Float Requirement**”), and it will not effect any purchase of the Shares, or agree to do so, which may reduce the holdings of the H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) to below the Minimum Public Float Requirement prior to the expiration of the first six-month period without first having obtained the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters).

Hong Kong Underwriters’ Interests in Our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Company or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with the International Underwriters on or around Monday, December 1, 2025. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be

UNDERWRITING

terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into or is terminated, the Global Offering will not proceed. See the section headed “Structure of the Global Offering — The International Offering” in this prospectus.

COMMISSIONS AND EXPENSES

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission of 2.6% of the aggregate Offer Price of all the Offer Shares (the “**Fixed Fees**”), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters and the Capital Market Intermediaries may receive a discretionary incentive fee of up to 0.8% of the aggregate Offer Price of all the Offer Shares (the “**Discretionary Fees**”).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The amount and respective entitlement among the Underwriters and the Capital Market Intermediaries of which is expected to be determined before the Listing Date in compliance with the Listing Rules. Assuming the Discretionary Fees are paid in full, the ratio of the Fixed Fees and the Discretionary Fees paid or payable to all Underwriters and all Capital Market Intermediaries is approximately 76.5:23.5.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$53.1 million (based on the Offer Price of HK\$7.3 per Offer Share and assuming the full payment of the discretionary incentive fee and the Over-allotment Option is not exercised), which will be made by our Company.

Joint Sponsors’ Fees

A fee of RMB4.77 million is payable by the Company as sponsors’ fees to the Joint Sponsors.

Joint Sponsors’ Independence

CMBC International Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. Guoyuan Capital (Hong Kong) Limited is considered as not to be independent under Rule 3A.07 of the Listing Rules.

UNDERWRITING

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Company’s loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

UNDERWRITING

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus.

24,300,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 2,430,000 H Shares (subject to reallocation) in Hong Kong as described in the sub-section “The Hong Kong Public Offering” in this section below; and
- (b) the International Offering of initially 21,870,000 H Shares (subject to reallocation and the Over-Allotment Option) outside the United States (including with professional, institutional, corporate and other investors whom we anticipate may have a reasonable demand for the H Shares in Hong Kong) in offshore transactions in reliance on Regulation S as described in the sub-section headed “The International Offering” in this section below.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25.00% of the total Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

Our Company is initially offering 2,430,000 H Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.5% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the sub-section headed “Conditions of the Global Offering” in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B.

- **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) or less.
- **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

STRUCTURE OF THE GLOBAL OFFERING

For the purpose of the immediately preceding paragraph only, the “price” for the Hong Kong Offer Shares means the price payable on application. See the subsection headed “Pricing and Allocation”.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 1,215,000 Hong Kong Offer Shares (being 50% of the H Shares initially made available under the Hong Kong Public Offering) is liable to be rejected.

Reallocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators and the Joint Global Coordinators. Subject to the allocation cap described in the subsequent paragraph, the Overall Coordinators and the Joint Global Coordinators may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators and the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 1,215,000 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 3,645,000 Offer Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering (before exercise of the Over-allotment Option) in accordance with Chapter 4.14 of the Guide for New Listing Applicants. In the circumstance where the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are undersubscribed, there will be no reallocation from the International Offering to the Hong Kong Public Offering, and no over-allocation of H Shares to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Given the initial allocation of the Offer Shares to the Hong Kong Public Offering and the International Offering follows Mechanism B set out under paragraph 2 of Chapter 4.14 of the Guide and the provision of Paragraph 4.2(b) of Practice Note 18 of the Listing Rules, no mandatory clawback or reallocation mechanism is required to increase the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Tuesday, December 2, 2025.

Where the International Offer Shares are undersubscribed, if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application under the International Offering is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be).

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), HK\$7.30 per Offer Share in addition to the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$3,686.82 for one board lot of 500 H Shares. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

The International Offering will consist of an offering of initially 21,870,000 H Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 22.5% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option are not exercised).

Allocation

The International Offering will include institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in sub-section headed “Pricing and Allocation” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares and/or hold or sell its H Shares after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Overall Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the International Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

The Offer Price will be HK\$7.30 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the Offer Price of HK\$7.30 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK\$3,686.82 for one board lot of 500 H Shares.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of our Company and the Stock Exchange at www.grkaolin.com/ and www.hkexnews.hk, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price will be final and conclusive and the Offer Price, if agreed upon by the Overall Coordinators and our Company, will be fixed within such revised Offer Price Range. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Overall Coordinators and our Company, will under no circumstances be set outside the Offer Price as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price is reduced, our Company will issue a supplemental prospectus or new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

The Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares — B. Publication of Results” in this prospectus.

OVER-ALLOCATION

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover the over-allocation by exercising the Over-allotment Option in full or in part, or by using H Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we may grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators in their sole and absolute discretion on behalf of the International Underwriters.

Pursuant to the Over-allotment Option (if granted), the International Underwriters have the right, exercisable by the Overall Coordinators (in their sole and absolute discretion on behalf of the International Underwriters) at any time from the Listing Date until 30 days from the last day for the making of applications under the Hong Kong Public Offering (being the last day for the exercise of the Over-allotment Option, which is Sunday, December 28, 2025), to require us to allot and issue up to 3,645,000 additional Offer Shares (representing not more than 15% of the total number of Offer Shares initially available under the Global Offering) at the Offer Price, to cover over-allocations in the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 13.04% of the total number of H Shares in issue immediately following completion of the Global Offering and the exercise of the Over-allotment Option. We will make an announcement if the Over-allotment Option is exercised.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard, and if possible, prevent a decline in the market price of the securities below the Offering Price. These transactions may be effected in jurisdictions where it is permitted to do so, in each case in compliance with all applicable laws and regulatory requirements, including those in Hong Kong. In Hong Kong, the price at which stabilization is effected cannot exceed the offer price of shares.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market. However, there is no obligation on the Stabilizing Manager to conduct any stabilizing activity. Stabilizing actions, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as being in our best interest, (b) may be discontinued at any time and (c) is required to end within 30 days of the last day for making applications under the Hong Kong Public Offering.

Stabilizing activities permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) include (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (b) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (c) subscribing, or agreeing to subscribe, for our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b), (d) purchasing, or agreeing to purchase, our H Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares, (e) selling or agreeing to sell our H Shares to liquidate a long position held as a result of those purchases and (f) offering or attempting to do anything described in (b), (c), (d) or (e).

Specifically, applicants for and investors in the Offer Shares should note that:

- (a) as a result of effecting transactions to stabilize or maintain the market price of our H Shares, the Stabilizing Manager (or any person acting for it) may maintain a long position in our Shares;

STRUCTURE OF THE GLOBAL OFFERING

- (b) the size of the long position, and the period for which the Stabilizing Manager (or any person acting for it) will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain;
- (c) liquidation of any long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of our H Shares;
- (d) stabilizing action by the Stabilizing Manager (or any person acting for it) is not permitted to support the price of our H Shares for longer than the stabilizing period, which begins on the Listing Day and ends on Sunday, December 28, 2025 (being the 30th day after the last day for making applications under the Hong Kong Public Offering). As a result, demand for our H Shares, and their market price, may fall after the end of the stabilizing period;
- (e) stabilizing activities by the Stabilizing Manager (or any person acting for it) may stabilize, maintain or otherwise affect the market price of our H Shares. This means the price of our H Shares may be higher than the price that otherwise might exist in the open market;
- (f) there is no assurance that the price of our H Shares can stay at or above the Offer Price by the taking of any stabilizing action either during or after the stabilizing period; and
- (g) bids for or market purchases of our H Shares by the Stabilizing Manager (or any person acting for it) may be made at a price at or below the Offer Price and therefore at or below the price paid for our H Shares by purchasers.

In order to effect stabilization actions, the Stabilizing Manager may arrange cover of up to an aggregate of 3,645,000 H Shares (representing up to 15% of the total number of Offer Shares initially available under the Global Offering), through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid before the Listing Date. The size of such cover can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of Offer Shares can be delivered on a delayed basis. If no investor in the International Offering agrees to the delayed delivery arrangements, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-allotment Option will not be exercised.

We will make an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) within seven days of the expiration of the stabilizing period.

STRUCTURE OF THE GLOBAL OFFERING

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Overall Coordinators and our Company agreeing on or before Monday, November 24, 2025.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around Monday, December 1, 2025.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval and permission not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the execution and delivery of the International Underwriting Agreement on or about Monday, December 1, 2025; and
- (c) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this Prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at www.grkaolin.com/ and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on Wednesday, December 3, 2025, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, December 3, 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, December 3, 2025.

The H Shares will be traded in board lots of 500 H Shares each and the stock code of the H Shares will be 2693.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.grkaolin.com/.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (*for the **White Form eIPO** service only*).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or a Supervisor or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Tuesday, November 25, 2025 and end at 12:00 noon on Friday, November 28, 2025 (Hong Kong time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service . . .	<u>www.eipo.com.hk</u>	Applicants who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Tuesday, November 25, 2025 to 11:30 a.m. on Friday, November 28, 2025, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Friday, November 28, 2025, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit electronic application instruction(s) on your behalf through HKSCC's FINI system in accordance with your instruction	Applicants who would <u>not</u> like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants	For Corporate Applicants
<ul style="list-style-type: none"> • Full name(s)² as shown on your identity document • Identity document's issuing country or jurisdiction • Identity document type, with order of priority: <ul style="list-style-type: none"> i. HKID card; or ii. National identification document; or iii. Passport; and • Identity document number 	<ul style="list-style-type: none"> • Full name(s)² as shown on your identity document • Identity document's issuing country or jurisdiction • Identity document type, with order of priority: <ul style="list-style-type: none"> i. LEI registration document; or ii. Certificate of incorporation; or iii. Business registration certificate; or iv. Other equivalent document; and • Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.
2. The applicant's full name as shown on their identity document must be used and the surname, given name, middle and other names (if any) must be input in the same order as shown on the identity document. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card (including both Hong Kong Residents and Hong Kong Permanent Residents), the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint account holders on FINI is capped at four in accordance with market practice.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agents, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 500 H Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment: : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The Offer Price is HK\$7.30 per Share.

If you are applying through the **HKSCC EIPO** channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong. You are responsible for complying with any such pre-funding requirement imposed by your broker or custodian with respect to the Hong Kong Offer Shares you applied for.

HOW TO APPLY FOR HONG KONG OFFER SHARES

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application
	HK\$		HK\$		HK\$		HK\$
500	3,686.82	6,000	44,241.72	40,000	294,944.82	400,000	2,949,448.20
1,000	7,373.62	7,000	51,615.35	45,000	331,812.92	500,000	3,686,810.26
1,500	11,060.44	8,000	58,988.97	50,000	368,681.03	600,000	4,424,172.30
2,000	14,747.23	9,000	66,362.58	60,000	442,417.24	700,000	5,161,534.36
2,500	18,434.05	10,000	73,736.20	70,000	516,153.44	800,000	5,898,896.40
3,000	22,120.86	15,000	110,604.31	80,000	589,889.65	900,000	6,636,258.46
3,500	25,807.67	20,000	147,472.41	90,000	663,625.85	1,000,000	7,373,620.50
4,000	29,494.48	25,000	184,340.51	100,000	737,362.06	1,100,000	8,110,982.56
4,500	33,181.30	30,000	221,208.61	200,000	1,474,724.10	1,215,000 ⁽¹⁾	8,958,948.91
5,000	36,868.10	35,000	258,076.72	300,000	2,212,086.16		

- (1) Maximum number of Hong Kong Offer Shares you may apply for.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “— *A. Applications for Hong Kong Offer Shares — 3. Information Required to Apply*” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;
- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that the Relevant Persons⁽³⁾, the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “— *G. Personal Data* — 3. *Purposes* and 4. *Transfer of personal data*” in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “— *B. Publication of Results*” in this section;
- (x) confirm that you are aware of the situations specified in the paragraph headed “— *C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares*” in this section;
- (xi) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(3) Relevant Persons include our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters, the Capital Market Intermediaries, any of their or the Company’s respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **White Form eIPO** Service Provider or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **White Form eIPO** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. PUBLICATION OF RESULTS

1. Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/Time
Applying through the White Form eIPO service or HKSCC EIPO channel:	
Website The designated results of allocation at www.iporesults.com.hk (alternatively: www.eipo.com.hk/eIPOAllotment) with a “search by ID” function.	from 11:00 p.m. on Tuesday, December 2, 2025 to 12:00 midnight on Monday, December 8, 2025 (Hong Kong time)
The full list of (i) wholly or partially successful applicants using the White Form eIPO service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at www.iporesults.com.hk or www.eipo.com.hk/eIPOAllotment .	
The Stock Exchange’s website at www.hkexnews.hk and our website at www.grkaolin.com/ which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Tuesday, December 2, 2025 (Hong Kong time).
Telephone. . . +852 2862 8555 — the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m., on Wednesday, December 3, 2025, Thursday, December 4, 2025, Friday, December 5, 2025 and Monday, December 8, 2025 (Hong Kong time) on a business day

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Monday, December 1, 2025 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Monday, December 1, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Allocation Announcement

We expect to announce the results of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at www.hkexnews.hk and our website at www.grkaolin.com/ by no later than 11:00 p.m. on Tuesday, December 2, 2025 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “— A. Applications for Hong Kong Offer Shares — 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on Wednesday, December 3, 2025 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The following sets out the relevant procedures and time:

	White Form eIPO service	HKSCC EIPO channel
Despatch/collection of H Share certificate⁽⁴⁾		
For physical share certificates of 1,000,000 or more Offer Shares issued under your own name . . .	<p>Collection in person at the H Share Registrar, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, Hong Kong</p> <p>Time: 9:00 a.m. to 1:00 p.m. on Wednesday, December 3, 2025 (Hong Kong time)</p> <p>If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop.</p> <p>Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.</p> <p>Note: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk</p>	<p>H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account</p> <p>No action by you is required</p>

(4) Except in the event of Bad Weather Signal(s) (as defined below) in force in Hong Kong on the business day before Tuesday, December 2, 2025 rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “— *E. Severe Weather Arrangements*” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

	White Form eIPO service	HKSCC EIPO channel
For physical share certificates of less than 1,000,000 Offer Shares issued under your own name	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk Date: Tuesday, December 2, 2025	
Refund mechanism for surplus application monies paid by you		
Date.	Wednesday, December 3, 2025	Subject to the arrangement between you and your broker or custodian
Responsible party	H Share Registrar	Your broker or custodian
Application monies paid through single bank account.	White Form e-Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Friday, November 28, 2025 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Extreme Conditions, (collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 28, 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at www.grkaolin.com/ of the revised timetable.

If a Severe Weather Signal is hoisted on Tuesday, December 2, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository’s service counter so that they would be available for trading on Wednesday, December 3, 2025.

If a Severe Weather Signal is hoisted on Tuesday, December 2, 2025, for application of less than 1,000,000 Offer Shares, the despatch of physical H Share certificate(s) will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, December 2, 2025 or on Wednesday, December 3, 2025).

If a Severe Weather Signal is hoisted on Wednesday, December 3, 2025, for application of 1,000,000 Offer Shares or more, physical H Share certificate(s) will be available for collection in person at the H Share Registrar’s office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, December 3, 2025 or on Thursday, December 4, 2025).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled. It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD. AND GUOYUAN CAPITAL (HONG KONG) LIMITED AND CMBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Anhui Jinyan Kaolin New Materials Co., Ltd. (the "Company") set out on pages I-4 to I-62, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Company for each of the years ended 31 December 2022, 2023 and 2024 and the five months ended 31 May 2025 (the "Relevant Periods"), and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024 and 31 May 2025, and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 25 November 2025 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public

Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Company as at 31 December 2022, 2023 and 2024 and 31 May 2025, and of the financial performance and cash flows of the Company for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Company which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 May 2024 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not

express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Ernst & Young

Certified Public Accountants

Hong Kong

25 November 2025

I 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 the Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>	
REVENUE	5	190,366	204,687	267,142	88,289	104,899
Cost of sales		(132,810)	(133,410)	(168,972)	(57,491)	(67,625)
GROSS PROFIT		57,556	71,277	98,170	30,798	37,274
Other income and gains . .	5	2,872	7,992	4,733	1,405	911
Research expenses		(7,282)	(6,978)	(12,638)	(4,518)	(4,131)
Selling and distribution expenses		(4,028)	(3,783)	(4,574)	(1,972)	(1,479)
Administrative expenses .		(22,752)	(17,477)	(22,329)	(8,731)	(8,742)
Other expenses		(476)	(9)	—	—	—
Finance costs	7	(1,039)	(973)	(3,709)	(638)	(3,192)
Reversal of/(provision for) impairment losses on financial assets, net.		1,752	(48)	(163)	(5)	(112)
PROFIT BEFORE TAX . .	6	26,603	50,001	59,490	16,339	20,529
Income tax expense	10	(2,180)	(6,384)	(6,888)	(1,869)	(2,497)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>24,423</u>	<u>43,617</u>	<u>52,602</u>	<u>14,470</u>	<u>18,032</u>
Attributable to owners of the parent		<u>24,423</u>	<u>43,617</u>	<u>52,602</u>	<u>14,470</u>	<u>18,032</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)	12	<u>0.43</u>	<u>0.60</u>	<u>0.72</u>	<u>0.20</u>	<u>0.25</u>

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 May
	Notes	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	179,277	385,701	493,516	480,628
Right-of-use assets	14(a)	94,068	91,305	88,542	87,390
Other intangible assets	15	138,912	134,104	128,405	125,570
Other non-current assets	17	736	—	—	—
Total non-current assets		412,993	611,110	710,463	693,588
CURRENT ASSETS					
Inventories	18	27,905	41,219	47,274	68,117
Trade and bills receivables	19	26,595	42,274	52,978	40,035
Prepayments, other receivables and other assets	20	5,161	10,383	25,121	31,623
Debt investments at fair value through other comprehensive income	21	12,401	1,453	19,185	18,576
Cash and cash equivalents	22	95,085	32,564	71,694	62,478
Total current assets		167,147	127,893	216,252	220,829
CURRENT LIABILITIES					
Trade and other payables	23	187,469	113,677	156,986	125,626
Tax payable		2,219	2,392	—	—
Interest-bearing bank and other borrowings	25	—	24,145	6,141	7,366
Total current liabilities		189,688	140,214	163,127	132,992
NET CURRENT (LIABILITIES)/ASSETS					
		(22,541)	(12,321)	53,125	87,837
TOTAL ASSETS LESS CURRENT LIABILITIES					
		390,452	598,789	763,588	781,425
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	25	—	153,000	258,100	258,100
Deferred income	26	14,701	13,033	12,503	12,200
Provision	24	21,824	22,765	25,463	26,117
Deferred tax liabilities	16	307	2,301	7,230	6,684
Total non-current liabilities		36,832	191,099	303,296	303,101
NET ASSETS					
		353,620	407,690	460,292	478,324
EQUITY					
Equity attributable to owners of the parent					
Share capital	27	70,887	72,894	72,894	72,894
Reserves	28	282,733	334,796	387,398	405,430
TOTAL EQUITY					
		353,620	407,690	460,292	478,324

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Paid-in capital	Share premium*	Capital reserve*	Special reserve*	Statutory surplus reserve*	Retained profits*	Total
	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000	RMB'000
As at 1 January 2022								
(unaudited).	–	31,145	–	43,392	–	8,526	98,884	181,947
Profit and total comprehensive income for the year	–	–	–	–	–	–	24,423	24,423
Capital contribution by shareholders before conversion into a joint stock company (note 27).	–	19,835	–	80,406	–	–	–	100,241
Convert to a joint stock company (note 27).	50,980	(50,980)	188,744	(123,798)	–	(8,526)	(56,420)	–
Issue of shares (note 27).	19,907	–	82,413	–	–	–	–	102,320
Transfer from retained profits	–	–	–	–	–	1,369	(1,369)	–
Dividends declared.	–	–	–	–	–	–	(55,311)	(55,311)
Provision for safety fund surplus reserve.	–	–	–	–	737	–	(737)	–
Utilisation of safety fund surplus reserve.	–	–	–	–	(737)	–	737	–
As at 31 December 2022.	<u>70,887</u>	<u>–</u>	<u>271,157</u>	<u>–</u>	<u>–</u>	<u>1,369</u>	<u>10,207</u>	<u>353,620</u>

	Share capital	Share premium*	Special reserve*	Statutory surplus reserve*	Retained profits*	Total
	RMB'000 (note 27)	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000	RMB'000
As at 1 January 2023	70,887	271,157	–	1,369	10,207	353,620
Profit and total comprehensive income for the year	–	–	–	–	43,617	43,617
Issue of shares (note 27).	2,007	8,993	–	–	–	11,000
Share issue expenses (note 27).	–	(547)	–	–	–	(547)
Transfer from retained profits	–	–	–	4,432	(4,432)	–
Provision for safety fund surplus reserve	–	–	2,366	–	(2,366)	–
Utilisation of safety fund surplus reserve	–	–	(1,988)	–	1,988	–
As at 31 December 2023	<u>72,894</u>	<u>279,603</u>	<u>378</u>	<u>5,801</u>	<u>49,014</u>	<u>407,690</u>

APPENDIX I
ACCOUNTANT'S REPORT

	Share capital	Share premium*	Special reserve*	Statutory surplus reserve*	Retained profits*	Total
	RMB'000 (note 27)	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000	RMB'000
As at 1 January 2024	72,894	279,603	378	5,801	49,014	407,690
Profit and total comprehensive						
income for the year	–	–	–	–	52,602	52,602
Transfer from retained profits	–	–	–	4,957	(4,957)	–
Provision for safety fund surplus						
reserve	–	–	2,747	–	(2,747)	–
Utilisation of safety fund surplus						
reserve	–	–	(2,913)	–	2,913	–
As at 31 December 2024	<u>72,894</u>	<u>279,603</u>	<u>212</u>	<u>10,758</u>	<u>96,825</u>	<u>460,292</u>

	Share capital	Share premium	Special reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2024	72,894	279,603	378	5,801	49,014	407,690
Profit and total comprehensive						
income for the period (unaudited) .	–	–	–	–	14,470	14,470
Provision for safety fund surplus						
reserve (unaudited)	–	–	1,105	–	(1,105)	–
Utilisation of safety fund surplus						
reserve (unaudited)	–	–	(224)	–	224	–
As at 31 May 2024 (unaudited) . . .	<u>72,894</u>	<u>279,603</u>	<u>1,259</u>	<u>5,801</u>	<u>62,603</u>	<u>422,160</u>

	Share capital	Share premium*	Special reserve*	Statutory surplus reserve*	Retained profits*	Total
	RMB'000 (note 27)	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000	RMB'000
As at 1 January 2025	72,894	279,603	212	10,758	96,825	460,292
Profit and total comprehensive						
income for the period	–	–	–	–	18,032	18,032
Provision for safety fund surplus						
reserve	–	–	1,367	–	(1,367)	–
Utilisation of safety fund surplus						
reserve	–	–	(57)	–	57	–
As at 31 May 2025	<u>72,894</u>	<u>279,603</u>	<u>1,522</u>	<u>10,758</u>	<u>113,547</u>	<u>478,324</u>

* These reserve accounts represent the total reserves of RMB282,733,000, RMB334,796,000, RMB387,398,000 and RMB405,430,000 in the statements of financial position as at 31 December 2022, 2023 and 2024 and 31 May 2025, respectively.

STATEMENTS OF CASH FLOWS

		Year ended 31 December			Five months ended 31 May	
	Notes	2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	6	26,603	50,001	59,490	16,339	20,529
Adjustments for:						
Loss/(gain) on disposal of items of property, plant and equipment .		9	(8)	—	—	—
Depreciation of items of property, plant and equipment	13	14,505	17,102	27,189	7,484	19,040
Depreciation of right- of-use assets	14	1,720	2,763	2,763	1,152	1,152
Amortisation of other intangible assets	15	2,988	4,808	5,699	2,404	2,835
Finance costs	7	1,039	973	3,709	638	3,192
Foreign exchange differences, net		(154)	(1)	(6)	(1)	1
(Reversal of)/provision for impairment losses on financial assets, net		(1,752)	48	163	5	112
Increase in inventories . . .		(1,886)	(13,314)	(6,055)	(18,162)	(20,843)
(Increase)/decrease in trade and bills receivables and debt investments at fair value through other comprehensive income .		(1,500)	(72,062)	(53,350)	(9,662)	11,081
Decrease in prepayments, other receivables and other assets		1,767	18,982	18,289	3,491	400
Decrease in deferred income		(857)	(1,668)	(530)	(82)	(303)
Increase/(decrease) in trade and other payables		7,824	8,564	(14,004)	(24,195)	(5,121)

	<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>	
Cash generated from/(used in) operations		50,306	16,188	43,357	(20,589)	32,075
Tax paid		(4,682)	(4,217)	(6,707)	(4,052)	(4,556)
Net cash flows from/(used in) operating activities . . .		<u>45,624</u>	<u>11,971</u>	<u>36,650</u>	<u>(24,641)</u>	<u>27,519</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(164,111)	(204,977)	(69,545)	(37,597)	(21,762)
Proceeds from disposal of items of property, plant and equipment		—	21	—	—	—
Disposal of a subsidiary		<u>32,798</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash flows used in investing activities . . .		<u>(131,313)</u>	<u>(204,956)</u>	<u>(69,545)</u>	<u>(37,597)</u>	<u>(21,762)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from capital contribution by shareholders	27(a)	100,241	—	—	—	—
Proceeds from issuance of shares	27	21,001	11,000	—	—	—
Share issue expenses	27(d)	—	(547)	—	—	—
Payment of listing expenses		—	—	(8,569)	—	(13,382)
New bank and other borrowings		—	177,000	131,100	51,100	—
Interest paid		—	(1,679)	(6,512)	(1,473)	(1,590)
Dividends paid		—	(55,311)	—	—	—
Repayment of bank loans		<u>—</u>	<u>—</u>	<u>(44,000)</u>	<u>—</u>	<u>—</u>
Net cash flows from/(used in) financing activities . . .		<u>121,242</u>	<u>130,463</u>	<u>72,019</u>	<u>49,627</u>	<u>(14,972)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>35,553</u>	<u>(62,522)</u>	<u>39,124</u>	<u>(12,611)</u>	<u>(9,215)</u>

	<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>	
Cash and cash equivalents at beginning of year/period		59,378	95,085	32,564	32,564	71,694
Effect of foreign exchange rate changes, net		<u>154</u>	<u>1</u>	<u>6</u>	<u>1</u>	<u>(1)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIOD		<u>95,085</u>	<u>32,564</u>	<u>71,694</u>	<u>19,954</u>	<u>62,478</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	22	<u>95,085</u>	<u>32,564</u>	<u>71,694</u>	<u>19,954</u>	<u>62,478</u>
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS		<u>95,085</u>	<u>32,564</u>	<u>71,694</u>	<u>19,954</u>	<u>62,478</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability incorporated in the People's Republic of China ("PRC"). The registered office of the Company is located at Shuobei Road, Shuoli Town, Duji District, Huaibei City, Anhui Province, PRC.

The Company is a standalone company. During the Relevant Periods and the five months ended 31 May 2024, the Company was a company in China's kaolin industry, with high-quality mineral assets and integrated capabilities spanning the entire value chain, from mining and processing to production and sales of refined products. The parent company of the Company is Huaibei Mining (Group) Co., Ltd. ("Huaibei Mining Group"), which is incorporated in the PRC. The Company is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Anhui Province.

The statutory financial statements of the Company for the years ended 31 December 2022, 2023 and 2024 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by RSM China Certified Public Accountants LLP (容誠會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (the "IASB"). All standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Company in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for debt investments at fair value through other comprehensive which have been measured at fair value.

2.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not applied the following new and revised standards, that have been issued but are not yet effective, in this Historical Financial Information.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
<i>Annual Improvements to IFRS Accounting Standards – Volume II</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

1 Effective for annual periods beginning on or after 1 January 2026

2 Effective for annual periods/reporting periods beginning on or after 1 January 2027

3 No mandatory effective date yet determined but available for adoption

Further information about the new and revised standards that are expected to be applicable to the Company is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other standards. IFRS 18 and the consequential amendments to other standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The new requirements are expected to impact the Company's presentation of the statement of profit or loss and statement of cash flows and disclosures of the Company's financial performance. So far, the Company considers that the new and amended standards are unlikely to have a significant impact on the Company's results of operations and financial position.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS accounting standards. Earlier application is permitted. IFRS 19 is not expected to have any significant impact on the Company's financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying Guidance on implementing IFRS 7), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Company are as follows:

- **IFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- **IFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- **IFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- **IAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Company's financial statements.

2.3 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Company measures certain financial instruments at fair value at the end of each of the Relevant Periods. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- | | | |
|---------|---|---|
| Level 1 | – | based on quoted prices (unadjusted) in active markets for identical assets or liabilities |
| Level 2 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly |
| Level 3 | – | based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);

- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life or it is calculated using the units of production ("UOP") basis to write off the cost of the asset proportionately to the value obtained from the extraction of the mineral reserves.

The estimated useful lives of property, plant and equipment depreciated on the straight-line basis are as follows:

Buildings	15 to 20 years
Plant and machinery	5 to 10 years
Office equipment and other devices	3 years
Motor vehicles	3 to 5 years
Asset related to rehabilitation	Life of mine

Included in property, plant and equipment is the mining infrastructure located at the mining sites. Depreciation is provided to write off the cost of the mining infrastructure using the UOP method based on the mineral reserves.

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

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.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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 lives of intangible assets are assessed to be finite. Intangible assets with finite lives 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 the end of each of the Relevant Periods.

Mining right

Mining right is stated at cost less accumulated amortisation and any impairment losses. Mining right includes the cost of acquiring mining licence. The mining right is amortised over the estimated useful life of the mine, in accordance with the production plans of the Company concerned and the reserves of the mine using the UOP method. Mining right is written off to profit or loss if the mining property is abandoned.

Research expenses

All research costs are charged to profit or loss as incurred.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land 33 to 50 years

If ownership of the leased asset transfers to the Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Company as a lessor

When the Company acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Company allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in other income and gains in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income and gains in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- | | | |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

Simplified approach

For trade receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts 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, comprises 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 in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Provisions

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 each of the Relevant Periods 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 profit or loss.

Provisions for the Company's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the rules and regulations of the PRC. The obligation generally arises when an asset is installed or the ground environment is disturbed at the production location. The Company estimates its liabilities for the final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related asset.

Over time, the discounted liability is increased for the change in the present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in profit or loss. The asset is depreciated using the straight-line method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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 the Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. When the contract contains a financing component which provides the Company with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective

interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customers, generally on receipt of the products by the customers.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension scheme

The Company contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Company has no further obligations for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of each of the Relevant Periods, it will assess whether the information affects the amounts that it recognises in its financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Foreign currency transactions recorded by the Company are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Further details are included in note 16 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Environmental rehabilitation obligations

Environmental rehabilitation obligations are inherently imprecise and only represent approximate amounts because of the subjective judgements involved in the estimation of the costs. Environmental rehabilitation obligations are subject to considerable uncertainty which affects the Company's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, mines and land development areas, whether operating, closed or sold, (ii) the extent of required clean-up efforts, (iii) varying cost of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. In addition, as prices and cost levels change from year to year, the estimation of environmental rehabilitation obligations also changes. Despite the inherent imprecision in these estimates, these estimates are used in assessing the provision for rehabilitation. The carrying amounts of provision for rehabilitation at 31 December 2022, 2023 and 2024 and 31 May 2025 were RMB21,824,000, RMB22,765,000, RMB25,463,000 and RMB26,117,000, respectively. Further details are included in note 24.

Useful lives of property, plant and equipment

Depreciation 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. Useful lives are determined based on management's past experience with similar assets, estimated changes in technologies and, in the case of mining-related property, plant and equipment, estimated life of mine. If the estimated useful lives change significantly, adjustments to depreciation will be provided in the future year. The carrying amounts of property, plant and equipment on the straight-line basis at 31 December 2022, 2023 and 2024 and 31 May 2025 were RMB131,216,000, RMB132,982,000, RMB466,697,000 and RMB449,584,000, respectively. Further details are included in note 13.

Provision for expected credit losses on financial assets

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Mineral reserves

Asset related to environmental rehabilitation obligation is depreciated based on the UOP method where mineral reserves are an important parameter. Engineering estimates of the Company's mineral reserves are inherently imprecise and only represent approximate amounts because of the significant judgements involved in developing such information. Mineral 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 mineral reserves also changes. This change is considered a change in estimates for accounting purposes and is reflected on a prospective basis at related depreciation rates.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Company has one reportable operating segment which is the mining and processing to production and sales of refined products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information**(a) Revenue from external customers**

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Chinese Mainland	189,173	203,733	266,267	87,722	104,362
Overseas	1,193	954	875	567	537
Total revenue	<u>190,366</u>	<u>204,687</u>	<u>267,142</u>	<u>88,289</u>	<u>104,899</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

All of the non-current assets of the Company are located in Chinese Mainland.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control amounted to 10% or more of the Company's revenue during the Relevant Periods and the five months ended 31 May 2024.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from contracts with customers	<u>190,366</u>	<u>204,687</u>	<u>267,142</u>	<u>88,289</u>	<u>104,899</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Types of goods or services					
Sale of industrial products	190,366	204,687	267,142	88,289	104,899
Geographical markets					
Chinese Mainland	189,173	203,733	266,267	87,722	104,362
Overseas	1,193	954	875	567	537
Total	190,366	204,687	267,142	88,289	104,899
Timing of revenue recognition					
Recognised at a point in time	190,366	204,687	267,142	88,289	104,899

The following table shows the amounts of revenue recognised during the Relevant Periods and five months ended 31 May 2024 that were included in the contract liabilities at the beginning of the Relevant Periods and the five months ended 31 May 2024:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of industrial products	5,528	4,313	3,060	2,536	1,694

(b) Performance obligations

Information about the Company's performance obligations is summarised below:

Sale of industrial products

The performance obligation of the sale of industrial products is recognised at the point in time when control of the assets is transferred to the customers, generally on receipt of the goods by the customers, and payment is generally due within one to two months from the date of billing. All the amounts of transaction prices are allocated to the remaining performance obligation, which is expected to be satisfied within one year. The Company has elected the practical expedient for not to disclose the remaining performance obligations for this type of contract.

Other income and gains

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sale of scrap	864	1,220	211	139	150
Government grants*	1,108	5,001	2,835	608	325
Income from value-added tax super deduction**	—	1,429	1,555	648	313
Interest income	361	140	54	9	15
Gain on disposal of items of property, plant and equipment	—	8	—	—	—
Others	539	194	78	1	108
Total	2,872	7,992	4,733	1,405	911

* The government grants have been received from local government authorities to support the Company's daily operations. During the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025, government grants amounting to RMB857,000, RMB1,668,000, RMB736,000, RMB307,000 (unaudited) and RMB303,000, respectively, were released from deferred income (note 26).

** Tax incentives on value-added tax ("VAT") are related to an additional 5% VAT input tax deduction for taxpayers of advanced manufacturing industries from 1 January 2023 to 31 December 2027.

6. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Five months ended 31 May	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories sold		132,810	133,410	168,972	57,491	67,625
Depreciation of property, plant and equipment*	13	14,505	17,102	27,189	7,484	19,040
Depreciation of right-of-use assets*	14(a)	1,720	2,763	2,763	1,152	1,152
Expenses relating to short-term and low-value leases	14(b)	992	84	157	16	133
Amortisation of other intangible assets*	15	2,988	4,808	5,699	2,404	2,835
Employee benefit expense (including directors' and chief executive's remuneration):						
Wages, salaries and other benefits		39,155	40,688	44,627	19,179	17,257
Pension scheme contributions		10,986	13,995	15,269	6,752	5,908
Loss/(gain) on disposal of items of property, plant and equipment		9	(8)	—	—	—
Provision for impairment losses on trade and bills receivables, net.		68	236	124	5	112
(Reversal of)/provision for impairment losses on other receivables, net		(1,820)	(188)	39	—	—
Auditor's remuneration		660	142	283	283	189
Foreign exchange differences, net.		(528)	(18)	(7)	(1)	1
Listing expenses		—	—	467	—	41

* The depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and employee benefit expense for the year/period are included in "Cost of inventories sold", "Selling and distribution expenses", "Research expenses" and "Administrative expenses" in the statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on borrowings	–	1,824	6,508	2,364	2,815
Increase in discounted amounts of provisions arising from the passage of time	1,039	941	833	267	377
Less: Interest capitalised	–	(1,792)	(3,632)	(1,993)	–
Total	<u>1,039</u>	<u>973</u>	<u>3,709</u>	<u>638</u>	<u>3,192</u>

During the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025, the capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation were nil, 3%, 2.6%, 2.6% (unaudited) and nil, respectively.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fees	–	9	135	51	89
Other emoluments: Salaries, allowances and benefits in kind	607	442	859	290	695
Pension scheme contributions and social welfare	72	187	308	130	130
Total	<u>679</u>	<u>638</u>	<u>1,302</u>	<u>471</u>	<u>914</u>

(a) Independent non-executive directors

The fees paid to independent non-executive directors at the end of each of the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025 were as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
– Mr. Li Chenhui	–	3	40	17	17
– Mr. Jiang Weidong	–	3	40	17	17
– Mr. Miao Guanghong	–	3	40	17	17
– Mr. Chan Ngai Fan	–	–	15	–	38
Total	<u>–</u>	<u>9</u>	<u>135</u>	<u>51</u>	<u>89</u>

There were no other emoluments payable to the independent non-executive directors at the end of each of the Relevant Periods and the five months ended 31 May 2024. Mr. Li Chenhui, Mr. Jiang Weidong and Mr. Miao Guanghong were appointed as independent non-executive directors in November 2023. Mr. Chan Ngai Fan was appointed as an independent non-executive director in October 2024.

(b) Executive directors, non-executive directors and the chief executive

	Salaries, allowances and benefits in kind	Pension scheme contributions and social welfare	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2022			
Executive director:			
– Ms. Wang Yuli	322	22	344
Non-executive directors:			
– Mr. Jiao Daojie	–	–	–
– Mr. Yang Chong	–	–	–
– Mr. Li Zhuangzhi	–	–	–
Chief executive:			
– Mr. Shu Chunpeng	285	50	335
Total	607	72	679

	Salaries, allowances and benefits in kind	Pension scheme contributions and social welfare	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2023			
Executive directors:			
– Ms. Wang Yuli	219	87	306
– Ms. Chen Yan	19	16	35
Non-executive directors:			
– Mr. Jiao Daojie	–	–	–
– Mr. Yang Chong	–	–	–
– Mr. Li Zhuangzhi	–	–	–
Chief executives:			
– Mr. Shu Chunpeng	144	60	204
– Mr. Zhang Kuang	60	24	84
Total	442	187	629

	Salaries, allowances and benefits in kind	Pension scheme contributions and social welfare	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2024			
Executive directors:			
– Ms. Wang Yuli	379	104	483
– Ms. Chen Yan	231	103	334
Non-executive directors:			
– Mr. Jiao Daojie	–	–	–
– Mr. Yang Chong	–	–	–
– Mr. Li Zhuangzhi	–	–	–
Chief executive:			
– Mr. Zhang Kuang	249	101	350
Total	859	308	1,167

	Salaries, allowances and benefits in kind	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000
Five months ended 31 May 2024 (unaudited)			
Executive directors:			
– Ms. Wang Yuli	110	44	154
– Ms. Chen Yan	<u>70</u>	<u>45</u>	<u>115</u>
Non-executive directors:			
– Mr. Jiao Daojie	–	–	–
– Mr. Yang Chong	–	–	–
– Mr. Li Zhuangzhi	<u>–</u>	<u>–</u>	<u>–</u>
Chief executive:			
– Mr. Zhang Kuang	<u>110</u>	<u>41</u>	<u>151</u>
Total	<u>290</u>	<u>130</u>	<u>420</u>

	Salaries, allowances and benefits in kind	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000
Five months ended 31 May 2025			
Executive directors:			
– Ms. Wang Yuli	362	42	404
– Ms. Chen Yan	<u>216</u>	<u>41</u>	<u>257</u>
Non-executive directors:			
– Mr. Jiao Daojie	–	–	–
– Mr. Yang Chong	–	–	–
– Mr. Li Zhuangzhi	<u>–</u>	<u>–</u>	<u>–</u>
Chief executive:			
– Mr. Zhang Kuang	<u>117</u>	<u>47</u>	<u>164</u>
Total	<u>695</u>	<u>130</u>	<u>825</u>

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration at the end of each of the Relevant Periods and 31 May 2024.

Mr. Shu Chunpeng was appointed as chief executive of the Company in June 2022. Ms. Wang Yuli was appointed as executive director in July 2022. Mr. Jiao Daojie, Mr. Yang Chong and Mr. Li Zhuangzhi were appointed as non-executive directors in June 2022. In October 2023, Mr. Shu Chunpeng resigned from his position as chief executive of the Company and Mr. Zhang Kuang was appointed as chief executive of the Company. Ms. Chen Yan was appointed as an executive director in November 2023.

Mr. Jiao Daojie, Mr. Yang Chong and Mr. Li Zhuangzhi were appointed and paid by Huaibei Mining Group to serve as non-executive directors of the Company.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025 included two, nil, one, nil (unaudited) and two director, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining highest paid employees who are neither a director nor chief executive of the Company for the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	919	1,633	1,709	964	673
Pension scheme contributions and social welfare	220	409	436	292	186
Total	<u>1,139</u>	<u>2,042</u>	<u>2,145</u>	<u>1,256</u>	<u>859</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
				(unaudited)	
Nil to HK\$500,000	3	4	–	5	3
HK\$500,001 to HK\$1,000,000	–	1	4	–	–
	=	=	=	=	=

10. INCOME TAX

The Company is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions.

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), the Company which operates in Chinese Mainland is subject to CIT at a rate of 25% on the taxable income.

The Company was identified as a “High and New Technology Enterprise” on 21 October 2016 and renewed the qualification on 18 October 2022, and such status will expire on 18 October 2025. Based on the CIT Law and related regulations, the applicable tax rate of the Company is 15% provided that the Company complies with the conditions set out in the relevant requirements.

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax	–	4,390	1,959	2,977	3,043
Deferred tax (note 16)	<u>2,180</u>	<u>1,994</u>	<u>4,929</u>	<u>(1,108)</u>	<u>(546)</u>
Total tax charge for the year/period	<u>2,180</u>	<u>6,384</u>	<u>6,888</u>	<u>1,869</u>	<u>2,497</u>

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company is domiciled to the income tax expense at the effective income tax rate is as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	26,603	50,001	59,490	16,339	20,529
At the statutory income tax rate of 25%	6,651	12,500	14,872	4,085	5,132
Effect of preferential income tax rates	(2,661)	(5,000)	(5,949)	(1,636)	(2,053)
Expenses not deductible for tax	273	123	23	8	16
Additional deductible allowance for qualified research costs	(1,092)	(1,239)	(2,058)	(588)	(598)
Additional deductible allowance for purchase of property, plant and equipment	(991)	—	—	—	—
Tax charge at the Company's effective rate	2,180	6,384	6,888	1,869	2,497

11. DIVIDENDS

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends	55,311	—	—	—	—

All the dividends declared in 2022 were paid in August 2023.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year or the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the Relevant Periods and the five months ended 31 May 2024.

As described in note 27(b), the Company was converted into a joint stock company with limited liability. The Company's paid-in capital of RMB50,980,400 was converted into 50,980,400 shares of RMB1.00 each accordingly. For the purpose of computing basic and diluted earnings per share, the weighted average number of ordinary shares deemed to be outstanding before the Company's conversion into a joint stock company was determined assuming the conversion had occurred since 1 January 2022, at the exchange ratio established in the conversion in June 2022.

The Company had no potentially dilutive ordinary shares outstanding during the Relevant Periods and the five months ended 31 May 2024.

The calculations of basic earnings per share are based on:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
				(unaudited)	
<u>Earnings</u>					
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000) .	<u>24,423</u>	<u>43,617</u>	<u>52,602</u>	<u>14,470</u>	<u>18,032</u>
<u>Shares</u>					
Weighted average number of ordinary shares deemed to be outstanding during the year/period used in the basic earnings per share calculation ('000)	57,105	72,251	72,894	72,894	72,894

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment and other devices	Motor vehicles	Mining infrastructure	Asset related to rehabilitation	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2022								
At 1 January 2022:								
Cost (unaudited)	50,938	82,538	574	1,774	26,737	20,784	1,705	185,050
Accumulated depreciation (unaudited)	<u>(11,051)</u>	<u>(24,476)</u>	<u>(523)</u>	<u>(1,204)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(37,254)</u>
Net carrying amount (unaudited)	<u>39,887</u>	<u>58,062</u>	<u>51</u>	<u>570</u>	<u>26,737</u>	<u>20,784</u>	<u>1,705</u>	<u>147,796</u>
At 1 January 2022, net of accumulated depreciation (unaudited)	39,887	58,062	51	570	26,737	20,784	1,705	147,796
Additions	955	13,660	360	—	1,337	—	29,683	45,995
Disposals	(9)	—	—	—	—	—	—	(9)
Transfer from construction in progress	—	10,535	162	152	—	—	(10,849)	—
Depreciation provided during the year	<u>(2,868)</u>	<u>(9,871)</u>	<u>(80)</u>	<u>(147)</u>	<u>(552)</u>	<u>(987)</u>	<u>—</u>	<u>(14,505)</u>
At 31 December 2022, net of accumulated depreciation .	<u>37,965</u>	<u>72,386</u>	<u>493</u>	<u>575</u>	<u>27,522</u>	<u>19,797</u>	<u>20,539</u>	<u>179,277</u>
At 31 December 2022:								
Cost	51,875	104,300	1,096	1,926	28,074	20,784	20,539	228,594
Accumulated depreciation . .	<u>(13,910)</u>	<u>(31,914)</u>	<u>(603)</u>	<u>(1,351)</u>	<u>(552)</u>	<u>(987)</u>	<u>—</u>	<u>(49,317)</u>
Net carrying amount.	<u>37,965</u>	<u>72,386</u>	<u>493</u>	<u>575</u>	<u>27,522</u>	<u>19,797</u>	<u>20,539</u>	<u>179,277</u>

APPENDIX I

ACCOUNTANT'S REPORT

	Buildings	Plant and machinery	Office equipment and other devices	Motor vehicles	Mining infrastructure	Asset related to rehabilitation	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023								
At 1 January 2023:								
Cost	51,875	104,300	1,096	1,926	28,074	20,784	20,539	228,594
Accumulated depreciation . .	(13,910)	(31,914)	(603)	(1,351)	(552)	(987)	–	(49,317)
Net carrying amount.	<u>37,965</u>	<u>72,386</u>	<u>493</u>	<u>575</u>	<u>27,522</u>	<u>19,797</u>	<u>20,539</u>	<u>179,277</u>
At 1 January 2023, net of accumulated depreciation .	37,965	72,386	493	575	27,522	19,797	20,539	179,277
Additions	–	–	–	–	–	–	223,538	223,538
Disposals	–	–	–	(12)	–	–	–	(12)
Transfer from construction in progress	6,557	10,304	288	763	–	–	(17,912)	–
Depreciation provided during the year	<u>(2,969)</u>	<u>(11,666)</u>	<u>(198)</u>	<u>(313)</u>	<u>(968)</u>	<u>(988)</u>	<u>–</u>	<u>(17,102)</u>
At 31 December 2023, net of accumulated depreciation .	<u>41,553</u>	<u>71,024</u>	<u>583</u>	<u>1,013</u>	<u>26,554</u>	<u>18,809</u>	<u>226,165</u>	<u>385,701</u>
At 31 December 2023:								
Cost	58,432	114,605	1,384	2,430	28,074	20,784	226,165	451,874
Accumulated depreciation . .	(16,879)	(43,581)	(801)	(1,417)	(1,520)	(1,975)	–	(66,173)
Net carrying amount.	<u>41,553</u>	<u>71,024</u>	<u>583</u>	<u>1,013</u>	<u>26,554</u>	<u>18,809</u>	<u>226,165</u>	<u>385,701</u>

	Buildings	Plant and machinery	Office equipment and other devices	Motor vehicles	Mining infrastructure	Asset related to rehabilitation	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024								
At 1 January 2024:								
Cost	58,432	114,605	1,384	2,430	28,074	20,784	226,165	451,874
Accumulated depreciation . .	(16,879)	(43,581)	(801)	(1,417)	(1,520)	(1,975)	–	(66,173)
Net carrying amount.	<u>41,553</u>	<u>71,024</u>	<u>583</u>	<u>1,013</u>	<u>26,554</u>	<u>18,809</u>	<u>226,165</u>	<u>385,701</u>
At 1 January 2024, net of accumulated depreciation .	41,553	71,024	583	1,013	26,554	18,809	226,165	385,701
Additions	–	–	–	–	–	–	133,139	133,139
Effect on change of provision for environmental rehabilitation	–	–	–	–	–	1,865	–	1,865
Transfer from construction in progress	135,080	221,106	1,717	13	–	–	(357,916)	–
Depreciation provided during the year	<u>(5,632)</u>	<u>(18,452)</u>	<u>(407)</u>	<u>(328)</u>	<u>(1,124)</u>	<u>(1,246)</u>	<u>–</u>	<u>(27,189)</u>
At 31 December 2024, net of accumulated depreciation .	<u>171,001</u>	<u>273,678</u>	<u>1,893</u>	<u>698</u>	<u>25,430</u>	<u>19,428</u>	<u>1,388</u>	<u>493,516</u>
At 31 December 2024:								
Cost	193,512	335,711	3,101	2,443	28,074	22,649	1,388	586,878
Accumulated depreciation . .	(22,511)	(62,033)	(1,208)	(1,745)	(2,644)	(3,221)	–	(93,362)
Net carrying amount	<u>171,001</u>	<u>273,678</u>	<u>1,893</u>	<u>698</u>	<u>25,430</u>	<u>19,428</u>	<u>1,388</u>	<u>493,516</u>

	Buildings	Plant and machinery	Office equipment and other devices	Motor vehicles	Mining infrastructure	Asset related to rehabilitation	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 May 2025								
At 1 January 2025:								
Cost	193,512	335,711	3,101	2,443	28,074	22,649	1,388	586,878
Accumulated depreciation . .	(22,511)	(62,033)	(1,208)	(1,745)	(2,644)	(3,221)	–	(93,362)
Net carrying amount.	<u>171,001</u>	<u>273,678</u>	<u>1,893</u>	<u>698</u>	<u>25,430</u>	<u>19,428</u>	<u>1,388</u>	<u>493,516</u>
At 1 January 2025, net of accumulated depreciation .	171,001	273,678	1,893	698	25,430	19,428	1,388	493,516
Additions	–	–	–	–	–	–	5,875	5,875
Effect on change of provision for environmental rehabilitation	–	–	–	–	–	277	–	277
Transfer from construction in progress	–	1,079	8	–	–	–	(1,087)	–
Depreciation provided during the period	<u>(3,922)</u>	<u>(13,725)</u>	<u>(222)</u>	<u>(132)</u>	<u>(562)</u>	<u>(477)</u>	<u>–</u>	<u>(19,040)</u>
At 31 May 2025, net of accumulated depreciation .	<u>167,079</u>	<u>261,032</u>	<u>1,679</u>	<u>566</u>	<u>24,868</u>	<u>19,228</u>	<u>6,176</u>	<u>480,628</u>
At 31 May 2025:								
Cost	193,512	336,790	3,109	2,443	28,074	22,926	6,176	593,030
Accumulated depreciation . .	(26,433)	(75,758)	(1,430)	(1,877)	(3,206)	(3,698)	–	(112,402)
Net carrying amount.	<u>167,079</u>	<u>261,032</u>	<u>1,679</u>	<u>566</u>	<u>24,868</u>	<u>19,228</u>	<u>6,176</u>	<u>480,628</u>

The ownership certificates of certain property, plant and equipment with aggregate net carrying values of RMB7,715,000, RMB5,062,000, RMB83,189,000 and nil, have not yet been obtained as at 31 December 2022, 2023 and 2024 and 31 May 2025, respectively.

14. LEASES

The Company as a lessee

The Company has lease contracts for leasehold land used in its operations. Lump sum payments were made upfront to lease the leasehold land with lease periods of 33 to 50 years, and no ongoing payments will be made under the terms of the lease.

(a) Right-of-use assets

The carrying amounts of the Company's right-of-use assets and the movements during the Relevant Periods are as follows:

	Leasehold land
	RMB'000
As at 1 January 2022 (unaudited)	12,146
Additions	83,642
Depreciation charge	<u>(1,720)</u>
As at 31 December 2022 and 1 January 2023	94,068
Depreciation charge	<u>(2,763)</u>

	Leasehold land
	<i>RMB'000</i>
As at 31 December 2023 and 1 January 2024	91,305
Depreciation charge	<u>(2,763)</u>
As at 31 December 2024	88,542
Depreciation charge	<u>(1,152)</u>
As at 31 May 2025	<u>87,390</u>

(b) *The amounts recognised in profit or loss in relation to leases are as follows:*

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Depreciation charge of right-of-use assets	1,720	2,763	2,763	1,152	1,152
Expenses relating to short-term and low-value leases	<u>992</u>	<u>84</u>	<u>157</u>	<u>16</u>	<u>133</u>
Total amount recognised in profit or loss	<u>2,712</u>	<u>2,847</u>	<u>2,920</u>	<u>1,168</u>	<u>1,285</u>

The Company as a lessor

The Company leases certain of its warehouses to a third party under operating lease arrangements. Rental income recognised by the Company during the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025 were nil, RMB69,000, RMB40,000, RMB17,000 (unaudited) and RMB17,000 respectively.

As at the end of each of the Relevant Periods and 31 May 2024, the undiscounted lease payments receivable by the Company in future periods under non-cancellable operating leases with its tenants are as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Within one year	96	40	20	40	3
After one year but within two years	40	20	–	3	–
After two years but within three years	<u>20</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u>156</u>	<u>60</u>	<u>20</u>	<u>43</u>	<u>3</u>

15. OTHER INTANGIBLE ASSETS

	Mining rights
	<i>RMB'000</i>
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation (unaudited)	141,900
Amortisation provided during the year	<u>(2,988)</u>
At 31 December 2022	<u>138,912</u>
At 31 December 2022	
Cost	141,900
Accumulated amortisation	<u>(2,988)</u>
Net carrying amount	<u>138,912</u>
31 December 2023	
Cost at 1 January 2023, net of accumulated amortisation	138,912
Amortisation provided during the year	<u>(4,808)</u>
At 31 December 2023	<u>134,104</u>
At 31 December 2023	
Cost	141,900
Accumulated amortisation	<u>(7,796)</u>
Net carrying amount	<u>134,104</u>
31 December 2024	
Cost at 1 January 2024, net of accumulated amortisation	134,104
Amortisation provided during the year	<u>(5,699)</u>
At 31 December 2024	<u>128,405</u>
At 31 December 2024	
Cost	141,900
Accumulated amortisation	<u>(13,495)</u>
Net carrying amount	<u>128,405</u>
31 May 2025	
Cost at 1 January 2025, net of accumulated amortisation	128,405
Amortisation provided during the period	<u>(2,835)</u>
At 31 May 2025	<u>125,570</u>
At 31 May 2025	
Cost	141,900
Accumulated amortisation	<u>(16,330)</u>
Net carrying amount	<u>125,570</u>

16. DEFERRED TAX

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

Deferred tax assets

	Impairment of assets	Provision for rehabilitation	Deferred income	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (unaudited) . . .	347	3,118	1,526	–	4,991
Deferred tax (charged)/credited to profit or loss during the year . . .	(263)	156	(56)	1,613	1,450
Gross deferred tax assets at 31 December 2022	84	3,274	1,470	1,613	6,441
At 1 January 2023	84	3,274	1,470	1,613	6,441
Deferred tax credited/(charged) to profit or loss during the year . . .	6	141	(168)	(1,613)	(1,634)
Gross deferred tax assets at 31 December 2023	90	3,415	1,302	–	4,807
At 1 January 2024	90	3,415	1,302	–	4,807
Deferred tax credited/(charged) to profit or loss during the year . . .	4	404	(4)	–	404
Gross deferred tax assets at 31 December 2024	94	3,819	1,298	–	5,211
At 1 January 2025	94	3,819	1,298	–	5,211
Deferred tax credited/(charged) to profit or loss during the period . .	16	99	(16)	–	99
Gross deferred tax assets at 31 May 2025	110	3,918	1,282	–	5,310

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Asset related to rehabilitation	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2022 (unaudited)	–	3,118	3,118
Deferred tax charged/(credited) to profit or loss during the year	3,779	(149)	3,630
Gross deferred tax liabilities at 31 December 2022. . . .	3,779	2,969	6,748
At 1 January 2023.	3,779	2,969	6,748
Deferred tax charged/(credited) to profit or loss during the year	508	(148)	360
Gross deferred tax liabilities at 31 December 2023. . . .	4,287	2,821	7,108
At 1 January 2024.	4,287	2,821	7,108
Deferred tax charged to profit or loss during the year . .	5,240	93	5,333
Gross deferred tax liabilities at 31 December 2024 . . .	9,527	2,914	12,441
At 1 January 2025.	9,527	2,914	12,441
Deferred tax credited to profit or loss during the period	(417)	(30)	(447)
Gross deferred tax liabilities at 31 May 2025	9,110	2,884	11,994

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position as at 31 December 2022, 2023 and 2024 and 31 May 2025. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the statements of financial position	–	–	–	–
Net deferred tax liabilities recognised in the statements of financial position . .	307	2,301	7,230	6,684

17. OTHER NON-CURRENT ASSETS

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for construction in progress	736	–	–	–

18. INVENTORIES

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	9,104	11,256	13,155	10,952
Work in progress	6,717	15,395	17,963	34,485
Finished goods	12,084	14,568	16,156	22,680
Total	27,905	41,219	47,274	68,117

19. TRADE AND BILLS RECEIVABLES

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	24,801	38,380	46,745	31,939
Trade receivables	2,012	4,344	6,807	8,782
Impairment	(218)	(450)	(574)	(686)
Net carrying amount	26,595	42,274	52,978	40,035

The Company generally requires the customers to pay in advance of delivery. However, based on their scale, fiscal condition, operational results and historical contractual performance, the Company engaged in credit sales with certain customers and granted credit terms up to 90 days, of which each customer has a maximum credit limit. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 31 December 2022, 2023 and 2024 and 31 May 2025, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	1,577	3,671	5,313	6,190
3 to 6 months	33	157	897	1,373
6 to 12 months	120	17	1	520
1 to 3 years	54	47	–	1
Over 3 years	10	2	22	12
Total	<u>1,794</u>	<u>3,894</u>	<u>6,233</u>	<u>8,096</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	150	218	450	574
Impairment losses, net	68	236	124	112
Amount written off as uncollectible	–	(4)	–	–
At end of year/period	<u>218</u>	<u>450</u>	<u>574</u>	<u>686</u>

An impairment analysis was made based on expected credit loss model on the recoverability of trade receivables and performed using a provision matrix to measure expected credit losses. The identification of impairment requires management's judgements and estimates by considering the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macroeconomy.

Set out below is the information about the credit risk exposure on the Company's trade receivables:

As at 31 December 2022

	Within 1 year	1 to 3 years	Over 3 years	Total
Expected credit rate	5.05%	8.47%	92.37%	10.83%
Gross carrying amount (RMB'000)	1,822	59	131	2,012
Expected credit losses (RMB'000)	<u>92</u>	<u>5</u>	<u>121</u>	<u>218</u>

As at 31 December 2023

	Individual basis	Within 1 year	1 to 3 years	Over 3 years	Total
Expected credit rate	100.00%	5.01%	27.69%	98.35%	10.36%
Gross carrying amount (RMB'000)	110	4,048	65	121	4,344
Expected credit losses (RMB'000)	<u>110</u>	<u>203</u>	<u>18</u>	<u>119</u>	<u>450</u>

As at 31 December 2024

	<u>Individual basis</u>	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
Expected credit rate	100.00%	5.00%	32.07%	86.59%	8.43%
Gross carrying amount (RMB'000)	105	6,538	–	164	6,807
Expected credit losses (RMB'000)	<u>105</u>	<u>327</u>	<u>–</u>	<u>142</u>	<u>574</u>

As at 31 May 2025

	<u>Individual basis</u>	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
Expected credit rate	100.00%	5.02%	50.00%	92.73%	7.81%
Gross carrying amount (RMB'000)	105	8,510	2	165	8,782
Expected credit losses (RMB'000)	<u>105</u>	<u>427</u>	<u>1</u>	<u>153</u>	<u>686</u>

The expected credit losses for bills receivable were minimal since the settlement was made from creditworthy banks with no recent history of default as at 31 December 2022, 2023 and 2024 and 31 May 2025. The maturity term of bills receivable is generally one to six months.

The Company endorsed certain bills receivable included in bills receivable and debt investments at fair value through other comprehensive income, which were all accepted by banks in the Chinese Mainland to certain suppliers in order to settle the trade and other payables due to such suppliers. Further details are included in note 34 to the Historical Financial Information.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables	1,071	211	285	250
Advance to suppliers	3,308	3,376	2,403	3,166
Recoverable value-added tax	984	6,810	801	1,280
Income tax recoverable	–	–	2,356	3,869
Deferred listing expenses	–	–	19,329	23,111
Impairment	<u>(202)</u>	<u>(14)</u>	<u>(53)</u>	<u>(53)</u>
Total	<u>5,161</u>	<u>10,383</u>	<u>25,121</u>	<u>31,623</u>

Other receivables are unsecured, non-interest-bearing and repayable on demand.

The Company has applied the general approach in calculating the expected credit loss for other receivables. The Company considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate.

The following table provides information about the exposure to credit risk and ECLs for other receivables from third parties which are assessed collectively based on an estimated average credit loss rate as at 31 December 2022, 2023 and 2024 and 31 May 2025:

	31 December 2022		
	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	RMB'000
Other receivables	18.86%	1,071	202
	31 December 2023		
	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	RMB'000
Other receivables	6.64%	211	14
	31 December 2024		
	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	RMB'000
Other receivables	18.60%	285	53
	31 May 2025		
	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	RMB'000
Other receivables	21.20%	250	53

21. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Debt investments at fair value through other comprehensive income:				
Bills receivable	12,401	1,453	19,185	18,576

For the bills receivable that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, they are measured at "financial assets at fair value through other comprehensive income" ("financial assets at FVTOCI").

The Company considers the credit risk is limited because counterparties are banks with good credit standing and are highly likely to be paid, and the ECLs are considered as insignificant.

22. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	95,085	32,564	71,694	62,478
Cash and cash equivalents	95,085	32,564	71,694	62,478

As at 31 December 2022, 2023 and 2024 and 31 May 2025, the cash and cash equivalents of the Company denominated in United States dollars ("USD") amounted to approximately RMB177,000, nil, RMB779,000 and RMB1,458,000, respectively. The remaining cash and cash equivalents held by the Company are denominated in RMB.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

23. TRADE AND OTHER PAYABLES

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Payable for purchase of property, plant and equipment and other intangible assets	85,352	42,765	80,723	61,812
Dividends payable	55,311	—	—	—
Trade payables (a)	18,269	49,676	43,635	38,902
Contract liabilities (b)	4,313	3,060	2,407	4,277
Payroll and welfare payables	9,434	6,820	7,458	6,854
Other tax payables	9,609	2,852	1,415	3,317
Other payables (c)	3,014	5,869	18,774	7,861
Deposits	1,606	2,237	2,262	2,046
Other current liabilities	561	398	312	557
Total	187,469	113,677	156,986	125,626

- (a) An ageing analysis of the trade payables as at 31 December 2022, 2023 and 2024 and 31 May 2025, based on the invoice date, is as follows:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	17,631	49,192	43,561	38,587
1 to 2 years	510	248	6	252
2 to 3 years	3	166	4	—
Over 3 years	125	70	64	63
Total	18,269	49,676	43,635	38,902

- (b) Contract liabilities include short-term advances received from customers regarding to sales of goods.
- (c) Other payables are non-interest-bearing.

24. PROVISION

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for rehabilitation	21,824	22,765	25,463	26,117
Less: current portion	—	—	—	—
Non-current portion	<u>21,824</u>	<u>22,765</u>	<u>25,463</u>	<u>26,117</u>

The Company recognised a provision for environmental rehabilitation on the estimation of the life of mining tenement, timing of mine closure and costs of rehabilitation to be incurred in the future periods. Such provision will be re-estimated based on the updated plans of rehabilitating mine sites.

The movements in the present value of the provision for rehabilitation are as follows:

	Year ended 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
As at the beginning of the year/period	20,785	21,824	22,765	25,463
Interest increments	1,039	941	833	377
Change in discount rate	—	—	1,626	277
Change in estimated rehabilitation cost	—	—	239	—
As at the end of the year/period . . .	<u>21,824</u>	<u>22,765</u>	<u>25,463</u>	<u>26,117</u>

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 31 December 2022			
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings – unsecured	—	—	—
Non-current			
Bank borrowings – unsecured	—	—	—
Total			—
As at 31 December 2023			
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings – unsecured	2.50	2024	<u>24,145</u>
Non-current			
Bank borrowings – unsecured	2.90-3.00	2025-2030	<u>153,000</u>
Total			<u>177,145</u>

As at 31 December 2024			
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings – unsecured	2.50	2025	6,141
Non-current			
Bank borrowings – unsecured	2.30-2.90	2026-2030	178,100
Other borrowings – unsecured*	2.30-2.55	2032	80,000
Total			264,241
As at 31 May 2025			
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings – unsecured	2.30	2025	7,097
Other borrowings – unsecured*	2.30	2025	269
Non-current			
Bank borrowings – unsecured	2.30-2.90	2026-2030	178,100
Other borrowings – unsecured*	2.30	2032	80,000
Total			265,466

* As at 31 December 2024 and 31 May 2025, unsecured other borrowing of RMB80,000,000 was from Huaibei Mining Group, our parent company, with interest paid quarterly. The Company will not repay the borrowing of RMB80,000,000 until September 2032 and the other borrowing of RMB269,000 has been paid in June 2025. Further details are included in note 32 to the Historical Financial Information.

All borrowings were unsecured at the end of each of the Relevant Periods.

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank and other borrowings repayable:				
Within one year	–	24,145	6,141	7,366
In the second year	–	6,000	24,000	24,000
In the third to fifth years, inclusive	–	132,000	186,000	186,000
Beyond five years	–	15,000	48,100	48,100
Total	–	177,145	264,241	265,466

The Company's borrowings are all denominated in RMB with floating interest rates.

26. DEFERRED INCOME

The movements in deferred income at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/period . . .	15,558	14,701	13,033	12,503
Grants received during the year/period	–	–	206	–
Credited to profit or loss during the year/period	(857)	(1,668)	(736)	(303)
At the end of year/period	<u>14,701</u>	<u>13,033</u>	<u>12,503</u>	<u>12,200</u>

Government grants received relating to assets are recognised in deferred income and released to profit or loss over the expected or remaining useful lives of the relevant assets.

27. SHARE CAPITAL

	Number of ordinary shares	Paid-in capital	Share capital
		RMB'000	RMB'000
At 1 January 2022 (unaudited)	–	31,145	–
Capital contribution from shareholders (<i>Note a</i>)	–	19,835	–
Issue of ordinary shares upon conversion into a joint stock company (<i>Note b</i>)	50,980,400	(50,980)	50,980
Issue of ordinary shares (<i>Note c</i>)	<u>19,906,617</u>	<u>–</u>	<u>19,907</u>
At 31 December 2022 and 1 January 2023	70,887,017	–	70,887
Issue of ordinary shares (<i>Note d</i>)	<u>2,007,299</u>	<u>–</u>	<u>2,007</u>
At 31 December 2023, 2024 and 31 May 2025	<u>72,894,316</u>	<u>–</u>	<u>72,894</u>

Notes:

- (a) In December 2021, the Company entered into a capital injection agreement with Huaibei Jiantou Transportation Investment Co., Ltd. (“Huaibei Jiaotou”), pursuant to which total capital of RMB126,241,000 was injected into the Company. The consideration of RMB26,000,000 was paid in 2021, with RMB5,145,000 and RMB20,855,000 credited to the Company’s paid-in capital and capital reserve during the year ended 31 December 2021, respectively. The remaining consideration of RMB100,241,000 was paid in March 2022, with RMB19,835,000 and RMB80,406,000 credited to the Company’s paid-in capital and capital reserve during the year ended 31 December 2022, respectively.
- (b) In June 2022, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including paid-in capital, other reserves and retained profits, amounting to approximately RMB239,724,000 were converted into 50,980,000 ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares with RMB188,744,000 was credited to the Company’s share premium.
- (c) On 20 June 2022, the Company entered into capital injection agreements with two shareholders, Huaibei Mining Group and Huaibei Jiaotou, pursuant to which total capital of RMB102,320,000 was injected into the Company. Huaibei Mining Group made capital contributions in land use rights based on the appraised value of RMB81,319,000, with RMB15,821,000 and RMB65,498,000 credited to the Company’s share capital and share premium, respectively. The transfers of the land use rights certificates were completed in August 2022. Huaibei Jiaotou made capital contributions in cash of RMB21,001,000, with RMB4,086,000 and RMB16,915,000 credited to the Company’s share capital and share premium, respectively. The consideration was fully paid in cash by June 2022.

- (d) In April 2023, the Company issued 2,007,299 ordinary shares directionally to Huaibei Wanhui Investment Co., Ltd. on the National Equities Exchange and Quotations at an offer price of RMB5.48 per share. The final par value of the share capital (RMB1.00 per share) of RMB2,007,000 was credited to the share capital of the Company. The gross proceeds from the issuance with RMB11,000,000 deducting share issue expenses of RMB547,000, in excess of the par value of the share capital of RMB8,446,000 were credited to share premium of the Company.

28. RESERVES

The amounts of the Company's reserves and the movements therein during the Relevant Periods and the five months ended 31 May 2024 are presented in the statements of changes in equity.

Share premium

The share premium of the Company represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company.

Capital reserve

The capital reserve of the Company represents the share premium contributed by the shareholders of the Company before its conversion into a joint stock company.

Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the Company, the Company is required to allocate 10% of its profit after tax determined under PRC accounting standards to the statutory surplus reserve until such reserve reaches 50% of the authorised paid-in capital of the Company. Subject to certain restrictions set out in the Company Law of the PRC, part of this reserve may be converted to offset losses or increase the paid-in capital/share capital, provided that the remaining balance after the capitalisation is not less than 25% of the authorised paid-in capital.

Special reserve

Pursuant to a notice regarding safety production expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012 and revised in November 2022, the Company is required to establish a safety fund surplus reserve based on the volume of mine extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment maintenance as well as safety production inspection, consultation and training.

29. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Company had non-cash additions to right-of-use assets of RMB81,319,000 resulting from capital contribution during the year ended 31 December 2022.

The Company has endorsed certain bills receivable accepted by banks in Chinese Mainland to certain of its suppliers in order to settle the trade and other payables due to such suppliers with carrying amounts of RMB46,426,000, RMB115,193,000, RMB112,945,000, RMB44,244,000 (unaudited) and RMB66,933,000 of which non-cash additions to property, plant and equipment and other intangible assets were RMB6,495,000, RMB82,637,000, RMB33,105,000, RMB13,486,000 (unaudited) and RMB3,687,000 during the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025, respectively.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Included in trade and other payables
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022 (unaudited)	—	—
Dividends declared	—	55,311
At 31 December 2022 and 1 January 2023	—	55,311
Cash flows from/(used in) financing activities	175,321	(55,311)
Interest expense	1,824	—
At 31 December 2023 and 1 January 2024	177,145	—
Cash flows from financing activities	80,588	(8,569)
Interest expense	6,508	—
Additions	—	19,608
At 31 December 2024	264,241	11,039
Cash flows from financing activities	(1,590)	(13,382)
Interest expense	2,815	—
Additions	—	4,725
At 31 May 2025	265,466	2,382
At 1 January 2024	177,145	—
Cash flows from financing activities	49,627	—
Interest expense	2,364	—
At 31 May 2024 (unaudited)	229,136	—

(c) Total cash outflow for leases

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Within operating activities	21	68	80	20	45
Total	21	68	80	20	45

30. CONTINGENT LIABILITIES

There were no contingent liabilities of the Company at the end of each of the Relevant Periods.

31. COMMITMENTS

The Company had the following capital commitments at the end of each of the Relevant Periods.

	As at 31 December			As at 31 May	
	2022	2023	2024	2025	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Contracted, but not provided for:					
Plant and machinery	304,920	135,565	—	80	
Total	304,920	135,565	—	80	

32. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related parties	Relationship with the Company
Huaibei Mining Group	The parent
Huaibei Mining Holdings Co., Ltd. and its subsidiaries ("Huaibei Mining Holdings")	Controlled by the parent
Anhui Xiangwang Medical & Health Co., Ltd. and its subsidiaries ("Anhui Xiangwang")	Controlled by the parent
Anhui Zishuo Environmental Technology Co., Ltd. ("Anhui Zishuo")	Controlled by the parent
Huaibei Industry Architecture Design Institute Co., Ltd. ("Huaibei Industry")	Controlled by the parent
Huaibei Mining Media Technology Co., Ltd. ("Huaibei Mining Media Tech.")	Controlled by the parent
Huaibei Shuoli Mining Co., Ltd. ("Huaibei Shuoli Mining")	Controlled by the parent
Anhui Fuyan Environmental Protection Equipment Technology Co., Ltd. ("Anhui Fuyan")	Controlled by the parent
Huaibei Shitai Mining Co., Ltd. ("Huaibei Shitai")	Controlled by the parent
Huaibei Jiaotou	A shareholder which has significant influence

(2) Significant related party transactions

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Company had the following transactions with related parties during the Relevant Periods and the five months ended 31 May 2024:

Notes	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales to a related party:					
Huaibei Mining Holdings (i)	657	489	2,010	120	–
Anhui Zishuo (i)	–	–	2,973	–	2,757
Purchase of services from related parties:					
Anhui Xiangwang (ii)	516	60	164	40	20
Anhui Zishuo (ii)	443	–	–	–	–
Huaibei Industry (ii)	142	–	1,168	300	–
Huaibei Mining Group (ii)	–	38	21	4	84
Huaibei Mining Media Tech. (ii)	–	51	15	11	18
Huaibei Mining Holdings (ii)	5,133	847	675	225	137
Purchase of materials from related parties:					
Anhui Xiangwang (ii)	2	135	–	–	–
Huaibei Mining Holdings (ii)	4,762	7,656	18	–	–
Huaibei Shuoli Mining (ii)	9,434	–	–	–	–

		Year ended 31 December			Five months ended 31 May	
	Notes	2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Purchase of equipment from related parties:						
Anhui Zishuo		–	4,204	–	–	–
Huaibei Mining Holdings	(ii)	13,133	903	802	–	–
Huaibei Shuoli Mining	(ii)	–	491	–	–	–
Interest income from a related party:						
Huaibei Mining Holdings	(iii)	308	37	2	1	–
Fund transfers from a related party:						
Huaibei Mining Holdings	(iii)	39,977	10,450	3,472	3,395	–
Interest expense to a related party:						
Huaibei Mining Group	(iv)	–	–	583	–	673
Leases from related parties:						
Huaibei Mining Group	(v)	158	–	–	–	–
Huaibei Shuoli Mining	(v)	600	–	–	–	–
Borrowing from a related party:						
Huaibei Mining Group	(iv)	–	–	80,000	–	–
Receipt of consideration of disposal of a subsidiary:						
Huaibei Mining Group	(vi)	32,798	–	–	–	–

Notes:

- (i) The sales transaction prices with the related party were determined on normal commercial terms and negotiated on an arm's length basis and on the similar basis as the Company conducted businesses with major customers.
- (ii) The purchase transaction prices were determined on terms mutually agreed between the parties with reference to the actual cost and fees for similar transactions in the market.
- (iii) The fund transfers from a related party mainly represented the net cash flows from the Huaibei Mining Group Finance Co., Ltd., which is a subsidiary of Huaibei Mining Holdings. The interest income was according to the published interest rate of Huaibei Mining Group Finance Co., Ltd. which was similar to those offered to other companies.
- (iv) The borrowings from related parties were unsecured, bore interest with floating interest rates and repayable with a repayment term.
- (v) The transaction prices were made according to the published prices and conditions similar to those offered to other companies.
- (vi) In December 2021, the Company disposed of its equity interest in Anhui Fuyan to Huaibei Mining Group for a consideration of RMB32,798,000, resulting in a gain on disposal of RMB12,349,000. The consideration was received in full in 2022.

(3) Other transactions with related parties

Details of other transactions with related parties are set out in note 27 to the Historical Financial Information.

(4) Outstanding balances with related parties**Balances relating to trade activities**

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables:				
Huaibei Industry	20	—	120	—
Huaibei Mining Holdings	135	931	863	98
Huaibei Jiaotou	4,174	—	—	—
Huaibei Mining Group	51,138	5	20	95
Anhui Zishuo	—	627	9	9
Huaibei Mining Media Tech.	—	—	5	—
Huaibei Shitai	395	—	—	—
Huaibei Shuoli Mining	64,200	—	—	—
Trade and bills receivables:				
Huaibei Mining Holdings	—	321	335	—
Anhui Zishuo	—	—	3,360	—
Prepayments, other receivables and other assets:				
Anhui Fuyan	239	—	—	—
Huaibei Mining Holdings	365	121	121	121
Huaibei Mining Group	—	146	170	170

Balances relating to non-trade activities

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings:				
Huaibei Mining Group	—	—	80,000	80,269
Cash and cash equivalents:				
Huaibei Mining Holdings	13,922	3,472	—	—

(5) Compensation of key management personnel of the Company

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term employee benefits	1,257	1,107	2,378	753	1,410
Pension scheme contributions	208	509	912	333	398
Total compensation paid to key management personnel	<u>1,465</u>	<u>1,616</u>	<u>3,290</u>	<u>1,086</u>	<u>1,808</u>

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

31 December 2022

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	–	869	869
Debt investments at fair value through other comprehensive income (<i>note 21</i>)	12,401	–	12,401
Trade and bills receivables (<i>note 19</i>)	–	26,595	26,595
Cash and cash equivalents (<i>note 22</i>).	–	95,085	95,085
Total	<u>12,401</u>	<u>122,549</u>	<u>134,950</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in trade and other payables	<u>163,552</u>

31 December 2023

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	–	197	197
Debt investments at fair value through other comprehensive income (<i>note 21</i>)	1,453	–	1,453
Trade and bills receivables (<i>note 19</i>)	–	42,274	42,274
Cash and cash equivalents (<i>note 22</i>).	–	32,564	32,564
Total	<u>1,453</u>	<u>75,035</u>	<u>76,488</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Financial liabilities included in trade and other payables	100,547
Interest-bearing bank and other borrowings (<i>note 25</i>)	177,145
Total	<u>277,692</u>

31 December 2024Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets included in prepayments, other receivables and other assets	–	232	232
Debt investments at fair value through other comprehensive income (<i>note 21</i>)	19,185	–	19,185
Trade and bills receivables (<i>note 19</i>)	–	52,978	52,978
Cash and cash equivalents (<i>note 22</i>).	–	71,694	71,694
Total	<u>19,185</u>	<u>124,904</u>	<u>144,089</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Financial liabilities included in trade and other payables	145,394
Interest-bearing bank and other borrowings (<i>note 25</i>)	264,241
Total	<u>409,635</u>

31 May 2025Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets included in prepayments, other receivables and other assets	–	197	197
Debt investments at fair value through other comprehensive income (<i>note 21</i>)	18,576	–	18,576
Trade and bills receivables (<i>note 19</i>)	–	40,035	40,035
Cash and cash equivalents (<i>note 22</i>).	–	62,478	62,478
Total	<u>18,576</u>	<u>102,710</u>	<u>121,286</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Financial liabilities included in trade and other payables	110,621
Interest-bearing bank and other borrowings (<i>note 25</i>)	265,466
Total	<u>376,087</u>

34. TRANSFERS OF FINANCIAL ASSETS**Transferred financial assets that are not derecognised in their entirety**

The Company endorsed certain bills receivable included in bills receivable, which were all accepted by banks in the Chinese Mainland (the “Endorsed Bills”) to certain suppliers in order to settle the trade and other payables due to such suppliers (the “Endorsement”). The aggregate amounts of the Endorsed Bills that were not due were RMB9,265,000, RMB37,711,000 and RMB25,184,000 and RMB23,375,000 as at 31 December 2022, 2023 and 2024 and 31 May 2025, respectively. In the opinion of the directors, the Company has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Company did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

Transferred financial assets that are derecognised in their entirety

The Company endorsed certain bills receivable included in debt investments at fair value through other comprehensive income, which were all accepted by banks in the Chinese Mainland (the “Derecognised Bills”) to certain suppliers in order to settle the trade and other payables due to such suppliers. The aggregate amounts of the Derecognised Bills that were not due were RMB6,363,000 and RMB26,744,000, RMB21,596,000 and RMB32,688,000 as at 31 December 2022, 2023 and 2024 and 31 May 2025, respectively. The Derecognised Bills had a maturity term from one to six months as at 31 December 2022, 2023 and 2024 and 31 May 2025. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Company, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Company being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Company has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Company’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Company’s Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025, the Company has not recognised any gain or loss on the date of transfer of the Endorsed Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts				Fair values			
	As at 31 December			As at 31 May	As at 31 December			As at 31 May
	2022	2023	2024	2025	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Debt investments at fair value through other comprehensive income . .	12,401	1,453	19,185	18,576	12,401	1,453	19,185	18,576
Financial liabilities								
Non-current portion of interest-bearing bank and other borrowings	–	153,000	258,100	258,100	–	141,221	247,999	257,317

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade and bills receivables, financial liabilities included in trade and other payables, and interest-bearing bank and other borrowings (current portion) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Company's financial department headed by the financial manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the financial department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Company's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2022, 2023 and 2024 and 31 May 2025 were assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

*Assets measured at fair value:***31 December 2022**

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
Debt investments at fair value through other comprehensive income	–	12,401	–	12,401
	=	=	=	=

31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
Debt investments at fair value through other comprehensive income	–	1,453	–	1,453
	=	=	=	=

31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
Debt investments at fair value through other comprehensive income	–	19,185	–	19,185
	=	=	=	=

31 May 2025

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
Debt investments at fair value through other comprehensive income	–	18,576	–	18,576
	=	=	=	=

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

The Company did not have any financial liabilities measured at fair value as at 31 December 2022.

31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
Interest-bearing bank and other borrowings	—	141,221	—	141,221
	=	=	=	=

31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
Interest-bearing bank and other borrowings	—	247,999	—	247,999
	=	=	=	=

31 May 2025

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
Interest-bearing bank and other borrowings	—	257,317	—	257,317
	=	=	=	=

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade and bills receivables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in trade and other payables which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Company introduces conservative strategies on its risk management. To keep the Company's exposure to these risks to a minimum, the Company has not used any derivatives and other instruments for hedging purposes. The Company does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Company's exposure to risk for changes in market interest rates relates primarily to the Company's interest-bearing bank and other borrowings with a floating rate set out in note 25. The Company does not use derivative financial instruments to hedge interest rate risk, and obtains all bank borrowings with a floating rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax	Increase/(decrease) in equity*
		<i>RMB'000</i>	<i>RMB'000</i>
31 December 2022			
If interest rate increases	25	—	—
If interest rate decreases	(25)	—	—
31 December 2023			
If interest rate increases	25	(383)	—
If interest rate decreases	(25)	383	—
31 December 2024			
If interest rate increases	25	(660)	—
If interest rate decreases	(25)	660	—
31 May 2025			
If interest rate increases	25	(271)	—
If interest rate decreases	(25)	271	—

* Excluding retained profits

(b) Credit risk

The Company trades only with recognised and creditworthy customers with no requirement for collateral. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimise the credit risk, the Company reviews the recoverable amount of each individual trade receivable periodically and management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022, 2023 and 2024 and 31 May 2025.

The amounts presented are gross carrying amounts for financial assets.

31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage1	Stage2	Stage3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,071	–	–	–	1,071
Trade and bills receivables*	–	–	–	26,813	26,813
Debt investments at fair value through other comprehensive income	12,401	–	–	–	12,401
Cash and cash equivalents					
– Not yet past due	95,085	–	–	–	95,085
Total	108,557	–	–	26,813	135,370

31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage1	Stage2	Stage3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	211	–	–	–	211
Trade and bills receivables*	–	–	–	42,724	42,724
Debt investments at fair value through other comprehensive income	1,453	–	–	–	1,453
Cash and cash equivalents					
– Not yet past due	32,564	–	–	–	32,564
Total	34,228	–	–	42,724	76,952

31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage1	Stage2	Stage3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	285	–	–	–	285
Trade and bills receivables*	–	–	–	53,552	53,552
Debt investments at fair value through other comprehensive income	19,185	–	–	–	19,185
Cash and cash equivalents					
– Not yet past due	71,694	–	–	–	71,694
Total	91,164	–	–	53,552	144,716

31 May 2025

	12-month ECLs	Lifetime ECLs			
	Stage1	Stage2	Stage3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	250	–	–	–	250
Trade and bills receivables*	–	–	–	40,721	40,721
Debt investments at fair value through other comprehensive income	18,576	–	–	–	18,576
Cash and cash equivalents					
– Not yet past due	62,478	–	–	–	62,478
Total	<u>81,304</u>	<u>–</u>	<u>–</u>	<u>40,721</u>	<u>122,025</u>

* For trade and bills receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

(c) Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Company's financial liabilities as at 31 December 2022, 2023 and 2024 and 31 May 2025, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2022						
Financial liabilities included in trade and other payables .	163,552	–	–	–	–	163,552
Total	<u>163,552</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>163,552</u>

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023						
Interest-bearing bank and other borrowings	–	1,419	27,816	38,573	128,163	195,971
Financial liabilities included in trade and other payables .	100,547	–	–	–	–	100,547
Total	<u>100,547</u>	<u>1,419</u>	<u>27,816</u>	<u>38,573</u>	<u>128,163</u>	<u>296,518</u>

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2024						
Interest-bearing bank and other borrowings	–	1,890	8,238	90,680	191,668	292,476
Financial liabilities included in trade and other payables .	145,394	–	–	–	–	145,394
Total	145,394	1,890	8,238	90,680	191,668	437,870

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 May 2025						
Interest-bearing bank and other borrowings	–	5,960	7,684	82,616	190,318	286,578
Financial liabilities included in trade and other payables .	110,621	–	–	–	–	110,621
Total	110,621	5,960	7,684	82,616	190,318	397,199

(d) Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes, within net debt, interest-bearing bank and other borrowings, financial liabilities included in trade and other payables, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at 31 December 2022, 2023 and 2024 and 31 May 2025 were as follows:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	–	177,145	264,241	265,466
Financial liabilities included in trade and other payables	163,552	100,547	145,394	110,621
Less: Cash and cash equivalents . . .	(95,085)	(32,564)	(71,694)	(62,478)
Net debt	68,467	245,128	337,941	313,609
Equity attributable to owners of the parent	353,620	407,690	460,292	478,324
Capital and net debt	422,087	652,818	798,233	791,933
Gearing ratio	16%	38%	42%	40%

37. EVENTS AFTER THE RELEVANT PERIODS

No significant subsequent events the Company have occurred after 31 May 2025 and up to the date of this report.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 May 2025.

The following is the text of a report set out on pages IA-3 to IA-19, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. The information set out below is the unaudited interim condensed financial information of the Company for the six months ended 30 June 2025 and does not form part of the Accountants' Report from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purpose only.



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD
OF DIRECTORS OF ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD.**
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages IA-3 to IA-19, which comprises the condensed statement of financial position of Anhui Jinyan Kaolin New Materials Co., Ltd. (the "Company") as at 30 June 2025 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes (the "Interim Financial Information"). The Interim Financial Information has been prepared by the directors of the Company solely for the purpose of inclusion in the prospectus of the Company dated 25 November 2025 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as issued by the Hong Kong Institute of Certified Public Accountants. A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review

procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with IAS 34.

Other Matter

The comparative information for the interim condensed statement of financial position is based on the audited financial statements as at 31 December 2024. The comparative information for the interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows, and related explanatory notes, for the six months ended 30 June 2024 has not been audited or reviewed.

Ernst & Young*Certified Public Accountants*

Hong Kong

25 November 2025

INTERIM CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2025	2024
		<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
REVENUE	5	128,501	111,668
Cost of sales		(82,665)	(71,070)
Gross profit		45,836	40,598
Other income and gains	5	1,104	3,060
Research expenses		(5,430)	(6,511)
Selling and distribution expenses		(1,703)	(2,362)
Administrative expenses		(10,830)	(11,198)
Other expenses		(6)	—
Finance costs	6	(3,039)	(792)
Provision for impairment losses on financial assets, net		(167)	(136)
PROFIT BEFORE TAX	7	25,765	22,659
Income tax expense	8	(3,075)	(2,635)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		22,690	20,024
Attributable to owners of the parent		22,690	20,024
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	9	0.31	0.27

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2025	31 December 2024
		<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	10	477,060	493,516
Right-of-use assets		87,160	88,542
Other intangible assets		124,898	128,405
Total non-current assets		<u>689,118</u>	<u>710,463</u>
CURRENT ASSETS			
Inventories	11	68,283	47,274
Trade and bills receivables	12	43,764	52,978
Prepayments, other receivables and other assets . .	13	32,400	25,121
Debt investments at fair value through other comprehensive income	14	15,431	19,185
Cash and cash equivalents	15	<u>66,340</u>	<u>71,694</u>
Total current assets		<u>226,218</u>	<u>216,252</u>
CURRENT LIABILITIES			
Trade and other payables	16	122,499	156,986
Tax payable		2,620	–
Interest-bearing bank and other borrowings	17	<u>9,386</u>	<u>6,141</u>
Total current liabilities		<u>134,505</u>	<u>163,127</u>
NET CURRENT ASSETS		<u>91,713</u>	<u>53,125</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>780,831</u>	<u>763,588</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	253,069	258,100
Deferred income		12,139	12,503
Provision		26,192	25,463
Deferred tax liabilities		<u>6,449</u>	<u>7,230</u>
Total non-current liabilities		<u>297,849</u>	<u>303,296</u>
NET ASSETS		<u>482,982</u>	<u>460,292</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	72,894	72,894
Reserves		<u>410,088</u>	<u>387,398</u>
TOTAL EQUITY		<u>482,982</u>	<u>460,292</u>

INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Special reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(note 18)</i>					
At 1 January 2025 (audited)	72,894	279,603	212	10,758	96,825	460,292
Profit and total comprehensive income for the period (unaudited) .	–	–	–	–	22,690	22,690
Provision for safety fund surplus reserve (unaudited)	–	–	1,690	–	(1,690)	–
Utilisation of safety fund surplus reserve (unaudited)	–	–	(527)	–	527	–
As at 30 June 2025 (unaudited) . . .	<u>72,894</u>	<u>279,603</u>	<u>1,375</u>	<u>10,758</u>	<u>118,352</u>	<u>482,982</u>

	Share capital	Share premium	Special reserve	Statutory surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024 (audited)	72,894	279,603	378	5,801	49,014	407,690
Profit and total comprehensive income for the period (unaudited) .	–	–	–	–	20,024	20,024
Provision for safety fund surplus reserve (unaudited)	–	–	1,336	–	(1,336)	–
Utilisation of safety fund surplus reserve (unaudited)	–	–	(893)	–	893	–
As at 30 June 2024 (unaudited) . . .	<u>72,894</u>	<u>279,603</u>	<u>821</u>	<u>5,801</u>	<u>68,595</u>	<u>427,714</u>

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

		Six months ended 30 June	
	Notes	2025	2024
		RMB'000	RMB'000
		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
ACTIVITIES			
Profit before tax		25,765	22,659
Adjustments for:			
Loss on disposal of items of property, plant and equipment	7	1	–
Depreciation of items of property, plant and equipment	7	22,875	9,218
Depreciation of right-of-use assets.	7	1,382	1,382
Amortisation of other intangible assets	7	3,507	2,772
Finance costs.	6	3,039	792
Foreign exchange differences, net		5	(1)
Provision for impairment losses on financial assets, net	7	167	136
Increase in inventories.		(21,009)	(16,196)
Decrease/(increase) in trade and bills receivables and debt investments at fair value through other comprehensive income		8,524	(20,376)
Decrease in prepayments, other receivables and other assets		799	8,914
Decrease in deferred income		(364)	(144)
Decrease in trade and other payables.		(6,077)	(14,573)
Cash generated from/(used in) operations		38,614	(5,417)
Tax (paid)/received		1,120	(3,655)
Net cash flows from/(used in) operating activities		39,734	(9,072)
CASH FLOWS FROM INVESTING ACTIVITIES			
ACTIVITIES			
Purchases of items of property, plant and equipment.		(27,100)	(47,240)
Net cash flows used in investing activities		(27,100)	(47,240)

		Six months ended 30 June	
	Notes	2025	2024
		RMB'000	RMB'000
		(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING			
ACTIVITIES			
Payment of listing expenses.		(13,612)	–
New bank and other borrowings		–	51,100
Interest paid		(3,216)	(3,027)
Repayment of bank loans		(1,826)	–
Receipt of interest subsidy		671	–
Net cash flows (used in)/from financing			
activities		(17,983)	48,073
NET DECREASE IN CASH AND CASH			
EQUIVALENTS			
		(5,349)	(8,239)
Cash and cash equivalents at beginning of period .		71,694	32,564
Effects of exchange rate changes on cash and cash			
equivalents.		(5)	1
CASH AND CASH EQUIVALENTS AT END			
OF PERIOD			
		66,340	24,326
ANALYSIS OF BALANCES OF CASH AND			
CASH EQUIVALENTS			
Cash and cash equivalents.	15	66,340	24,326
CASH AND CASH EQUIVALENTS AS			
STATED IN THE INTERIM CONDENSED			
STATEMENTS OF FINANCIAL POSITION			
AND STATEMENTS OF CASH FLOWS			
		66,340	24,326

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability incorporated in the People's Republic of China ("PRC"). The registered office of the Company is located at Shuobei Road, Shuoli Town, Duji District, Huaibei City, Anhui Province, PRC.

The Company is a standalone company, it was a company in China's kaolin industry, with high-quality mineral assets and integrated capabilities spanning the entire value chain, from mining and processing to production and sales of refined products. The parent company of the Company is Huaibei Mining (Group) Co., Ltd. ("Huaibei Mining Group"), which is incorporated in the PRC. The Company is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Anhui Province.

2. BASIS OF PREPARATION

The interim condensed financial information for the six months ended 30 June 2025 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed financial information does not include all the information and disclosures required for a complete set of financial statements prepared in accordance with the IFRS Accounting Standards, and should be read in conjunction with the Company's financial statements as set out in the accountants' report (the "Accountants' Report") included in Appendix I to the Company's prospectus dated 25 November 2025 (the "Prospectus") in connection with the initial public offering of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Interim Financial Information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of the interim condensed financial information are consistent with those applied in the preparation of the Company's Accountants' Report.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Company has one reportable operating segment which is the mining and processing to production and sales of refined products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2025	2024
	RMB'000 (unaudited)	RMB'000 (unaudited)
Chinese Mainland	127,773	111,101
Overseas	728	567
Total revenue	<u>128,501</u>	<u>111,668</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

All of the non-current assets of the Company are located in Chinese Mainland.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control amounted to 10% or more of the Company's revenue during the periods.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers.	128,501	111,668

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Types of goods or services		
Sale of industrial products.	128,501	111,668
Geographical markets		
Chinese Mainland	127,773	111,101
Overseas.	728	567
Total	128,501	111,668
Timing of revenue recognition		
Recognised at a point in time.	128,501	111,668

Other income and gains

	For the six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of scrap	262	307
Government grants	386	1,920
Income from value-added tax super deduction.	313	813
Interest income.	15	18
Others	128	2
Total	1,104	3,060

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2025	2024
	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest on borrowings	3,256	2,882
Increase in discounted amounts of provisions arising from the passage of time	454	347
Less: Interest capitalised	–	2,437
Interest subsidy	671	–
Total	3,039	792

7. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2025	2024
	RMB'000 (unaudited)	RMB'000 (unaudited)
Cost of inventories sold	82,665	71,070
Depreciation of property, plant and equipment*	22,875	9,218
Depreciation of right-of-use assets*	1,382	1,382
Expenses relating to short-term and low-value leases	167	23
Amortisation of intangible assets*	3,507	2,772
Employee benefit expense (including directors' and chief executive's remuneration)*:		
Wages, salaries and other benefits	20,160	22,794
Pension scheme contributions	7,445	8,451
Loss on disposal of items of property, plant and equipment . .	1	–
Provision for impairment losses on trade and bills receivables, net	162	137
Provision for/(reversal of) impairment losses on other receivables, net	5	(1)
Auditor's remuneration	189	283
Foreign exchange differences, net	6	(2)
Listing expenses	79	–

* The depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and employee benefit expense for the period are included in "Cost of inventories sold", "Selling and distribution expenses", "Research expenses" and "Administrative expenses" in the statement of profit or loss and other comprehensive income.

8. INCOME TAX EXPENSE

The Company is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions.

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), the Company which operates in Chinese Mainland is subject to CIT at a rate of 25% on the taxable income.

The Company was identified as a “High and New Technology Enterprise” on 21 October 2016 and renewed the qualification on 18 October 2022, and such status will expire on 18 October 2025. Based on the CIT Law and related regulations, the applicable tax rate of the Company is 15% provided that the Company complies with the conditions set out in the relevant requirements.

	For the six months ended 30 June	
	2025	2024
	RMB'000 (unaudited)	RMB'000 (unaudited)
Current tax	3,856	3,114
Deferred tax	(781)	(479)
Total tax charge for the period	<u>3,075</u>	<u>2,635</u>

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the periods.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2025	2024
	(unaudited)	(unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000).	22,690	20,024
	For the six months ended 30 June	
	2025	2024
<u>Shares</u>		
Weighted average number of ordinary shares deemed to be outstanding during the period used in the basic earnings per share calculation ('000)	72,894	72,894

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, the Company acquired assets at a cost of RMB6,422,000 (30 June 2024: RMB84,139,000).

Assets with a net book value of RMB1,000 were disposed of by the Company during the six months ended 30 June 2025 (30 June 2024: nil), resulting in a net loss on disposal of RMB1,000 (30 June 2024: nil).

The ownership certificates of certain property, plant and equipment with aggregate net carrying values of nil, have not yet been obtained as at 30 June 2025 (31 December 2024: RMB83,189,000).

11. INVENTORIES

	30 June 2025	31 December 2024
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Raw materials	11,170	13,155
Work in progress	33,356	17,963
Finished goods	23,757	16,156
Total	<u>68,283</u>	<u>47,274</u>

12. TRADE AND BILLS RECEIVABLES

	30 June 2025	31 December 2024
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Bills receivable	34,467	46,745
Trade receivables	10,033	6,807
Impairment	(736)	(574)
Net carrying amount	<u>43,764</u>	<u>52,978</u>

An ageing analysis of the trade receivables as at 31 December 2024 and 30 June 2025, based on the invoice date and net of loss allowance, is as follows:

	30 June 2025	31 December 2024
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Within 3 months	9,001	5,313
3 to 6 months	37	897
6 to 12 months	247	1
1 to 3 years	–	–
Over 3 years	12	22
Total	<u>9,297</u>	<u>6,233</u>

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2025	31 December 2024
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Other receivables	250	285
Advance to suppliers	2,794	2,403
Recoverable value-added tax	1,286	801
Income tax recoverable	–	2,356
Deferred listing expenses	28,128	19,329
Impairment	(58)	(53)
Net carrying amount	<u>32,400</u>	<u>25,121</u>

14. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2025	31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Debt investments at fair value through other comprehensive income:		
Bills receivable	15,431	19,185

For the bills receivable that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, they are measured at "financial assets at fair value through other comprehensive income" ("financial assets at FVTOCI").

15. CASH AND CASH EQUIVALENTS

	30 June 2025	31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Cash and bank balances	66,340	71,694
Cash and cash equivalents	66,340	71,694

As at 30 June 2025, the cash and cash equivalents of the Company denominated in United States dollars ("USD") amounted to approximately RMB233,000 (31 December 2024: RMB779,000). The remaining cash and cash equivalents held by the Company are denominated in RMB.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

16. TRADE AND OTHER PAYABLES

	30 June 2025	31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Payable for purchase of property, plant and equipment and other intangible assets	53,706	80,723
Trade payables	39,074	43,635
Contract liabilities	2,719	2,407
Payroll and welfare payables	6,970	7,458
Other tax payables	3,953	1,415
Other payables	13,441	18,774
Deposits	2,282	2,262
Other current liabilities	354	312
Total	122,499	156,986

An ageing analysis of the trade payables as at 31 December 2024 and 30 June 2025, based on the invoice date, is as follows:

	30 June 2025	31 December 2024
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Within 1 year	38,998	43,561
1 to 2 years	13	6
2 to 3 years	–	4
Over 3 years	63	64
Total	<u>39,074</u>	<u>43,635</u>

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2025		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
Current			
Bank borrowings – unsecured	2.30	2025-2026	9,334
Other borrowings – unsecured*	2.30	2025	52
Non-current			
Bank borrowings – unsecured	2.30-2.90	2026-2030	173,069
Other borrowings – unsecured*	2.30	2032	80,000
Total			<u>262,455</u>

	As at 31 December 2024 (audited)		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
Current			
Bank borrowings – unsecured	2.50	2025	6,141
Non-current			
Bank borrowings – unsecured	2.30-2.90	2026-2030	178,100
Other borrowings – unsecured*	2.30-2.55	2032	80,000
Total			<u>264,241</u>

* As at 31 December 2024 and 30 June 2025, unsecured other borrowing of RMB80,000,000 was from Huaibei Mining Group, our parent company. The Company will not repay the borrowing until September 2032. Further details are included in note 20 to the Interim Financial Information.

All borrowings were unsecured at the end of each of the Relevant Periods.

	30 June 2025	31 December 2024
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Analysed into:		
Bank and other borrowings repayable:		
Within one year	9,386	6,141
In the second year	22,092	24,000
In the third to fifth years, inclusive	125,188	186,000
Beyond five years	105,789	48,100
Total	<u>262,455</u>	<u>264,241</u>

18. SHARE CAPITAL

	Number of ordinary shares	Share capital <i>RMB'000</i>
At 31 December 2024 (audited) and 30 June 2025 (unaudited)	72,894,316	72,894

19. COMMITMENT

The Company had the following contractual commitments at the end of the reporting period:

	30 June 2025 <i>RMB'000</i> (unaudited)	31 December 2024 <i>RMB'000</i> (audited)
Contracted, but not provided for:		
Plant and machinery	48,820	—
Total	48,820	—

20. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related parties	Relationship with the Company
Huaibei Mining Group	The parent
Huaibei Mining Holdings Co., Ltd. and its subsidiaries ("Huaibei Mining Holdings")	Controlled by the parent
Anhui Xiangwang Medical & Health Co., Ltd. and its subsidiaries ("Anhui Xiangwang")	Controlled by the parent
Anhui Zishuo Environmental Technology Co., Ltd. ("Anhui Zishuo")	Controlled by the parent
Huaibei Industry Architecture Design Institute Co., Ltd. ("Huaibei Industry")	Controlled by the parent
Huaibei Mining Media Technology Co., Ltd. ("Huaibei Mining Media Tech.")	Controlled by the parent

(b) The Company had the following transactions with a related party during the period:

		For the six months ended 30 June	
	Notes	2025 <i>RMB'000</i> (unaudited)	2024 <i>RMB'000</i> (unaudited)
Sales to a related party:			
Huaibei Mining Holdings	(i)	158	120
Anhui Zishuo	(i)	3,182	—
Purchase of services from related parties:			
Anhui Xiangwang	(ii)	20	40
Huaibei Industry	(ii)	—	1,168
Huaibei Mining Group	(ii)	84	4
Huaibei Mining Media Tech.	(ii)	18	11
Huaibei Mining Holdings	(ii)	137	289

	Notes	For the six months ended 30 June	
		2025	2024
		RMB'000 (unaudited)	RMB'000 (unaudited)
Purchase of equipment from related parties:			
Huaibei Mining Holdings	(ii)	–	380
Interest income from a related party:			
Huaibei Mining Holdings	(iii)	–	2
Fund transfers from a related party:			
Huaibei Mining Holdings	(iii)	430	3,339
Interest expense to a related party:			
Huaibei Mining Group	(iv)	919	–

Notes:

- (i) The sales transaction prices with the related party were determined on normal commercial terms and negotiated on an arm's length basis and on the similar basis as the Company conducted businesses with major customers.
- (ii) The purchase transaction prices were determined on terms mutually agreed between the parties with reference to the actual cost and fees for similar transactions in the market.
- (iii) The fund transfers from a related party mainly represented the net cash flows from the Huaibei Mining Group Finance Co., Ltd., which is a subsidiary of Huaibei Mining Holdings. The interest income was according to the published interest rate of Huaibei Mining Group Finance Co., Ltd. which was similar to those offered to other companies.
- (iv) The borrowings from related parties were unsecured, bore interest with floating interest rates and repayable with a repayment term.
- (c) Outstanding balances with related parties:

	30 June 2025	31 December 2024
	RMB'000 (unaudited)	RMB'000 (audited)
Trade and other payables:		
Huaibei Industry	–	120
Huaibei Mining Holdings	98	863
Huaibei Mining Group	279	20
Anhui Zishuo	9	9
Huaibei Mining Media Tech.	–	5
Trade and bills receivables:		
Huaibei Mining Holdings	95	335
Anhui Zishuo	486	3,360
Prepayments, other receivables and other assets:		
Huaibei Mining Holdings	–	121
Huaibei Mining Group	179	170
Interest-bearing bank and other borrowings:		
Huaibei Mining Group	80,052	80,000

(d) Compensation of key management personnel of the Company:

	For the six months ended 30 June	
	2025	2024
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Short-term employee benefits	1,529	1,137
Pension scheme contributions	488	395
Total compensation paid to key management personnel	<u>2,017</u>	<u>1,532</u>

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2025	31 December 2024	30 June 2025	31 December 2024
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Financial assets				
Debt investments at fair value through other comprehensive income	<u>15,431</u>	<u>19,185</u>	<u>15,431</u>	<u>19,185</u>
Financial liabilities				
Non-current portion of interest- bearing bank and other borrowings	<u>253,069</u>	<u>258,100</u>	<u>245,097</u>	<u>247,999</u>

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade and bills receivables, financial liabilities included in trade and other payables, and interest-bearing bank and other borrowings (current portion) approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Company's financial department headed by the financial manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the reporting periods, the financial department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Company's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2024 and 30 June 2025 were assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

Assets measured at fair value:

30 June 2025

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	
Debt investments at fair value through other comprehensive income	—	15,431	—	15,431
	=	=	=	=

31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	
Debt investments at fair value through other comprehensive income	—	19,185	—	19,185
	=	=	=	=

During the year ended 31 December 2024 and the six months ended 30 June 2025, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

30 June 2025

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	
Interest-bearing bank and other borrowings	—	245,097	—	245,097
	=	=	=	=

APPENDIX IA

UNAUDITED INTERIM CONDENSED

FINANCIAL INFORMATION

31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Interest-bearing bank and other borrowings	– =	247,999 =	– =	247,999 =

22. EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company after 30 June 2025.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our net tangible assets as of 31 May 2025 as if it had taken place on 31 May 2025.

The unaudited pro forma statement of adjusted net tangible assets attributable to the owners of the parent has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Company had the Global Offering been completed as at 31 May 2025 or any future date. It is prepared based on the net tangible assets attributable to the owners of the parent as at 31 May 2025 as set out in the Accountants' Report as set out in Appendix I to the prospectus, and adjusted as described below. The unaudited pro forma adjusted statement of net tangible assets attributable to the owners of the parent does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

Net tangible assets attributable to owners of the parent as at 31 May 2025	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to owners of the parent as at 31 May 2025	Unaudited pro forma adjusted net tangible assets per Share as at 31 May 2025	
			RMB	HK\$
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>(Note 3)</i>	<i>(Note 3)</i>
<i>(Note 1)</i>	<i>(Note 2)</i>			
Based on an Offer Price of HK\$7.3 per share . .	352,754	113,809	466,563	4.80
				5.27

Notes:

- (1) The net tangible assets attributable to owners of the parent as of 31 May 2025 is extracted from the Accountants' Report, which is based on the equity attributable to owners of the parent as of 31 May 2025 of approximately RMB478,324,000 after netting of other intangible assets of RMB125,570,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$7.3 per Share, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of RMB508,000 which have been charged to the statements of profit or loss and other comprehensive income during the Track Record Period) and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.00 to RMB0.9115. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
- (3) The unaudited pro forma statement of adjusted net tangible assets attributable to owners of the parent per Share is calculated based on 97,194,316 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. For the purpose of the unaudited pro forma statement of adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.9115. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
- (4) No adjustment has been made to the unaudited pro forma statement of adjusted net tangible assets to reflect any trading results or other transactions for the Company entered into subsequent to 31 May 2025.
- (5) By comparing the valuation of the Company's properties set out in the valuation report prepared by Asia-Pacific Consulting and Appraisal Limited, the net valuation surplus is approximately RMB27,635,000 as compared to the carrying amounts of the properties as at 30 September 2025, which has not been included in the above net tangible assets of the Company. The valuation surplus of the properties will not be incorporated in the Company's financial statements in the future. If the valuation surplus were to be included in the Company's financial statements, an additional annual depreciation charge of approximately RMB1,126,000 would be incurred.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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

To the Directors of Anhui Jinyan Kaolin New Materials Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Anhui Jinyan Kaolin New Materials Co., Ltd. (the "Company") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma net tangible assets as at 31 May 2025, and related notes as set out on pages II-1 to II-2 of the prospectus dated 25 November 2025 issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II to the prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Company's financial position as at 31 May 2025 as if the transaction had taken place at 31 May 2025. As part of this process, information about the Company's financial position, has been extracted by the Directors from the Company's financial statements for the period ended 31 May 2025, on which an accountants' report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Company as if 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 transaction 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 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 Company, the 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 Company; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young

Certified Public Accountants

Hong Kong

25 November 2025

MAJOR TAXATION OF OUR COMPANY IN THE PRC:**ENTERPRISE INCOME TAX**

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), a resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. High-tech enterprises receiving key support from the State will be levied enterprise income tax at a tax rate of 15%.

VALUE-ADDED TAX

According to the Provisional Regulations of the PRC on Value-Added Tax (2017 revision) (《中華人民共和國增值稅暫行條例》(2017修訂)) and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (2011 revision) (《中華人民共和國增值稅暫行條例實施細則》(2011修訂)), unless otherwise provided, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, where laws have other stipulations, such stipulations shall prevail.

The Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》), promulgated by the MOF and the STA on April 4, 2018 and became effective as of May 1, 2018 adjusted the applicative rate of VAT, and the rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%; where the VAT rate of 10% applies currently, it shall be adjusted to 9%.

OTHER TAXATION**Taxation on Dividends*****Enterprise Investors***

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends

received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued by the STA on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was issued by the STA and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit corporate income tax at a rate of 10% on dividends of 2008 and the subsequent years that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a PRC resident enterprise to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC resident enterprise. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第四議定書》), which came into effect on December 29, 2015, states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law documents, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Individual Investor

The Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) was last amended on August 31, 2018 and came into effect on January 1, 2019 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) was last amended on December 18, 2018 and came into effect on January 1, 2019, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%.

According to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (財稅[2015]101號) issued by the MOF on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the income from dividends shall be exempted from personal income tax for the time being. Where an individual acquires the stocks of a listed company in a public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, only 50% of the income from dividends shall be included into the taxable incomes of the individual; individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless a reduction is approved by the MOF or exempted by an international convention or agreement to which the PRC government is a party.

Pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《關於個人所得稅若干政策問題的通知》), which was issued by MOF and STA on May 13, 1994 and came into effect on the same date, the incomes gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempt from individual income tax for the time being.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer***Enterprise Investors***

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Individual Investors

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), gains realized on the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the State Administration of Taxation on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax.

Pursuant to the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which was issued by the MOF, the SAT and the CSRC on December 31, 2009 and came into effect on January 1, 2010 and the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70), which was issued by the MOF, the SAT and the CSRC and came into effect on November 10, 2010, from 1 January 2010, gain obtained from transfer of shares subject to sales limitation by individual shall be subject to individual income tax at a rate of 20% based on the principle of "gain from transfer of property". Individual income tax shall be continued exempted for transfer of shares held from open offer by listed company on the Shanghai Stock Exchange and Shenzhen Stock Exchange or transfer of listed shares purchased from the market.

As of the Latest Practicable Date, the above provision has not expressly provided that individual income tax shall be collected from individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

Stamp Duty

According to the Stamp Duty Law of the People's Republic of China (《中華人民共和國印花稅法》), which was promulgated on June 10, 2021 and will come into effect on July 1, 2022, the disposal of H Shares by non-PRC investors outside of the PRC is still not subject to the requirements of the Stamp Duty Law of the People's Republic of China.

Estate Duty

The PRC currently does not impose any estate duty.

Shenzhen-Hong Kong Stock Connect Taxation Policy

On November 5, 2016, Ministry of Finance, State Taxation Administration and China Securities Regulatory Commission jointly promulgated the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) ("SZHK Stock Connect Tax Policies"), which clearly set forth tax policies applicable to transactions via SZHK Stock Connect and took effect on December 5, 2016.

According to the SZHK Stock Connect Tax Policies, revenues gained by mainland individual investors from the price difference arising from the trade of shares on the HKEx through SZHK Stock Connect may be exempted from VAT during China's pilot fiscal reform where the business tax is to be replaced by VAT. The dividends obtained by mainland individual investors from the listing of H-shares on HKEx via SZHK Stock Connect shall be subject to 20% personal income tax, provided that the H-share companies shall submit application to China Securities Depository and Clearing Corporation Limited ("CSDC"), after which CSDC will furnish them with a roster of the mainland individual investors, and the H-share companies may withdraw personal income tax at a rate of 20% in accordance therewith. If, however, dividends are generated from the listing of non-H-shares on HKEx via SZHK Stock Connect, such personal income tax at the rate of 20% will be deducted by CSDC. In case the individual investors have paid taxes in other jurisdictions by withdrawal in advance, the investors may apply for tax exemption to the tax authority in charge of CSDC using materials evidencing such withdrawal. Dividends gained by mainland securities investment funds via investing in shares listed on the HKEx via SZHK Stock Connect shall be subject to personal income tax according to the aforementioned provisions as if they are individual investors.

According to the SZHK Stock Connect Tax Policies, incomes obtained by mainland company investors from their transfer price difference that they have invested in on the HKEx via SZHK Stock Connect shall be factored in their total revenues and subject to company income tax. If mainland company investors gain dividends through investment in shares listed on the HKEx via SZHK Stock Connect, such dividends shall be calculated in the total revenue of the companies and will be subject to income tax accordingly, in which case, a mainland domiciled company legally holding H shares for no less than 12 consecutive months will be

exempted from company income tax for the amounts earned from the H shares during such 12-month period, while in case of a HK-based H-share company listed on the HKEx, the company shall apply to CSDC, who will provide to it the roster of mainland company investors, upon which the H-share company refrains from deducting income tax from the dividends, and payable income tax shall be declared and paid by the investors themselves; when declaring company income tax, if a mainland company investor has any tax imposed on the dividends deducted by a non-H-share company listed on the HKEx, the investor may apply for tax offset.

According to the SZHK Stock Connect Tax Policies, in case that any mainland investor trades, inherits or gives as gift shares listed on the HKEx, stamp tax will be imposed thereon according to the tax law currently prevalent in Hong Kong SAR, and the both CSDC and Hong Kong Securities Clearing Company Limited may collect the stamp tax on behalf of one another.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》) and it came into effect on April 1, 1996. The Regulations classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. The Regulations of the PRC on Foreign Exchange Control were subsequently amended on January 14, 1997 and August 1, 2008. The latest amendment to the Regulations of the PRC on Foreign Exchange Control, which came into effect on August 5, 2008, clearly states that PRC will not impose any restriction on international current payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which became effective on July 1, 1996. The Regulations does not impose any restrictions on convertibility of foreign exchange under current items, while imposing restrictions on foreign exchange transactions under capital account items.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign

exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business.

On December 26, 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》). Pursuant to the notice, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a "special account for overseas listing of domestic company" at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE and came into effect on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》, the “Constitution”), which was adopted and came effected on December 4, 1982 and amended on March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People’s Congress (the “NPC”) and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》, the “Legislation Law”), which was adopted on July 1, 2000 and amended on March 13, 2023. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, ecological civilization development, historical and cultural protection and grassroots governance based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations by cities divided into districts will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions. The standing committees of the people’s congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if such local regulations are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people’s

congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned. The people's congresses and their standing committees of the provinces and cities where special economic zones are located may, upon authorization by the National People's Congress, formulate regulations and enforce them within the special economic zones.

The ministries and commissions of the State Council, People's Bank of China, National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should govern the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10, 1981, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations & Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to the application of laws other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations as well as administrative rules is vested in the regional legislative and administrative authorities which promulgate such laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and the special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and economic divisions, and certain people's courts based on the facts of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions, such as the intellectual property division, if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts. The Supreme People's Procuratorate is authorized to supervise the judgment and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgment and ruling of a people's court at lower levels which have been legally effective.

A people's court takes the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the president of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》, the “**PRC Civil Procedure Law**”) adopted on April 9, 1991 and amended five times on October 28, 2007, August 31, 2012, June 27, 2017, December 24, 2021 and September 1, 2023 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the

defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens, enterprises and other organizations, the PRC court may apply the same limitations to the citizens, enterprises and organizations of such foreign country as per the principle of reciprocity. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If the party subject to enforcement fails to perform as the judgment, ruling or other legal instrument requires pursuant to the enforcement notice, the court may mandatorily enforce the judgment on such party or entrust a relevant unit or other person to do so.

Where a party applies for enforcement of a legally effective judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people's court may, in accordance with the provisions of the international treaties concluded or acceded to by the PRC or with the principle of reciprocity, request recognition and enforcement by a foreign court. If a legally effective judgment or ruling made by a foreign court requires recognition and enforcement by a people's court of the PRC, the parties concerned may directly apply to the intermediate people's court of the PRC with jurisdiction for recognition and enforcement, or the foreign court may request recognition and enforcement by the people's court in accordance with the provisions of international treaties concluded or acceded to by the country and the PRC or in accordance with the principle of reciprocity, provided that the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

COMPANY LAW IN CHINA AND FORMAL DISCLOSURE

Company Law of the People's Republic of China (《中華人民共和國公司法》, the “**PRC Company Law**”) was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The latest revised PRC Company Law was implemented on July 1, 2024.

According to The State Council issued the Official Reply of the State Council on the Adjustment of the Notice Period for the General Meeting and Other Matters Applicable to the Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) with effect from October 17, 2019, State Council agreed that joint stock limited companies registered in China and listed abroad shall comply with the PRC Company Law with respect to the notice period, shareholders right to formulate proposals and the procedures for convening a general meeting.

Set out below is a summary of the major provisions of the Company Law applicable to the Company.

GENERAL

For the purpose of this Law, a “company” refers to a limited liability company or a joint stock limited company established within the territory of the People's Republic of China according to this Law.

A company is a corporate legal person with independent legal person properties and entitlements to such legal person properties. The Company shall be liable for its debts to the extent of all its assets.

The legitimate rights and interests of the Company are protected by law and shall not be infringed.

The liability of shareholders of a limited liability company is limited to the amount of capital they contribute, while the liability of shareholders of a joint stock company with limited liability is limited to the amount of shares they subscribe.

The shareholders of a company is entitled to such rights as deriving proceeds from assets of the company, participating in making important decisions and selecting managers of the company in accordance with the laws.

REGISTRATION OF COMPANIES

For the establishment of a company, an application for establishment and registration shall be filed with the company registration authority.

If any law or administrative regulation stipulates that the establishment of a company shall be subject to approval, the relevant approval formalities shall be gone through prior to the registration of the company.

The items of company registration shall include:

- (i) name;
- (ii) domicile;
- (iii) registered capital;
- (iv) business scope;
- (v) name of the legal representative;
- (vi) name of the shareholders of a limited liability company or of the promoters of a joint stock limited company.

The company registration authority shall make public the company registration items as prescribed in the preceding paragraph through the National Enterprise Credit Information Publicity System.

A company shall make public the following matters via the National Enterprise Credit Information Publicity System as required:

- (i) the amounts of capital contributions subscribed for and paid up by the shareholders of a limited liability company, contribution method and contribution date, the number of shares subscribed for by the promoters of a joint stock limited company;
- (ii) the information on the change of equity or shares of the shareholders of a limited liability company or of the promoters of a joint stock limited company;
- (iii) the information on approval, modification or deregistration of administrative licensing;
- (iv) other information prescribed by any laws or administrative regulation.

The company shall ensure that the information released in the preceding paragraph is authentic, accurate and complete.

ESTABLISHMENT

A joint stock limited company may be incorporated by promotion or subscription.

Incorporation by promotion refers to the of a company by means of subscription of its entire shares to be issued at the time of establishment by the promoters.

Incorporation by subscription refers to the establishment of a company by means of subscription of part of its shares to be issued at the time of establishment by the promoters and the remaining part is offered to the specific targets or public openly.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters of a joint stock limited company are responsible for organizing corporate affairs.

Promoters shall sign an agreement of promotion which clearly states respective rights and obligations during the course of incorporation.

To establish a joint stock limited company, the promoters shall jointly formulate the articles of association.

The articles of association of a joint stock limited company shall state the following matters:

- (i) name and domicile of the company;
- (ii) business scope of the company;
- (iii) method of establishment;
- (iv) registered capital, the number of issued shares and the number of issued shares at the time of establishment, and the amount per share of par value share;
- (v) number of shares of each classified share and the rights and obligations if classified shares are issued;
- (vi) names of the promoters, the number of shares subscribed for, and the form of capital contributions;
- (vii) composition, powers and rules of procedure of the board of directors;
- (viii) method for the appointment and alteration of the company's legal representative;

- (ix) composition, powers and rules of procedure of the board of supervisors;
- (x) method for the profit distribution of the company;
- (xi) causes of dissolution of the company and liquidation method;
- (xii) methods for notice or public announcements of the company;
- (xiii) other matters that the shareholders' meeting believes necessary to be specified.

The registered capital of a joint stock limited company shall be the total share capital of the issued shares registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up.

If laws, administrative regulations and State Council decisions provide otherwise on the minimum registered capital, the joint stock limited company should follow such provisions.

Where a joint stock limited company is incorporated by promotion, the promoters shall subscribe to the full number of shares to be issued at the time of establishment as stipulated in the articles of association.

Where a joint stock limited company is incorporated by subscription, the shares subscribed by the promoters shall not be less than 35% of the total number of shares to be issued at the time of establishment as stipulated in the company's articles of association, unless otherwise provided by the laws or administrative regulations.

Promoters shall pay the full amount of the subscribed shares before the establishment of the company.

The capital contributions by promoters shall be governed by the provisions of Article 48 and paragraph 2 of Article 49 hereof on the capital contribution by the shareholders of a limited liability company.

If any promoter fails to pay the share capital according to the subscribed shares, or if the actual value of the non-monetary property used as capital contribution is significantly lower than the subscribed shares, other promoters and the promoter shall bear joint and several liability within the scope of insufficient capital contribution.

In making a public offering of shares, promoters shall publish the prospectus and prepare a subscription warrant. The subscription warrant shall state the items specified in paragraph 2 and paragraph 3 of Article 154 hereof, and the subscriber shall fill in the number of shares subscribed for, amount and domicile and affix his/her signature or seal to the subscription warrant. The subscriber shall make full payment for the shares subscribed for.

After the full payment of the proceeds from the public offering of shares, it shall be verified by a legally established capital verification institution and a certificate shall be issued.

A joint stock limited company shall prepare a register of shareholders, and keep it at the company. The register of shareholders shall contain the following matters:

- (i) name and domicile of each shareholder;
- (ii) class and number of shares subscribed for by each shareholder;
- (iii) serial number of shares if the shares are issued in paper form;
- (iv) date for each shareholder to obtain shares.

The promoters of a joint stock limited company incorporated by subscription shall convene the company's establishment meeting within 30 days from the date of full payment of the shares to be issued at the time of establishment. The promoter shall notify all subscribers of the meeting date or make an announcement fifteen days before the establishment meeting. The establishment meeting shall be attended by more than half of the voting rights held by the subscribers.

The convening and voting procedures for the establishment meeting of a joint stock limited company incorporated by promotion shall be stipulated in the articles of association or the agreement of the promoters.

The establishment meeting of a company shall exercise the following functions and powers:

- (i) deliberating on the report on the preparations for establishment of the company by promoters;
- (ii) adopting the articles of association;
- (iii) Electing directors and supervisors;
- (iv) reviewing the expenses for the establishment of the company;
- (v) reviewing the valuations of the non-monetary property contributed by the promoters;
- (vi) the resolution to reject the establishment of company is made on the occurrence of force majeure or substantial change in the conditions of operation which directly affect the establishment of the company.

The resolutions made at the establishment meeting about the matters as mentioned in the preceding paragraph shall be adopted by the subscribers present at the meeting who represent more than half of the voting rights.

If the shares required to be issued at the time of the establishment of a company are not fully subscribed for, or if, after the full payment for the issued shares, the promoters fail to convene an establishment meeting within 30 days, any subscriber may demand the promoters to refund their subscriptions, plus the interest calculated based on the bank interest rate for the corresponding period.

After the promoters and subscribers have paid for their subscribed shares or delivered non monetary assets as contributions, they shall not withdraw their capital except in cases where the issued shares are not fully subscribed within the specified period, the promoters fail to convene an establishment meeting within the prescribed period, or the establishment meeting resolves not to establish the company.

The board of directors shall authorize representatives to apply for establishment registration with the company registration authority within 30 days after the conclusion of the company's establishment meeting.

When a limited liability company converts to a joint stock limited company, the aggregated paid-up capital shall not higher than the net assets value of the company. When a limited liability company converts to a joint stock limited company to increase the registered capital for public offer of shares, it shall comply with law.

The joint stock limited company shall make available of the Articles of Association, register of members, minutes of shareholders' general meetings, minutes of Board of Directors meetings, minutes of meetings of the Board of Supervisors, financial and accounting reports and register of bondholders at the Company.

Shareholders are entitled to consult and copy the articles of association, register of shareholders, minutes of shareholders' meetings, resolutions of meetings of the board of directors or board of supervisors, as well as financial and accounting reports of a company, and may bring forward suggestions or raise inquiries about the business operation of the company.

Where the shareholders who individually or collectively hold 3% or more of the shares of the company for 180 consecutive days or more request to inspect the accounting books and accounting vouchers of the company, the provisions of the Paragraphs 2 through 4 of Article 57 hereof shall apply. Where the articles of association prescribe a relatively lower proportion of shareholding, such provisions shall prevail.

Where a shareholder requests to consult or copy the relevant materials of the wholly-owned subsidiaries of the company, the provisions of the preceding 2 paragraphs shall apply.

Where shareholders of listed companies consult or copy the relevant materials, the shareholders shall comply with the Securities Law of the People's Republic of China and other laws and administrative regulations.

SHAREHOLDERS' MEETING

The shareholders' meeting of a joint stock limited company shall consist of all the shareholders. The shareholders' meeting is the authority of the company, which shall exercise its functions and powers in accordance with this Law.

An annual shareholders' meeting shall be held every year. If any of the following circumstances occurs, an interim shareholders' meeting shall be held within two months:

- (i) where the number of directors is less than two-thirds of the number as provided for by this law or the articles of association;
- (ii) where the unrecovered losses of the company reach one-third of the total capital stock;
- (iii) where the shareholders who individually or collectively hold more than 10% of the company's shares so request;
- (iv) where the board of directors deems it necessary;
- (v) where the board of supervisors so proposes;
- (vi) other circumstances as provided for in the articles of association.

The shareholders' meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. If the chairman of the board is unable or fails to perform his/her duties, the meeting shall be presided over by the deputy chairman. If the deputy chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by more than half of the directors.

If the board of directors is unable or fails to perform the duty of convening the shareholders' meeting, the board of supervisors shall convene and preside over the meeting in a timely manner. If the board of supervisors does not convene and preside over such a meeting, the shareholders who individually or collectively hold more than 10% of the shares of the company for more than 90 consecutive days may convene and preside over such a meeting by themselves.

If the shareholders who individually or collectively hold more than 10% of the shares of the company request to convene an interim shareholders' meeting, the board of directors and the board of supervisors shall, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' meeting and reply to the shareholders in writing.

The time and place of the meeting and the matters to be deliberated shall be notified to each shareholder 20 days before a shareholders' meeting is held. For an interim shareholders' meeting, a notice shall be served 15 days in advance.

The shareholders who individually or collectively hold more than 1% of the shares of the company may, 10 days before a shareholders' meeting is held, submit an interim proposal in writing to the board of directors. The interim proposal shall contain a clear topic for discussion and specific matters for resolution. The board of directors shall, within 2 days after it receives such a proposal, notify other shareholders and submit the interim proposal to the shareholders' meeting for deliberation, unless the interim proposal is in violation of any law, administrative regulation or the articles of association or fails to fall into the scope of functions of the shareholders' meeting. The company shall not raise the shareholding proportion of the shareholder who brings forward any interim proposal.

A company that publicly issues shares shall make the notification specified in the preceding two paragraphs in the form of an announcement.

The shareholders' meeting shall not make resolutions on matters not specified in the notice.

Shareholders attending the shareholders' meeting shall have one vote for each share they hold, except shareholders of class shares. The company's shares held by the company have no voting rights.

Resolutions made by the shareholders' meeting must be passed by more than half of the voting rights held by shareholders present at the meeting.

Resolutions made by the shareholders' meeting to amend the company's articles of association, increase or decrease the registered capital, as well as resolutions to merge, split, dissolve or change the company's form must be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting.

The shareholders' meeting may elect directors and supervisors by adopting a cumulative voting system in accordance with the provisions of the company's articles of association or the resolutions of the shareholders' meeting.

The term “cumulative voting system” as used in this Law means that when the shareholders’ meeting elects directors or supervisors, each share has the same voting rights as the number of directors or supervisors to be elected, and the voting rights held by shareholders can be used collectively.

If a shareholder appoints an agent to attend the shareholders’ meeting, the matters, authority and period of the agent’s representation shall be clearly defined; the agent shall submit a shareholder’s power of attorney to the company and exercise voting rights within the scope of authorization.

Minutes shall be prepared in respect of matters considered at the shareholders’ general meeting, and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders’ attendance register and proxy forms.

BOARD OF DIRECTORS AND MANAGERS

A joint stock limited company shall have a board of directors, unless otherwise provided.

A joint stock limited company may, as stipulated in its articles of association, establish an audit committee within the board of directors composed of directors to exercise the functions and powers prescribed for the board of supervisors by the Company Law, without establishing a board of supervisor or supervisor.

The audit committee shall consist of three or more members, a majority of whom shall not hold any position in the Company other than that of director, and shall not have any relationship with the Company that may affect their independent and objective judgement. Employee representatives among the members of the board of directors of a company may become members of the audit committee.

Resolutions of the audit committee shall be passed by more than half of the members of the audit committee.

Each member shall have one vote for a resolution to be approved by the audit committee.

Unless otherwise provided in the Company Law, the method of discussion and voting procedure of the audit Committee shall be prescribed by the articles of association.

A company may, in accordance with the provisions of the articles of association, set up other committees in the board of directors.

The Board of Directors shall have a chairman and may have a vice chairman. The Chairman and Vice Chairman of the Board shall be elected by a majority of all Directors.

The chairman of the Board shall convene and preside over the meetings of the Board and review on the implementation of resolutions passed by the Board of Directors. The Vice Chairman shall assist the Chairman in performing his duties. If the Chairman is unable or fails to perform his duties, such duties shall be performed by the Vice Chairman. If the Vice Chairman is unable or fails to perform his duties, a director shall be elected jointly by more than half of all directors to perform such duties.

Meetings of the board of directors shall be convened at least twice a year. Notices of such meetings shall be given to all directors and supervisors 10 days before the meetings are convened.

Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting.

The board may otherwise determine the means and the period of notice for convening an interim board meeting.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors.

Each director shall have one vote for a resolution to be approved by the board.

The board of directors shall prepare minutes regarding the decisions on the matters discussed at the meetings, which shall be signed by the directors present.

Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

The directors shall be responsible for resolutions adopted by the board of directors. The directors adopting a resolution that contravenes laws, administrative regulations, the articles of association or resolutions of the shareholders' general meeting and results in severe losses to the company shall be liable to the company for compensation. However, a director may be exempt from such liability with the proof that he/she has expressed a disagreement which has been recorded in the minutes of the meeting.

A joint stock company shall have a manager who shall be appointed or removed by the board of directors.

The manager shall report to the board of directors and exercise functions and powers as specified in the articles of association or as authorized by the board of directors. The manager shall attend board meetings.

The Board of Directors can appoint a Director to act as Manager concurrently.

A joint stock limited company with a smaller scale or fewer shareholders may appoint one director without establishing a board of directors to exercise the functions and powers prescribed for the board of directors by the Company Law. This director may serve concurrently as the company manager.

The Company shall, on a regular basis, disclose to shareholders the remunerations obtained by the directors, supervisors and senior management officers from the Company.

BOARD OF SUPERVISORS

A joint stock company shall have a Supervisory Committee, unless otherwise provided. The Board of Supervisors shall consist of no less than three supervisors. The supervisory board shall consist of shareholder representatives and an appropriate proportion of employee representatives of the company, with the proportion of such employee representatives no less than one-third subject to the articles of association. Employee representatives of the company at the supervisory board shall be democratically elected by the company's employees at the employee representative assembly, general employee meeting or otherwise.

The Board of Supervisors shall have a chairman and may have a vice chairman. The Chairman and Vice Chairman of the Board of Supervisors shall be elected by a majority of all Supervisors. The chairman of the supervisory board shall convene and preside over the meetings of the supervisory board. Where the chairman of the supervisory board cannot or does not perform his/her duties, the vice chairman of the supervisory board shall convene and preside over the meetings of the supervisory board. Where the vice chairman of the supervisory board cannot or does not perform his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over the meetings of the supervisory board.

The directors and senior management may not act concurrently as supervisors.

All expenses required by the Supervisory Committee to exercise their powers shall be borne by the Company.

The board of supervisors of a company shall hold at least one meeting every six months. A supervisor may propose to convene an interim meeting of Supervisory Committee.

Unless otherwise provided for in the Company Law, the method of discussion and voting procedure of the Supervisory Committee shall be prescribed in the articles of association.

A resolution of the board of supervisors shall be passed by more than half of all the supervisors.

Each supervisor shall have one vote for resolutions to be approved by the board of supervisors.

The board of supervisors shall prepare minutes for the decisions on the matters discussed at the meeting, which should be signed by the supervisors present.

A joint stock limited company with a smaller scale or fewer shareholders may appoint one supervisor without establishing a board of supervisors to exercise the functions and powers prescribed for the board of supervisors by the Company Law.

SPECIAL PROVISIONS ON THE ORGANIZATIONAL STRUCTURE OF A LISTED COMPANY

Matters concerning the purchase or disposal of material assets or the guarantees provided to others by a listed company within one year that exceeds 30% of the company's total assets, a resolution shall be made by the shareholders' meeting and adopted by the shareholders representing more than two-thirds of the voting rights who are present at the meeting.

A listed company shall have independent directors, the specific administrative measures shall be formulated by the securities regulatory authority under the State Council.

The articles of association of a listed company shall, in addition to specifying the matters provided for in Article 95 of the Company Law, specify the composition, functions and powers of the special committee of the Board of directors and the mechanism for evaluating the remuneration of directors, supervisors and senior managers in accordance with the provisions of laws and administrative regulations.

A listed Company shall establish an audit committee in the Board, the board of directors shall, before making a resolution on the following matters, obtain the approval of more than half of all members of the audit committee:

- (i) Engagement or dismissal of an accounting firm that undertakes the audit of the Company;
- (ii) Appointment or dismissal of the financial controller of the Company;
- (iii) Disclosure of financial accounting reports;
- (iv) Other matters stipulated by the securities regulatory authority under the State Council.

A listed company shall have the secretary to the board of directors, and the secretary to the board of directors is responsible for preparation of the general meeting and the meetings of the board of directors of the Company, keeping the documents and the management of information of the shareholders of the Company and handling the disclosure of information, etc.

When a director of a listed company and the enterprises or individual involved in the resolutions of the board meeting have connected relations, such director shall promptly report in writing to the board of directors. The director with the connected relations shall not exercise his/her voting rights on such proposal nor can he/she exercise any voting rights on behalf of others directors. The meeting may be held if it is quorated by more than half of the unconnected directors. The resolutions of the board meeting shall be passed by more than half of unconnected directors. If the number of unconnected directors attending the board meeting is less than three, such matter shall be put forward to the shareholders' meeting for consideration.

A listed company shall disclose the information on the investor and the actual controller thereof in accordance with the law, and the relevant information shall be true, accurate and complete.

It is prohibited to hold stocks of listed companies on behalf of other companies in violation of laws and administrative regulations.

A controlled subsidiary of a listed Company shall not acquire shares of the company.

Where a controlled subsidiary of a listed Company holds shares of the Company due to a merger of the Company or the exercise of the right of pledge, it shall not exercise the voting right corresponding to the shares held and shall dispose of the relevant shares of the listed company in a timely manner.

ISSUANCE AND TRANSFER OF SHARES

The capital of a company shall be divided into shares. All the shares of the company shall either be shares with or without par value according to the provisions of the articles of association. Where par value shares are adopted, all the shares shall be of equal value.

A company may, according to the provisions of the articles of association, convert all the issued par value shares into no par shares or vice versa.

Where no par value shares are adopted, more than half of the proceeds from the issuance of the shares shall be credited to the registered capital.

Shares shall be issued based on the principles of openness, fairness and justice. Shares of the same class shall carry equal rights.

For the same class of shares of the same issuance, each share shall be issued at the same conditions and price. Any entity or individual shall pay the same price for any such shares subscribed.

A company may, according to its articles of association, issue the following classified shares, which have different rights from those of the common shares:

- (i) shares with priority or inferior rights to profits or remaining property in distribution;
- (ii) shares with more or less voting rights per share than those of the common shares;
- (iii) shares whose transfer is subject to the consent of the company and other restrictions;
- (iv) other classes of shares prescribed by the State Council.

A company making a public offering of shares shall not issue any of the classified shares as prescribed on items (ii) and (iii), except those issued prior to the public offering.

Where a company issues the classified shares as mentioned in Item (ii) of Paragraph 1 of the present Article, the number of voting rights per classified share shall be the same as that of the common share for the election and replacement of the supervisors or the members of the audit committee.

A company that issues classified shares shall state the following items in its articles of association:

- (i) the sequence for the distribution of profits or remaining property of the classified shares;
- (ii) the number of voting rights of the classified shares;
- (iii) the restriction on the transfer of classified shares;
- (iv) measures for protecting the rights and interests of minority shareholders; and
- (v) other matters that the shareholders' meeting believes necessary to be specified.

Where any of the matters as prescribed in Paragraph 3 of Article 116 hereof occurs to a company that issues classified shares and may affect the rights of the classified shareholders, it should not only be decided by the shareholders' meeting according to Paragraph 3 of Article 116, but also be adopted by shareholders representing two thirds of the voting rights who are present at the classified shareholders' meeting.

Other matters that need to be decided at the classified shareholders' meeting may be provided for in the articles of association of the company.

Shares of the Company adopt the form of share certificates. Share certificates are certificates issued by the Company evidencing the shares held by the shareholders.

The shares issued by a company shall be registered shares.

The issue price of par value stock may be based on the face value or exceed the face value, but shall not be less than the face value.

The stocks shall be in paper form or in other forms prescribed by the securities regulatory institution of the State Council.

The share certificates in paper form shall clearly state the following main particulars:

- (i) the company's name;
- (ii) the date of incorporation of the Company or the time of issuance of its shares;
- (iii) the class of shares, par value and the number of shares represented thereby, and in the case of issuance of shares without par value, the number of shares represented thereby.

Where the share certificate is in paper form, the serial number of the share certificate shall also be indicated and shall be signed by the legal representative of the Company.

Where the promoters' shares are in paper form, the words "promoters' shares" shall be indicated.

After a joint stock limited company is established, it shall formally deliver the stocks to the shareholders. No company may deliver any stock to the shareholders prior to its establishment.

When a company intends to issue new shares, the shareholders' meeting shall make resolutions on the following matters:

- (i) the class and number of the new shares;
- (ii) the issue price of the new shares;
- (iii) the commencement and end of the new share issuance;
- (iv) the class and amount of new shares to be issued to existing shareholders;

- (v) in the case of issuing non-par value shares, the amount of proceeds from the new share issuance to be included in the registered capital.

A company that issues new shares may set the offer price according to its business operations and financial status.

The articles of association of the company or the board of shareholders may authorize the Board of directors to decide to issue shares not exceeding 50 percent of the issued shares of the Company within three years. However, the capital contribution in the form of non-monetary property shall be resolved by the Shareholders' Meeting.

The decision of the Board of Directors to issue shares in accordance with the preceding paragraph shall result in a change in the registered capital of the Company and the number of issued shares, the amendment of the matters recorded in the Articles of Association shall not be subject to the vote of the shareholders' general meeting.

A resolution of the Board of Directors shall be passed by more than two-thirds of all directors if the Board of Directors decides to issue new shares pursuant to the Articles of Association or the authorisation by the shareholders' general meetings.

Where a company intends to make public offering of shares, it should go through the registration with the securities regulatory authority of the State Council and announce the prospectus.

The prospectus shall be attached with the articles of association and state following matters:

- (i) the total number of shares to be issued;
- (ii) the par value and issue price of the par value stocks, or the issue price of the no par value stocks;
- (iii) the purpose of proceeds;
- (iv) the rights and obligations of subscribers;
- (v) the varieties of the shares and rights and obligations thereof; and
- (vi) the beginning and ending dates of the current offering and a statement that the subscribers may withdraw shares subscribed for if the shares are not fully offered within the time limit.

Where the shares are issued at the time of establishment of the company, the number of shares subscribed for by the promoters should also be stated.

Where a company is offering shares to the public, such offer shall be underwritten by security companies established according to law, with underwriting agreements to be entered into.

A company offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies.

The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities.

After the share capital is raised by a company making offering of shares, an announcement shall be made.

TRANSFER OF SHARES

The shares held by a shareholder of a joint stock limited company may be transferred to other shareholders or to persons other than shareholders; Where the articles of association have any restriction on the transfer of shares, the transfer shall be carried out in accordance with the provisions of the articles of association.

Shareholders shall transfer their shares at legally-established securities exchanges or in accordance with any other means stipulated by the State Council.

Shares may be transferred by endorsement of the shareholders or in any other manner specified in applicable laws and regulations. After the transfer, the company shall record the name and domicile of the transferee in the register of shareholders.

No modifications of registration in the share register shall be made within 20 days prior to convening a shareholders' meeting or 5 days prior to any record date for determination of dividend distributions. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

Shares in issue prior to the public offering of the Company shall not be transferred within one year from the date of their listing on any stock exchange. Where there are other provisions for the transfer of shares of a listed company held by the shareholders or actual controller of such company imposed by the laws, administrative regulations or the State Council's securities regulatory authority, such provisions shall prevail.

Directors, supervisors and senior management personnel of the Company shall declare to the Company the shares held by them in the Company and the changes therein, and shall not transfer more than twenty-five per cent of the total number of shares held by them in the Company each year during their term of office; their shareholding in the Company shall not be

transferred within one year from the date of listing and trading of the Company's shares. The Company's shares held by the above-mentioned personnel shall not be transferred within six months after their departure from office. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Where the shares are pledged within the time limit for transfer prescribed by laws or administrative regulations, the pledgee may not exercise the pledge right within the time limit for transfer.

A shareholder who voted against the resolution of the general meeting may request the Company to purchase his/her/its shares at a reasonable price, under any of the following circumstances, except a company making public offering of shares:

- (i) the Company's failure to distribute profits to shareholders for five consecutive years, while it has recorded profits for those five years and meets the conditions for profit distribution as stipulated under the laws;
- (ii) transfer of material assets of the Company;
- (iii) business term specified in the Articles of Association expires or the occurrence of other events that leads to dissolution of the Company as prescribed in the Articles of Association, and the general meeting approving a resolution to amend the Articles of Association so as to maintain the Company's existence.

A shareholder may bring a lawsuit before a people's court within 90 days from the date of approval of the resolution by the general meeting, if such shareholder fail to reach an agreement on share purchase with the Company within 60 days from the date of approval of the resolution by the general meeting.

If the Company repurchases shares for the circumstances set out in the first paragraph of this Article, it shall be legally transferred or deregistered within six months.

The Company may not acquire its own shares unless in one of the following circumstances:

- (i) to reduce the registered capital of the Company;
- (ii) to merge with other companies holding the shares of the Company;
- (iii) to use the shares as an employee stock ownership plan or equity incentive plan;
- (iv) to purchase its shares from shareholders who have voted against the resolutions on the merger or division of the Company at the general meeting upon their request;

- (v) to convert the shares into convertible corporate bonds issued by the Company;
- (vi) necessary for the listed Company to maintain its value and protect the interests of the shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) of the preceding paragraph may, pursuant to the articles of association or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

Where the listed Company acquires the shares of the Company, it shall fulfill the obligation of information disclosure in accordance with the provisions of the Securities Law of the People's Republic of China. Where the listed Company acquires the shares of the Company due to the circumstances specified in items (3), (5), and (6) of paragraph 1 of this Article, it shall proceed through an open centralised transaction.

The Company shall not accept the shares of the Company as a pledged security.

The Company shall not provide gifts, loans, guarantees or other financial assistance to other persons for the acquisition of shares in the Company or its parent company, except for the implementation of the Company's employee stock option plans.

For the interests of the Company, upon a resolution of the general meeting, or a resolution of the Board of Directors in accordance with the Articles of Association or the authorization of the general meeting, the Company may provide financial assistance to other persons for the acquisition of shares in the Company or its parent company, provided that the cumulative total amount of the financial assistance shall not exceed 10% of the total issued share capital. Resolutions made by the Board of Directors shall be approved by more than two-thirds of all directors.

In the event of any violation against the provisions of the preceding two paragraphs which causes losses to the Company, the responsible directors, supervisors and senior management shall be liable for compensation.

If a stock is stolen, lost or destroyed, the shareholder may request the people's court to declare the stock invalid in accordance with the public notice procedure stipulated in the Civil Procedure Law of the People's Republic of China. After the people's court declares the stock invalid, shareholders can apply to the company for a reissue of the stock.

The stocks of a listed company shall be listed and traded according to the relevant laws, administrative regulations, as well as the trading rules of the stock exchange.

A listed company shall disclose the relevant information in accordance with laws and administrative regulations.

After a natural person shareholder dies, his/her lawful inheritor may inherit the qualifications of the shareholder, unless it is otherwise prescribed by the articles of association of a joint stock limited company whose transfer of shares is restricted.

SPECIAL PROVISIONS ON THE ORGANIZATIONAL STRUCTURE OF STATE-INVESTED COMPANIES

The organizational structure of a state-invested company shall be governed by the provisions of this Chapter; if there are no provisions in this Chapter, other provisions of this Law shall apply.

The term "state-invested company" as used in this Law refers to a wholly state-owned company or a state-owned capital holding company funded by the state, including a state-funded limited liability company or a joint-stock company.

In a state-invested company, the State Council or the local people's government shall respectively perform the investor's duties on behalf of the state in accordance with the law and enjoy the rights and interests of the investor. The State Council or the local people's government may authorize the state-owned assets supervision and administration agency or other departments or institutions to perform investor duties for state-invested companies on behalf of the people's government at the same level.

The institutions and departments that perform the investor's responsibilities on behalf of the people's government at the same level are hereinafter collectively referred to as the institutions that perform the investor's responsibilities.

The Communist Party of China (CPC) organizations in state-funded companies shall play a leadership role in accordance with the provisions of the CPC Constitution, study and discuss major business and management matters of the company, and support the company's organizational structures in exercising their powers in accordance with the law.

The articles of association of a wholly state-owned company shall be formulated by the institution that performs the duties of the investor.

A wholly state-owned company does not have a shareholders' meeting, and the powers of the shareholders' meeting shall be exercised by an institution that performs the duties of the investor. The institution that performs the responsibilities of the investor may authorize the company's board of directors to exercise some of the powers of the shareholders' meeting, but the formulation and modification of the company's articles of association, the company's merger, division, dissolution, application for bankruptcy, increase or decrease of registered capital, and distribution of profits shall be performed by the investor. Responsibilities are determined by the agency.

The board of directors of a wholly state-owned company shall exercise its powers in accordance with the provisions of this Law.

More than half of the board members of a wholly state-owned company should be outside directors, and there should be company employee representatives.

Board members are appointed by institutions that perform investor duties; however, employee representatives among board members are elected by the company's employee representative conference.

The board of directors shall have one chairman and may have a vice chairman. The chairman and vice-chairman are appointed from among the board members by the institution that performs the investor's duties.

The manager of a wholly state-owned company shall be appointed or dismissed by the board of directors.

With the consent of the institution performing investor duties, board members may concurrently serve as managers.

Directors and senior managers of a wholly state-owned company shall not hold concurrent posts in other limited liability companies, joint stock companies or other economic organizations without the consent of the institution that performs the investor's duties.

If a wholly state-owned company sets up an audit committee composed of directors on the board of directors to exercise the powers of the board of supervisors stipulated in this Law, it shall not have a board of supervisors or supervisors.

State-funded companies shall establish and improve internal supervision, management and risk control systems in accordance with the law, and strengthen internal compliance management.

**QUALIFICATIONS AND OBLIGATIONS OF COMPANY DIRECTORS,
SUPERVISORS AND SENIOR MANAGERS**

Anyone who falls under any of the following circumstances shall not serve as a director, supervisor or senior manager of the company:

- (i) A person without capacity or with restricted capacity for civil acts;
- (ii) A person who has been subject to criminal penalties due to corruption, bribery, embezzlement of property, misappropriation of property or sabotaging the economic order of the socialist market; or who has been deprived of his or her political rights due to any criminal offence, in each case where no more than five years have elapsed since the date of the completion of execution of such penalty or deprivation, and no more than two years have elapsed since the date of the completion of the probation period if probation is announced;
- (iii) A person who has served as a former director, factory manager or manager of a company or enterprise which has entered into bankruptcy and liquidation, and who is held personally liable for the bankruptcy of such company or enterprise, where no more than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- (iv) A person who has served as the former legal representative of a company or enterprise whose business license was revoked or which was ordered to close down due to violation of the law, and who is held personally liable for such violation, where no more than three years have elapsed since the date of the revocation of the business license and closure, as ordered, of such company or enterprise;
- (v) A person who is listed as a defaulter by a people's court since he or she is personally liable for a substantial debt which is due for payment but remains unpaid.

If the provisions of the preceding paragraph are violated when electing and hiring directors and supervisors or appointing senior management officers, such election, appointment or hiring shall be void and ineffective.

Where a circumstance prescribed in paragraph 1 of this Articles occurs during the term of office of directors, supervisors and senior management officers, the Company shall dismiss him.

Directors, supervisors and senior managers shall abide by laws, administrative regulations and the company's articles of association.

Directors, supervisors, and senior officers owe a duty of loyalty to the company and shall take measures to avoid conflicts of interest between their personal interests and the interests of the company, and shall not use their authority to seek improper benefits.

Directors, supervisors, and senior officers owe a duty of diligence to the company, and in the execution of their duties, shall exercise the usual and reasonable care that a manager should have for the maximum benefit of the company.

If the controlling shareholders or de facto controllers of the Company do not serve as directors of the Company but actually manage the affairs of the Company, the provisions of the preceding two paragraphs shall apply.

Directors, supervisors and senior management are prohibited from:

- (i) embezzling company property, or misappropriation of the company's capital;
- (ii) depositing the company's capital into accounts under his own name or the name of other individuals;
- (iii) using his authority to engage in bribery or accept other illegal income;
- (iv) accept and possess commissions paid by a third party for transactions conducted with the company;
- (v) unauthorized divulgence of confidential company information;
- (vi) other acts in violation of their duty of loyalty to the company.

Directors, supervisors, and senior officers, whether directly or indirectly, entering into a contract or engaging in a transaction with the company, shall report matters related to the contract execution or transaction to the board of directors or the shareholders' meeting and obtain approval in accordance with the company's articles of association through resolutions of the board of directors or the shareholders' meeting.

The provisions above shall also apply to the close relatives of directors, supervisors, or senior officers, enterprises directly or indirectly controlled by directors, supervisors, or senior officers or their close relatives, and parties having other related-party relationships with directors, supervisors, or senior officers who enter into contracts or engage in transactions with the company.

Directors, supervisors, and senior officers shall not use their positions to seek any business opportunity available to the company for themselves or others, except in any of the following circumstances:

- (i) Where the activity is reported to the board of directors or the shareholders' meeting and approved in accordance with the company's articles of association through resolutions of the board of directors or the shareholders' meeting;

- (ii) Where the company cannot exploit the business opportunity according to any laws, administrative regulations, or the company's articles of association.

Directors, supervisors and senior management shall not engage in the business similar to those of the company for themselves or others, unless such act has been reported to and approved by the board of directors or the shareholders' meeting in accordance with the articles of association.

If the shareholders' meeting requires the attendance of any director, supervisor, or senior management, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where a director or senior management is under circumstances as stipulated in the preceding article, the Shareholder of the limited liability company or the Shareholder who individually or jointly holds more than 1% of the shares of a joint stock limited company for 180 consecutive days may request in writing the Supervisory Committee to file a lawsuit with the People's Court; where a supervisor is under the circumstances as stipulated in the preceding article, the aforementioned shareholder may request in writing the Board of Directors to file a lawsuit with the People's Court.

If the Supervisory Committee or the Board of Directors refuses to file a lawsuit after receiving the written request of the Shareholder as stipulated in the preceding article, or fails to file a lawsuit within 30 days from the date of receipt of the request, or in urgency and failure to file a lawsuit immediately will cause irreparable damage to the interests of the Company, the Shareholder as stipulated in the preceding article shall have the right to file a lawsuit directly with the People's Court on its behalf for the interests of the Company.

Where the legitimate rights and interests of the Company are infringed by others and losses are caused to the Company, the Shareholder as stipulated in Paragraph 1 of this Article may file a lawsuit with the People's Court in accordance with the provisions of the preceding two paragraphs.

Where the directors, supervisors or senior management of a wholly-owned subsidiary of the Company are under the circumstances as stipulated in the preceding article, or the legitimate rights and interests of the wholly-owned subsidiary of the Company are infringed by others and losses are caused, the Shareholder of the limited liability company or the Shareholder who individually or jointly holds more than 1% of the shares of a joint stock limited company for 180 consecutive days may request in writing the Supervisory Committee or the Board of Directors of the wholly-owned subsidiary to file a lawsuit with the People's Court or file a lawsuit directly with the People's Court on its behalf in accordance with the provisions of the preceding three articles.

Where a director or senior management violates the laws, administrative regulations or the Articles of Association and damages the interests of Shareholders, the Shareholders may file a lawsuit with the People's Court.

Where a director or senior management causes damage to others in the performance of his duties, the Company shall bear the liability for compensation; where the director or senior management is intentional or significant negligence, he shall also bear the liability for compensation.

Where the controlling shareholder or actual controller of the Company instructs the director or senior management to engage in acts that damage the interests of the Company or Shareholders, he shall bear joint and several liability with the director or senior management.

The Company may take out liability insurance for the directors in respect of the compensation liability they assume for the performance of the Company's duties during their tenure.

After the Company takes out liability insurance for the directors or renews the insurance, the Board of Directors shall report to the Shareholders' meeting on the insured amount, coverage and premium rate of the liability insurance.

CORPORATE FINANCE AND ACCOUNTING

The company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the regulations of the finance department of the State Council.

The company shall prepare financial and accounting reports at the end of each financial year and have them audited by an accounting firm in accordance with the law.

Financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the finance department of the State Council.

The limited liability company shall submit its financial and accounting reports to each Shareholder within the time limit specified in the Articles of Association.

The financial and accounting reports of a joint stock limited company shall be kept at the Company 20 days before the annual meeting of Shareholders for inspection by Shareholders; a joint stock limited company that publicly issues shares shall announce its financial and accounting reports.

When distributing the after-tax profits of the current year, the Company shall allocate 10% of the profits to the Company's statutory reserve fund. When the cumulative amount of the statutory reserve fund reaches more than 50% of the Company's registered capital, no further appropriation is required.

If the statutory reserve fund of the Company is insufficient to make up for the losses of the previous year, the profits of the current year shall be used to make up for the losses before allocating to the statutory reserve fund in accordance with the preceding article.

After allocating the after-tax profits to the statutory reserve fund, the Company may, upon a resolution of the Shareholders' meeting, allocate the after-tax profits to the discretionary reserve fund.

The remaining after-tax profits after the Company has made up for losses and allocated to reserve funds shall be distributed to Shareholders in proportion to their paid share capital, except all Shareholders of the limited liability company agree not to distribute profits in proportion to their capital contributions, and distributed to Shareholders in proportion to their shareholdings, except otherwise provided otherwise in the Articles of Association.

The shares held by the Company shall not be entitled to profit distribution.

If the Company distributes profits to Shareholders in violation of this Regulation, the Shareholders shall return the profits distributed in violation of the regulations to the Company; if losses are caused to the Company, the Shareholders and the responsible directors, supervisors and senior management shall bear the liability for compensation.

Where the Shareholders' meeting makes a resolution on profit distribution, the Board of Directors shall make the distribution within six months from the date of the resolution of the Shareholders' meeting.

The premiums received from the issuance of shares at a price higher than the par value of the shares, the amounts of the share capital not included in the registered capital from the issuance of no-par value shares, and other items required by the finance department of the State Council to be included in the capital reserve fund shall be included in the Company's capital reserve fund.

The company's reserve funds shall be used to make up for the Company's losses, expand the Company's production and operation, or be converted into an increase in the Company's registered capital.

When using the reserve funds to make up for the Company's losses, the discretionary reserve fund and the statutory reserve fund shall be used first; if the losses still cannot be made up, the capital reserve fund may be used in accordance with the regulations.

When the statutory reserve fund is converted into an increase in the registered capital, the remaining amount of the fund shall not be less than 25% of the Company's registered capital before the conversion.

The company's appointment, dismissal or non-reappointment of an accounting firm that undertakes the Company's audit business shall be determined by the Shareholders' meeting, the Board of Directors or the Supervisory Committee in accordance with the Articles of Association.

When the Shareholders' meeting, the Board of Directors or the Supervisory Committee of the Company votes on the dismissal of an accounting firm, the accounting firm shall be allowed to state its opinions.

The company shall provide the accounting firm it employs with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials and shall not refuse, conceal or misreport them.

The company shall not keep any other accounting books other than those required by law.

No personal account shall be opened in the name of any individual for the deposit of the Company's funds.

COMPANY MERGER, DIVISION, CAPITAL INCREASE AND REDUCTION

A company merger may take the form of absorption merger or consolidation merger.

One company absorbs other companies in an absorption merger, and the absorbed companies are dissolved. The merger of two or more companies to establish a new company is a consolidation merger, and all parties to the merger are dissolved.

Where a company merges with a company in which it holds more than 90% of the shares, the merged company does not need to be resolved by the Shareholders' meeting, but shall notify the other Shareholders, and the other Shareholders have the right to request the Company to acquire their equity or shares at a reasonable price.

If the price paid by the Company for the merger does not exceed 10% of the net assets of the Company, the merger may be effected without a resolution of the Shareholders' meeting; however, unless otherwise provided in the Articles of Association.

If the Company effects a merger in accordance with the preceding two paragraphs without a resolution of the Shareholders' meeting, it shall be resolved by the Board of Directors.

For a company merger, the parties to the merger shall enter into a merger agreement and prepare a balance sheet and a list of assets. The company shall notify its creditors within 10 days from the date of the merger resolution and make an announcement in a newspaper or on the National Enterprise Credit Information Publicity System within 30 days. Creditors may, within 30 days from the date of receipt of the notice or, if they do not receive the notice, within 45 days from the date of the first announcement, request the Company to repay its debts or provide corresponding guarantees.

Upon a company merger, the rights and debts of the merged parties shall be assumed by the surviving company or the newly established company.

Upon a company division, its property shall be divided correspondingly.

For a company division, the parties involved in the division shall prepare a balance sheet and a list of assets. The company shall notify its creditors within 10 days from the date of the division resolution and make an announcement in a newspaper or on the National Enterprise Credit Information Publicity System within 30 days.

The debts incurred by the Company before its division shall be jointly and severally liable by the companies after the division, unless otherwise agreed in a written agreement on debt repayment reached by the Company before the division.

When a company reduces its registered capital, it shall prepare a balance sheet and a list of assets.

The company shall notify its creditors within 10 days from the date of the resolution on the reduction of registered capital and make an announcement in a newspaper or on the National Enterprise Credit Information Publicity System within 30 days. Creditors may, within 30 days from the date of receipt of the notice or, if they do not receive the notice, within 45 days from the date of the first announcement, request the Company to repay its debts or provide corresponding guarantees.

When a company reduces its registered capital, the amount of capital contribution or shares of Shareholders shall be reduced correspondingly in proportion to their capital contributions or shareholdings, unless otherwise provided by law, all Shareholders of the limited liability company agree otherwise, or the Articles of Association of a joint stock limited company provide otherwise.

Where a company reduces its registered capital in violation of the law, the Shareholders shall return the funds they have received, and the Shareholders whose capital contributions are reduced shall restore the original state; if losses are caused to the Company, the Shareholders and the responsible directors, supervisors and senior management shall bear the liability for compensation.

When the limited liability company increases its registered capital, Shareholders have the right to subscribe for the newly increased capital in proportion to their actual capital contributions under the same conditions, unless all Shareholders agree not to subscribe for the capital in proportion to their capital contributions.

When a joint stock limited company issues new shares to increase its registered capital, Shareholders do not have the preemptive right to subscribe for the new shares, unless otherwise provided in the Articles of Association or the Shareholders' meeting resolves that Shareholders have the preemptive right to subscribe for the new shares.

When the limited liability company increases its registered capital, Shareholders shall contribute the capital for the newly increased capital in accordance with the relevant provisions of this Regulation on the capital contribution of the limited liability company.

When a joint stock limited company issues new shares to increase its registered capital, Shareholders shall subscribe for the new shares in accordance with the relevant provisions of this Regulation on the payment of share capital by a joint stock limited company.

COMPANY DISSOLUTION AND LIQUIDATION

A company shall be dissolved under any of the following circumstances:

- (1) The business term specified in the Articles of Association expires or other dissolution events specified in the Articles of Association occur;
- (2) The Shareholders' meeting resolves to dissolve the Company;
- (3) The company needs to be dissolved due to merger or division;
- (4) The Company's business license is revoked, it is ordered to close down or is cancelled in accordance with the law;
- (5) The People's Court dissolves the Company in accordance with Article 231 of this Regulation.

Where a company has the dissolution events as stipulated in the preceding article, it shall announce the dissolution events through the National Enterprise Credit Information Publicity System within 10 days.

Where the Company is under the circumstances as stipulated in Subparagraphs (1) and (2) of Paragraph 1 of the preceding article and has not yet distributed property to Shareholders, it may continue to exist by amending the Articles of Association or passing a resolution of the Shareholders' meeting.

To amend the Articles of Association or pass a resolution of the Shareholders' meeting in accordance with the preceding article, the limited liability company shall be approved by Shareholders holding more than two-thirds of the voting rights, and a joint stock limited company shall be approved by Shareholders representing more than two-thirds of the voting rights present at the Shareholders' meeting.

If the Company's operation and management encounter serious difficulties and the continued existence of the Company will cause significant losses to the interests of Shareholders and cannot be resolved through other means, Shareholders holding more than 10% of the voting rights of the Company may request the People's Court to dissolve the Company.

A company that is dissolved in accordance with Subparagraphs (1), (2), (4) and (5) of Paragraph 1 of Article 229 of this Regulation shall be liquidated. The directors shall be the liquidators of the Company and shall form a liquidation group within 15 days from the date of the occurrence of the dissolution event to conduct liquidation.

The liquidation group shall be composed of directors, unless otherwise provided in the Articles of Association or the Shareholders' meeting resolves to appoint others.

If the liquidators fail to perform their liquidation obligations in a timely manner and cause losses to the Company or creditors, they shall bear the liability for compensation.

If a company that shall be liquidated in accordance with the provisions of Paragraph 1 of the preceding article fails to form a liquidation group for liquidation within the time limit or fails to conduct liquidation after the formation of the liquidation group, interested parties may apply to the People's Court to appoint relevant persons to form a liquidation group for liquidation. The People's Court shall accept the application and timely organize the liquidation group for liquidation.

If a company is dissolved in accordance with Subparagraph (4) of Paragraph 1 of Article 229 of this Regulation, the department that makes the decision to revoke the business license, order the closure or cancellation of the Company or the Company registration authority may apply to the People's Court to appoint relevant persons to form a liquidation group for liquidation.

During the liquidation period, the liquidation group shall exercise the following powers:

- (1) To sort out the Company's property and prepare a balance sheet and a list of assets respectively;
- (2) To notify and announce to creditors;
- (3) To handle the Company's unfinished business related to the liquidation;

- (4) To pay off the taxes owed and the taxes incurred during the liquidation process;
- (5) To clear up claims and debts;
- (6) To distribute the remaining property of the Company after the repayment of debts;
- (7) To represent the Company in civil litigation activities.

The liquidation group shall notify creditors within 10 days from the date of its formation and make an announcement in a newspaper or on the National Enterprise Credit Information Publicity System within 60 days. Creditors shall declare their claims to the liquidation group within 30 days from the date of receipt of the notice or, if they do not receive the notice, within 45 days from the date of the first announcement.

When declaring their claims, creditors shall state the relevant matters of the claims and provide supporting documents. The liquidation group shall register the claims.

During the period of claim declaration, the liquidation group shall not make any repayment to creditors.

After sorting out the Company's property and preparing a balance sheet and a list of assets, the liquidation group shall formulate a liquidation plan and submit it to the Shareholders' meeting or the People's Court for confirmation.

The company's property shall be applied to pay the following items in order: Liquidation expenses; Salaries and social insurance premiums of employees; Taxes owed; Debts of the Company. The remaining property of the Company after the payment in accordance with the preceding article shall be distributed to Shareholders in proportion to their capital contributions or shareholdings.

During the liquidation period, the Company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's property shall not be distributed to Shareholders before it is paid in accordance with the preceding article.

After sorting out the Company's property and preparing a balance sheet and a list of assets, if the liquidation group discovers that the Company's property is insufficient to pay off its debts, it shall apply to the People's Court for bankruptcy liquidation in accordance with the law.

After the People's Court accepts the application for bankruptcy, the liquidation group shall transfer the liquidation affairs to the bankruptcy administrator appointed by the People's Court.

The members of the liquidation group shall perform their liquidation duties with loyalty and diligence.

If the members of the liquidation group are negligent in performing their liquidation duties and cause losses to the Company, they shall bear the liability for compensation; if they cause losses to creditors due to intentional or gross negligence, they shall bear the liability for compensation.

After the completion of the Company's liquidation, the liquidation group shall prepare a liquidation report, report on the income and expenses during the liquidation period and the financial accounts, which shall be verified by a Chinese certified public accountant, and then submit them to the Shareholders' meeting or the People's Court for confirmation and submit them to the Company registration authority for the cancellation of the Company's registration.

If the Company has no debts during its existence or has paid off all its debts, after all Shareholders make a commitment, the Company may cancel its registration through a simplified procedure in accordance with the regulations.

To cancel the Company's registration through a simplified procedure, an announcement shall be made through the National Enterprise Credit Information Publicity System for not less than 20 days. If there is no objection after the expiration of the announcement period, the Company may apply to the Company registration authority for the cancellation of the Company's registration within 20 days.

If the Shareholders make false commitments regarding the content as stipulated in Paragraph 1 of this article when the Company cancels its registration through a simplified procedure, they shall be jointly and severally liable for the debts before the cancellation of the registration.

If a company whose business license has been revoked, is ordered to close down or is cancelled fails to apply to the Company registration authority for the cancellation of the Company's registration within three years, the Company registration authority may make an announcement through the National Enterprise Credit Information Publicity System for not less than 60 days. If there is no objection after the expiration of the announcement period, the Company registration authority may cancel the Company's registration.

The cancellation of the Company's registration in accordance with the preceding article does not affect the liability of the original Shareholders and liquidators of the Company.

If a company is declared bankrupt in accordance with the law, bankruptcy liquidation shall be carried out in accordance with the relevant enterprise bankruptcy laws.

LEGAL LIABILITIES

Whoever obtains company registration by making false capital contributions, submitting false materials or by other fraudulent means to conceal important facts in violation of the provisions of this Regulation shall be ordered by the Company registration authority to make corrections. A company that makes false capital contributions shall be fined not less than 5% but not more than 15% of the amount of the false capital contributions; a company that submits false materials or conceals important facts by other fraudulent means shall be fined not less than RMB50,000.00 but not more than RMB2,000,000.00; if the circumstances are serious, its business license shall be revoked; and the persons directly in charge and other directly responsible persons shall be fined not less than RMB30,000.00 but not more than RMB300,000.00.

If a company fails to announce the relevant information or fails to truthfully announce the relevant information in accordance with the provisions of Article 40 of this Regulation, it shall be ordered by the Company registration authority to make corrections and may be fined not less than RMB10,000.00 but not more than RMB50,000.00. If the circumstances are serious, it shall be fined not less than RMB50,000.00 but not more than RMB200,000.00; and the persons directly in charge and other directly responsible persons shall be fined not less than RMB10,000.00 but not more than RMB100,000.00.

If the promoters or Shareholders of a company make false capital contributions and fail to deliver or fail to deliver on schedule the monetary or non-monetary property as capital contributions, they shall be ordered by the Company registration authority to make corrections and may be fined not less than RMB50,000.00 but not more than RMB200,000.00; if the circumstances are serious, they shall be fined not less than 5% but not more than 15% of the amount of the false capital contributions or the amount of the unpaid capital contributions; and the persons directly in charge and other directly responsible persons shall be fined not less than RMB10,000.00 but not more than RMB100,000.00.

If the promoters or Shareholders of a company withdraw their capital contributions after the establishment of the Company, they shall be ordered by the Company registration authority to make corrections and shall be fined not less than 5% but not more than 15% of the amount of the withdrawn capital contributions; and the persons directly in charge and other directly responsible persons shall be fined not less than RMB30,000.00 but not more than RMB300,000.00.

Whoever commits any of the following acts shall be punished by the finance department of the people's government at or above the county level in accordance with the provisions of the Accounting Law of the People's Republic of China and other laws and administrative regulations:

- (1) Keeping other accounting books in addition to the statutory accounting books;

- (2) Providing financial and accounting reports with false records or concealing important facts.

If a company fails to notify or announce to creditors in accordance with the provisions of this Regulation when it merges, divides, reduces its registered capital or liquidates, it shall be ordered by the Company registration authority to make corrections and shall be fined not less than RMB10,000.00 but not more than RMB100,000.00.

If a company conceals its property, makes false records in the balance sheet or the list of assets, or distributes the Company's property before paying off its debts during liquidation, it shall be ordered by the Company registration authority to make corrections and shall be fined not less than 5% but not more than 10% of the amount of the concealed property or the amount of the property distributed before paying off the debts; and the persons directly in charge and other directly responsible persons shall be fined not less than RMB10,000.00 but not more than RMB100,000.00.

If an institution that undertakes asset appraisal, capital verification or verification provides false materials or provides a report with major omissions, it shall be punished by the relevant department in accordance with the provisions of the Asset Appraisal Law of the People's Republic of China, the Certified Public Accountant Law of the People's Republic of China and other laws and administrative regulations.

If an institution that undertakes asset appraisal, capital verification or verification causes losses to the creditors of the Company due to the inaccuracy of the appraisal results, capital verification certificates or verification certificates it issues, it shall bear the liability for compensation within the scope of the inaccurate amount of the appraisal or verification, unless it can prove that it is not at fault.

If the Company registration authority fails to perform its duties or performs its duties improperly in violation of the provisions of laws and administrative regulations, the responsible leading personnel and directly responsible personnel shall be given administrative sanctions in accordance with the law.

Whoever fraudulently uses the name of the limited liability company or a joint stock limited company without being legally registered as such, or fraudulently uses the name of a branch of the limited liability company or a joint stock limited company without being legally registered as such, shall be ordered by the Company registration authority to make corrections or be banned, and may be fined not more than RMB100,000.00.

If a company fails to commence business operations without justifiable reasons for more than six months after its establishment, or suspends business operations on its own for more than six consecutive months after commencing business operations, the Company registration authority may revoke its business license, unless the Company suspends business operations in accordance with the law.

If a company fails to handle the relevant change registration in accordance with the provisions of this Regulation when there is a change in its registered matters, it shall be ordered by the Company registration authority to register within a time limit; if it fails to register within the time limit, it shall be fined not less than RMB10,000 but not more than RMB100,000.00.

If a foreign company violates the provisions of this Regulation and establishes a branch in the People's Republic of China without authorization, it shall be ordered by the Company registration authority to make corrections or be closed down, and may be fined not less than RMB50,000.00 but not more than RMB200,000.00.

If a company engages in serious illegal acts that endanger national security or social and public interests on its behalf, its business license shall be revoked.

If a company violates the provisions of this Regulation and shall bear civil compensation liabilities and pay fines and penalties, and its property is insufficient to make the payments, it shall first bear the civil compensation liabilities.

SHARES

The Shares of the Company shall be issued in accordance with the principles of openness, fairness and impartiality, and each Share of the same class shall have equal rights.

The Shares of the same class issued at the same time shall be issued on the same terms and at the same price per share, and the same price shall be paid for each Share subscribed by any entity or individual.

The Shares issued by the Company are denominated in Renminbi.

INCREASE, REDUCTION AND REPURCHASE OF SHARES

In light of the Company's operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to a separate resolution of the General Meeting, by any of the following methods:

- (I) a public offering of shares;
- (II) a private placement of shares;
- (III) allotment of bonus shares to existing shareholders;
- (IV) conversion of reserve funds to share capital;
- (V) other methods permitted by laws and administrative regulations.

The Company may reduce its registered capital. Any reduction of the Company's registered capital shall be subject to the procedures prescribed in the Company Law and other relevant regulations, as well as the Articles of Association.

The Company may acquire Shares of the Company in accordance with the laws, administrative regulations, departmental regulations, the regulatory rules of the place where the Company's Shares are listed and the Articles of Association under the following circumstances:

- (I) reducing the registered capital of the Company;
- (II) merging with other companies that hold Shares in the Company;
- (III) using the Shares for employee shareholding schemes or as share incentives;
- (IV) acquiring the Shares of shareholders (upon their request) who vote against any resolution adopted at any General Meetings on the merger or division of the Company;

- (V) using the Shares to satisfy the conversion of those corporate bonds convertible into shares issued by the listed company;
- (VI) safeguarding corporate value and shareholders' equity as the listed company deems necessary.

The Company shall not engage in trading of its Shares save for the circumstances specified above.

The Company's acquisition of its Shares is carried out in a manner approved by laws, administrative regulations and the regulatory rules of the place where the Company's shares are listed.

TRANSFER OF SHARES

All transfers of H Shares shall be effected by instruments of transfer in writing in a general or ordinary form or in any other forms acceptable to the Board (including the standard transfer format or form of transfer that Hong Kong Stock Exchange may provide from time to time); the instruments of transfer may be signed by hand only or by the company's valid seal (where the transferor or transferee is a corporation). Where the transferor or transferee is a recognized clearing house (hereinafter referred to as recognized clearing house) as defined by relevant regulations of Hong Kong laws from time to time, or any of its agents, the instruments of transfer may be signed manually or mechanically printed. All instruments of transfer shall be maintained at the statutory address of the Company or such places as the Board may designate from time to time.

The Company shall not accept its own shares as the subject matter of a pledge.

Shares already issued by the Company before the public offering shall not be transferred within one year of the date on which the Shares of the Company are listed on the Hong Kong Stock Exchange.

The directors, supervisors, and senior management of the Company shall declare, to the Company, the information on their holdings of the Shares of the Company and the changes thereto. The Shares transferrable by them during each year of their term of office shall not exceed 25% of the total Shares they hold in the Company. The Shares that they hold in the Company shall not be transferred within one year of the date on which the Shares of the Company are listed and traded. The aforesaid persons shall not transfer their Shares of the Company within half a year from the date of their resignation.

Where laws, regulations, departmental rules, normative documents and relevant rules of the Stock Exchange stipulate other provisions on lock-up period of Shares, the relevant provisions shall also be complied with.

Where the Company's directors, supervisors, senior managers or shareholders who hold 5% or more of the Company's Shares sell the Company's Shares or other securities with the nature of equity they hold within six months of the relevant purchase, or purchase any share they have sold within six months of the relevant sale, the proceeds generated therefrom shall be incorporated into the profits of the Company, and the Board of the Company shall recover the proceeds. However, the following circumstances shall be excluded where a securities company holds 5% or more of the Shares of the Company due to its purchase of any remaining shares under best efforts underwriting or where the provisions of the CSRC are applicable.

Shares or other securities with the nature of equity held by directors, supervisors, senior executives and natural person shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, and held by them by using other people's accounts.

If the Board of the Company fails to comply with the preceding paragraph of this Article, the shareholders are entitled to request the Board to do so within 30 days. If the Board of the Company fails to comply within the aforesaid period, the shareholders are entitled to initiate litigation directly in the people's court in their own names for the interest of the Company.

If the Board of the Company fails to implement the provisions set forth in the first paragraph of this Article, the responsible directors shall bear joint and several liability in accordance with law.

SHARES AND REGISTER OF MEMBERS

The Shares of the Company are in the form of registered shares and are centrally registered and deposited with China Securities Depository and Clearing Co., Ltd. H shares issued by the Company may be deposited mainly with a nominee company under Hong Kong Securities Clearing Company Ltd. in accordance with the laws of the place of listing, the rules of securities regulation and the practice of securities registration and depository, and may also be held by shareholders in their personal names.

The Company shall establish a register of members in accordance with the certificates provided by the securities registration authority, which shall be managed by the Board. The register of members is sufficient evidence to prove that shareholders hold shares of the Company. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders who hold shares of the same class shall enjoy the same rights and assume the same obligations.

When the Company holds a shareholders' meeting, distributes dividends, liquidates or engages in other activities requiring confirmation of the identity of shareholders, the date of equity registration shall be determined by the Board or the convenor of the shareholders' meeting, and the shareholders registered after the market close on the date of equity registration shall be the shareholders enjoying relevant rights and interests.

Shareholders and the Shareholders' Meeting

The register of members is sufficient evidence to prove that shareholders hold shares in the Company.

Shareholders of the Company shall enjoy the following rights:

- (I) to receive dividends and other forms of benefit distribution according to their share of shares;
- (II) to request, convene, preside over, attend or appoint shareholders' agents to attend shareholders' meetings and exercise the corresponding voting rights according to law;
- (III) to supervise the operation of the Company and make suggestions or inquiries;
- (IV) transfer, gift or pledge its shares in accordance with laws, administrative regulations and the provisions of the Articles of Association;
- (V) to inspect the Articles of Association, the register of members, corporate bond stubs, minutes of shareholders' meetings, resolutions of meetings of the Board, resolutions of meetings of the Board of Supervisors, financial and accounting reports;
- (VI) in the event of termination or liquidation of the Company, to participate in the distribution of the remaining property of the Company according to its share of shares held by them;
- (VII) shareholders who dissent from the resolution of the shareholders' meeting to merge or separate the company request the Company to acquire their shares;
- (VIII) other rights stipulated by laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are listed or the Articles of Association.

If the contents of the resolutions of the shareholders' meeting or the Board of the Company violate laws and administrative regulations, the shareholders shall have the right to request the people's court to determine that the resolutions are invalid.

If the convening procedures or voting methods of the shareholders' meeting or the Board violate the laws, administrative regulations or the Articles of Association, or the contents of the resolution violate the Articles of Association, the shareholders shall have the right to request the people's court to cancel the resolution within 60 days from the date of making the resolution.

In the event that a director or senior management violates laws, administrative regulations or the provisions of the Articles of Association in the performance of his/her duties with the Company and causes losses to the Company, shareholders who have held, individually or collectively, more than 1% of the Company's shares for more than 180 consecutive days shall have the right to request the Board of Supervisors in writing to institute legal proceedings in the People's court; and in the event that the Board of Supervisors violates laws, administrative regulations or the provisions of the Articles of Association in the performance of his/her duties with the Company and causes losses to the Company, the aforesaid shareholders may request the Board, in writing, to institute legal proceedings in the People's court.

If the Board of Supervisors or the Board refuses to institute legal proceedings upon receipt of a written request from a shareholder as provided for in the preceding paragraph, or fails to institute legal proceedings within 30 days from the date of receipt of the request, or if the situation is so urgent that the interests of the Company will be irreparably damaged if legal proceedings are not instituted immediately, the shareholders as provided for in the preceding paragraph shall have the right to institute legal proceedings in their own names and directly in the People's courts in the interests of the Company.

If another person infringes upon the lawful rights and interests of the Company and causes damage to the Company, the shareholders as provided in the first paragraph of this Article may institute legal proceedings in the People's court in accordance with the provisions of the preceding two paragraphs.

In the event that a director or senior management personnel violates any law or administrative regulation or the provisions of the Articles of Association to the detriment of the interests of shareholders, the shareholders may institute legal proceedings in the People's court.

Shareholders of the Company shall undertake the following obligations:

- (I) abide by laws, administrative regulations, regulatory rules of the place where the Company's shares are listed and the Articles of Association;
- (II) contribute to the capital of the Company in proportion to the number of shares for which he has subscribed and the manner in which he/she has been admitted to the capital of the Company;
- (III) not to withdraw its shares except under the circumstances prescribed by laws and regulations;

- (IV) not to abuse shareholders' rights to damage the interests of the Company or other shareholders; not to abuse the independent status of the Company as a legal person and the limited liability of shareholders to damage the interests of the creditors of the Company;

A shareholder of the Company who abuses his/her rights as a shareholder and causes losses to the Company or other shareholders shall be liable for compensation in accordance with the law.

A shareholder of the Company who abuses the independent status of the Company as a legal person and the limited liability of the shareholders, evades debts and seriously harms the interests of the creditors of the Company shall be held jointly and severally liable for the debts of the Company.

- (V) other obligations as stipulated in the laws, administrative regulations, the regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

If a shareholder holding more than 5% of the voting shares of the Company pledges the shares held by him/her, he/she shall make a written report to the Company on the date of occurrence of such fact.

Company's controlling shareholder, de facto controllers shall not use its relationship to damage the interests of the Company. In case of violation of the regulations, if the Company suffers any loss, it shall be liable to pay compensation.

The controlling shareholders and de facto controllers of the Company have an obligation of good faith to the Company and other shareholders of the Company. Controlling shareholders shall exercise their rights as capitalists in strict accordance with the law. Controlling shareholders shall not make use of their position of control to prejudice the legitimate interests of the Company and other shareholders by way of profit distribution, asset restructuring, external investment, capital appropriation or loan guarantee.

GENERAL PROVISIONS OF THE SHAREHOLDERS' MEETING

The shareholders' meeting shall be composed of all shareholders and shall be the authority of the Company and shall exercise the following functions and powers according to law:

- (I) to elect and replace directors and supervisors, and to decide on matters relating to the remuneration of directors and supervisors;
- (II) to consider and approve reports of the Board;
- (III) to consider and approve reports of the Board of Supervisors;

- (IV) to consider and approve the Company's profit distribution plan and loss recovery plan;
- (V) to resolve on the increase or reduction of the registered capital of the Company;
- (VI) to resolve on the issuance of corporate bonds;
- (VII) to resolve on the merger, demerger, dissolution, liquidation or change of corporate form of the Company;
- (VIII) to amend the Articles of Association;
- (IX) to exercise other functions and powers stipulated in the Articles of Association;
- (X) to consider the purchase or sale of major assets by the Company within one year, which exceeds 30% of the total audited assets of the Company in the latest period;
- (XI) to consider major transactions that meet the following standards (except providing guarantees and financial assistance):
 - 1. The total amount of assets involved in the transaction (the higher of book value and appraised value, if both exist) or the transaction amount represents more than 50% of the Company's audited total assets for the most recent accounting year;
 - 2. Where the transaction involves net assets or a transaction amount that is more than 50% of the absolute value of the company's audited net assets for the most recent accounting year and exceeds \$15 million;

If the data involved in the calculation of the above indicators is negative, its absolute value shall be taken for calculation.

The term "transaction" in the Articles of Association includes the following matters: purchase or sale of assets, foreign investment (including entrusted wealth management, investment in subsidiaries, etc., except for the establishment or capital increase of wholly-owned subsidiaries and the purchase of bank wealth management products), provision of guarantees (i.e., guarantees provided by the Company for others, including guarantees for holding subsidiaries), provision of financial assistance, leasing or leasing of assets, signing of management contracts (including entrusted operation, entrusted operation, etc.), donation or receiving of assets, restructuring of creditor's rights or debts, transfer of research and development projects, signing of license agreements, waiver of rights and other transactions recognized by the China Securities Regulatory Commission and the Stock Exchange. The above-mentioned purchase or sale of assets does not include transactions related to daily operations, such as the purchase of raw materials, fuels and power, and the sale of products or commodities.

The transaction amount mentioned above refers to the transaction amount paid and the liabilities and expenses assumed. If the transaction arrangement involves the possibility of paying or receiving consideration in the future, does not involve a specific amount, or determines the amount according to the set conditions, the expected maximum amount is the transaction amount.

In the event that the Company and the same counterparty engage in the same type of transaction in the same time and in the opposite direction as stipulated in this Article, the calculation shall be based on the unidirectional amount thereof; except for the provision of guarantees and other matters as stipulated by the National Stock Exchange Corporation, the Company's transactions with the same type of transactions related to the subject shall be calculated on the basis of the cumulative total of the 12 consecutive months.

Transactions in which the Company benefits unilaterally, including receiving gifts of cash assets, obtaining debt relief, accepting guarantees and financial assistance, etc., are exempted from the procedure of scrutiny by the shareholders' meeting in accordance with the provisions of this section.

(XII) to consider matters concerning the provision of external financial assistance that meet the following standards:

1. the asset-liability ratio of the subsidized object in the latest period exceeds 70%;
2. the amount of financial assistance provided on a single occasion or in the aggregate within 12 consecutive months exceeds 10% of the Company's latest audited net assets;
3. other circumstances stipulated by CSRC, HKEX or the Articles of Association.

(XIII) to consider transactions between the Company and related parties in which the transaction amount (other than the provision of guarantees) accounts for more than 5% of the Company's latest audited total assets and exceeds \$30 million, or transactions that account for more than 30% of the Company's latest audited total assets;

(XIV) to consider and approve the change of use of proceeds;

(XV) to consider and approve the equity incentive plans;

(XVI) to employ, dismiss or replace the accounting firm that performs the audit for the Company;

- (XVII) to consider other matters that should be decided by the shareholders' meeting as stipulated by laws, administrative regulations, departmental rules or the Articles of Association.

The said functions and powers of the shareholders' meeting shall not be exercised by the Board or by any other organization or individual on its behalf by way of authorization.

If the Company provides a guarantee, it shall be submitted to the Board of the Company for consideration. If one of the following circumstances applies, it shall also be submitted to the shareholders' meeting of the Company for consideration:

- (I) any guarantees provided by the Company and the Company's controlled subsidiaries after the aggregate amount of external guarantees reached or exceeded 50% of the latest audited net assets of the Company and the Company's controlled subsidiaries;
- (II) any guarantees provided after the amount of the guarantee exceeds 30% of the latest audited total assets in accordance with the principle of accumulating the amount of the guarantee over a period of 12 consecutive months;
- (III) any guarantees provided to guarantee recipients with gearing ratios exceeding 70%;
- (IV) any guarantees with a single guarantee amount exceeding 10% of the latest audited net assets;
- (V) any guarantees given to shareholders, de facto controllers and their related parties;
- (VI) other circumstances stipulated by laws, administrative regulations, departmental rules, normative documents, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Item (II) of this Article shall be resolved by the shareholders' meeting and approved by more than two-thirds of the voting rights held by the shareholders attending the meeting.

The Company may waive the application of the provisions of paragraphs (I), (III) and (IV) of this Article if the Company provides guarantees for its wholly-owned subsidiaries or provides guarantees for its controlling subsidiaries and the other shareholders of the controlling subsidiaries provide guarantees in the same proportion according to the equity interests they are entitled to, which is not detrimental to the interests of the Company.

When a shareholders' meeting considers a proposal for a guarantee in favor of a shareholder, a de facto controller and his/her associates, such shareholder, or shareholders at the disposal of such de facto controller, shall not take part in such vote, which shall be passed by a majority of the votes held by other shareholders present at the shareholders' meeting.

Where the Company provides guarantees for related parties, there should be reasonable business logic. Where the Company provides guarantees for controlling shareholders, de facto controllers and their related parties, the controlling shareholders, de facto controllers and their related parties shall provide counter-guarantees.

The shareholders' meeting shall be divided into an annual shareholders' meeting and an extraordinary shareholders' meeting. The annual shareholders' meeting shall be held once a year and shall be held within 6 months after the end of the preceding accounting year.

The Company shall convene an extraordinary shareholders' meeting within 2 months from the date of occurrence of any of the following circumstances:

- (I) when the number of Directors is less than the number prescribed by the Company Law or 2/3 of the number prescribed in the Articles of Association;
- (II) when the Company's unrecovered loss reaches 1/3 of the total share capital;
- (III) at the request of shareholders who individually or collectively hold more than 10% of the Company's shares;
- (IV) whenever the Board deems it necessary;
- (V) when the Board of Supervisors proposes to convene;
- (VI) other circumstances stipulated by laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The Company shall convene a shareholders' meeting at the place of the Company's domicile or at such place as may be determined by the notice of the shareholders' meeting.

The shareholders' meeting will be held in a venue and in the form of a live meeting. The Company will also provide online means to facilitate shareholders' participation in the shareholders' meetings. Shareholders who participate in the shareholders' meeting by the above means shall be deemed to be present.

Where the Company convenes a shareholders' meeting to adopt online voting, it shall provide shareholders with a secure, economical and convenient online voting system for the shareholders' meeting. Investors who have passed the identity verification of the online voting system for the shareholders' meeting shall be able to confirm their legally valid shareholders' identities and have legally valid voting rights. Where the Company convenes a shareholders' meeting using other means of voting recognized or required by the securities regulatory authorities, the identity of the shareholders shall be confirmed in accordance with the relevant business rules.

CONVENING OF THE SHAREHOLDERS' MEETING

Meetings of the shareholders' meeting shall be convened by the Board and presided over by the chairman of the Board; if the chairman of the Board is unable to perform his duties or fails to perform his duties, a director shall be jointly elected by more than half of the directors to preside over the meeting.

The independent directors have the right to propose to the Board to convene an extraordinary shareholders' meeting. With respect to a proposal by an independent director to convene an extraordinary shareholders' meeting, the Board shall, in accordance with the laws, administrative regulations and the provisions of the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of the extraordinary shareholders' meeting within 10 days of receipt of the proposal.

If the Board agrees to convene an extraordinary shareholders' meeting, it will give notice of the convening of the shareholders' meeting within 5 days after the Board resolution is made; if the Board does not agree to convene an extraordinary shareholders' meeting, it will state the reasons therefor.

The Board of Supervisors shall have the right to propose to the Board that an extraordinary shareholders' meeting be convened, and shall do so in writing to the Board. The Board shall, in accordance with the laws, administrative regulations, the regulatory rules of the place where the Company's shares are listed and the provisions of the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of an extraordinary shareholders' meeting within 10 days of receipt of the proposal.

If the Board agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of the convening of the shareholders' meeting within 5 days from the date of the Board's resolution, and shall obtain the consent of the Board of Supervisors for any changes to the original proposal contained in the notice.

If the Board does not agree to convene an extraordinary shareholders' meeting or fails to provide feedback within 10 days after receipt of the proposal, it shall be deemed that the Board is unable to perform or fails to perform its duty to convene the shareholders' meeting, and the Board of Supervisors may convene and preside over the meeting on its own.

Shareholders who individually or collectively hold more than 10% of the Company's shares have the right to request the Board to convene an extraordinary shareholders' meeting, and such request shall be made in writing to the Board. The Board shall, in accordance with the laws, administrative regulations and the provisions of the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of an extraordinary shareholders' meeting within 10 days after receipt of the request.

Where the Board agrees to convene an extraordinary general meeting, it shall give notice of such meeting within 5 days of the Board's resolution, and shall obtain the consent of the relevant shareholders to any changes to the original request in the notice.

If the Board does not agree to convene an extraordinary shareholders' meeting or fails to provide feedback within 10 days after receipt of the request, shareholders holding individually or in aggregate more than 10% of the Company's shares shall have the right to propose in writing to the Board of Supervisors that an extraordinary shareholders' meeting be convened.

Where the Board of Supervisors agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of the convening of the shareholders' meeting within 5 days of receipt of the request, and any changes to the original request as set out in the notice shall be subject to the consent of the relevant shareholders.

If the Board of Supervisors fails to give notice of a shareholders' meeting within the prescribed period, it shall be deemed that the Board of Supervisors does not convene and preside over the shareholders' meeting, and that shareholders who individually or collectively hold more than 10% of the Company's shares for a period of more than 90 consecutive days may convene and preside over the meeting on their own.

If the Board of Supervisors or shareholders decide to convene a shareholders' meeting on their own, they shall notify the Board in writing. The shareholding of the convening shareholders shall not be less than 10 per cent. before the announcement of the resolution of the shareholders' meeting.

The Board and the secretary of the Board shall co-operate with any shareholders' meeting convened by the Board of Supervisors or shareholders on their own initiative and shall fulfil their information disclosure obligations in a timely manner. The Board shall provide a register of members and fulfil its information disclosure obligations in a timely manner.

In the case of a shareholders' meeting convened by the Board of Supervisors or the shareholders themselves, the Company shall bear the expenses necessary for the meeting.

PROPOSALS AND NOTICES OF THE SHAREHOLDERS' MEETING

The content of the proposal shall fall within the terms of reference of the shareholders' meeting, have a clear topic and specific resolution, and be in compliance with the relevant provisions of the laws, administrative regulations and the Articles of Association.

When the Company convenes a shareholders' meeting, the Board, the Board of Supervisors, and shareholders who individually or collectively hold more than 1% of the Company's shares shall have the right to submit proposals to the Company.

Shareholders who individually or collectively hold more than 1% of the Company's shares may propose a provisional proposal and submit it in writing to the convenor 10 days prior to the date of the shareholders' meeting. The convenor shall issue a supplementary notice of the shareholders' meeting within 2 days of receipt of the proposal, informing the shareholders of the contents of the provisional proposal and submitting the provisional proposal to the shareholders' meeting for consideration.

Except as provided in the preceding paragraph, the convenor may not, after giving notice of a shareholders' meeting, amend a proposal already set out in the notice of the shareholders' meeting or add a new proposal.

Proposals not specified in the notice of the shareholders' meeting or which do not comply with the provisions of Article 50 of the Articles of Association shall not be voted on and resolved by the shareholders' meeting.

The Convenor will notify the shareholders by way of announcement 21 days before the annual shareholders' meeting and the extraordinary shareholders' meeting will be notified by way of announcement 15 days before the meeting.

The Company shall not include the day on which the meeting was called but shall include the day on which the notice was given for the purpose of calculating the commencement of the period.

The notice of a shareholders' meeting shall not be postponed or cancelled without a valid reason, and where postponement or cancellation is really necessary, the Company shall make an announcement at least 2 trading days prior to the date on which the shareholders' meeting was originally scheduled to be held, and shall explain the reasons therefor in detail.

The notice of a shareholders' meeting and supplementary notices shall disclose fully and completely all specifics of all proposals and all information or explanations necessary to enable shareholders to make a reasonable judgement on the matters to be discussed. The notice of a shareholders' meeting shall specify the time and place of the meeting, the duration of the meeting, the matters to be submitted for consideration at the meeting and the proposals, and shall fix the shareholding registration date.

The notice of the shareholders' meeting shall include the following contents:

- (I) the time, place and duration of the meeting;
- (II) the matters and proposals submitted to the meeting for consideration;
- (III) to state in conspicuous language that all shareholders are entitled to be present at a shareholders' meeting and may appoint a proxy in writing, who need not be a shareholder of the Company, to attend and vote at the meeting;

- (IV) the registration date for shareholders entitled to attend the shareholders' meeting;
- (V) the name and telephone number of the permanent contact person for meeting affairs;
- (VI) the voting time and procedures through Internet or other means.

The following matters should be noted when giving notice of a shareholders' meeting:

- (I) Full and complete disclosure of all specific details of all proposals shall be made in the notice of shareholders' meeting and supplementary notice. Where the matters to be discussed require the opinion of the independent directors, the opinion of the independent directors and the reasons therefor will be disclosed at the same time as the notice of shareholders' meeting or supplementary notice is published.
- (II) Where a shareholders' meeting is held by network or other means, the time for voting by network or other means and the voting procedures shall be clearly stated in the notice of the shareholders' meeting. Voting by network or other means at a shareholders' meeting shall commence no earlier than 3:00 p.m. on the day before the on-site shareholders' meeting and no later than 9:30 a.m. on the day of the on-site shareholders' meeting, and shall end no earlier than 3:00 p.m. on the day on which the on-site shareholders' meeting ends.
- (III) The interval between the registration date and the date of the meeting should be no more than 7 business days and should be later than the time of disclosure of the announcement. The registration date, once confirmed, may not be changed.

When the shareholders' meeting intends to discuss the election of directors and supervisors, the notice of the shareholders' meeting will fully disclose the details of the candidates for directors and supervisors, including at least the following:

- (I) the educational background, work experience, part-time jobs, and other personal information;
- (II) whether there is any relationship with the Company or the Company's controlling shareholders and de facto controllers;
- (III) the disclosure of the number of shares held in the Company;
- (IV) whether it has been subject to any penalties imposed by the China Securities Regulatory Commission and other relevant authorities and disciplinary actions taken by the stock exchange;
- (V) the information on newly appointed, re-elected or re-designated directors or supervisors as required to be disclosed by the securities regulatory rules of the place where the Company's shares are listed.

Except for the adoption of the cumulative voting system for the election of directors and supervisors, each candidate for director and supervisor shall submit a single proposal.

CONVENING OF THE SHAREHOLDERS' MEETING

The Board and other convenors of the Company will take necessary measures to ensure the normal order of shareholders' meetings. Measures will be taken to stop any disruption of shareholders' meetings, acts of picking quarrels and provoking trouble and infringement of the legitimate rights and interests of shareholders, and will be reported to the relevant authorities for investigation in a timely manner.

All shareholders registered in the register of members or their proxies are entitled to attend the shareholders' meetings. They shall also exercise their voting rights in accordance with the relevant laws and regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association.

Shareholders may attend shareholders' meetings in person or appoint a proxy to attend and vote on their behalf. When a shareholder appoints a proxy to attend a shareholders' meeting, the proxy shall submit to the Company an authorization letter from the shareholder and exercise the voting rights within the scope of the authorization.

If a natural person shareholder attends the meeting in person, he/she shall present his/her identity card or other valid documents or certificates showing his/her identity; if he/she appoints a proxy to represent him/her at the meeting, he/she shall present his/her valid identity card, and the proxy form of the shareholder's authorization.

A legal person shareholder shall be represented at the meeting by a legal representative or a proxy appointed by the legal representative. If the legal representative attends the meeting, he/she shall present his/her identity card and a valid certificate proving his/her qualification as a legal representative; if he/she appoints a proxy to attend the meeting, he/she shall present his/her identity card and a written authorization letter issued in accordance with the law by the legal representative of the legal entity of the shareholder.

The shareholders of an unincorporated organization shall be represented at the meeting by a representative appointed by the person in charge of the organization or by the managing partner of the partnership, or by a proxy appointed by the aforesaid entity. If the person in charge of the organization or the managing partner of the partnership appoints a representative to attend the meeting, he/she shall present his/her identity card and valid proof of his/her qualification as the person in charge or the appointed representative; if he/she authorizes his/her representative to attend the meeting, he/she shall present his/her identity card, and the written authorization letter issued by the person in charge of the shareholder unit or the appointed representative of the managing partner of the partnership in accordance with the law.

A proxy form issued by a shareholder to authorize another person to attend a shareholders' meeting shall contain the following information:

- (I) the name of the proxy;
- (II) whether he/she has the right to vote;
- (III) separate instructions to vote for, against or abstain from voting on each item of business to be placed on the agenda of the shareholders' meeting;
- (IV) the date of issue and period of validity of proxy;
- (V) the signature (or seal) of the principal. If the proxy is a corporate shareholder, the seal of the corporate entity shall be affixed.

The proxy form should state whether the shareholder's proxy may vote as he or she wishes if the shareholder does not give specific instructions.

Where the proxy form is signed by a person authorized by the principal to sign it, the power of attorney or other authority under which it is signed shall be notarized. The notarized power of attorney or other authority and the proxy form must be kept at the Company's premises or at such other place as may be specified in the notice convening the meeting.

If the proxy is a legal person, its legal representative or a person authorized by a resolution of the Board or other decision-making body shall attend the shareholders' meeting of the Company as its proxy. If the principal is an unincorporated organization, the person in charge of the organization, the managing partner of the partnership or a person appointed by him/her shall be the proxy to attend the shareholders' meeting of the Company.

The Company shall be responsible for the production of the register of attendees of the meeting. The register of the meeting shall contain the names (or unit names), identity card numbers, residential addresses, the number of shares held or represented by voting rights, and the names (or unit names) of the proxies of the attendees of the meeting.

The convener and the Company's hired attorney will jointly verify the legality of the shareholders' qualifications based on the register of members provided by the securities registration and clearing institution and register the names of the shareholders and the number of shares for which they hold voting rights. The registration of the meeting shall be terminated until the presiding officer of the meeting announces the number of shareholders and proxies attending the meeting on-site and the total number of shares held with voting rights.

When a shareholders' meeting is convened, all directors, supervisors and the secretary of the Board of the Company shall attend the meeting, and the general manager and other senior management shall be present at the meeting.

The chairman of the Board shall preside over the shareholders' meeting. In the event that the chairman is unable to perform his/her duties or fails to perform his duties, the meeting shall be presided over by a director jointly elected by a majority of the directors.

The chairman of the Board of Supervisors shall preside at any shareholders' meeting convened by the Board of Supervisors itself. If the chairman of the Board of Supervisors is unable to perform his/her duties or does not perform his/her duties, a supervisor jointly elected by more than half of the supervisors shall preside over the meeting.

In the case of a shareholders' meeting convened by the shareholders themselves, the convenors shall elect a representative to preside over the meeting.

If, in convening a shareholders' meeting, the presiding officer violates the rules of procedure and makes it impossible for the shareholders' meeting to continue, the shareholders' meeting may, with the consent of a majority of the shareholders present at the shareholders' meeting and entitled to vote, elect a person to act as the presiding officer of the meeting and continue with the meeting.

The Company shall formulate rules of procedure for shareholders' meeting, stipulating in detail the procedures for convening and voting at shareholders' meetings, including notification, registration, consideration of proposals, voting, counting of votes, announcement of voting results, formation of resolutions of meetings, minutes of meetings and their signatures, etc., as well as the principles of authorization by the shareholders' meeting to the Board, and the content of such authorization shall be clear and specific. The rules of procedure of the shareholders' meeting shall be annexed to the Articles of Association, drafted by the Board and approved by the shareholders' meeting.

At the annual shareholders' meeting, the Board and the Board of Supervisors shall make a report to the shareholders' meeting on their work for the past year. Each independent director shall also make a report on his/her work.

Directors, supervisors and senior management provide explanations and clarifications on shareholders' questions and proposals at shareholders' meetings.

The presiding officer of the meeting shall announce the number of shareholders and proxies attending the meeting on-site and the total number of shares holding voting rights before the vote, and the number of shareholders and proxies attending the meeting on-site and the total number of shares holding voting rights shall be based on the registration of the meeting.

Minutes shall be taken at the shareholders' meeting of shareholders and shall be taken by the secretary of the Board. The minutes shall contain the following information:

- (I) the time, venue and agenda of the meeting and the name or title of the convener;
- (II) the names of the presider of the meeting and the directors, supervisors, general manager and other senior management who attend or sit in on the meeting;
- (III) the number of shareholders and proxies attending the meeting, the total number of shares held by them with voting rights and their proportion to the total number of shares of the Company;
- (IV) the considerations, main points of speeches and voting results of each proposal;
- (V) shareholders' questions, comments or suggestions and the corresponding replies or explanations;
- (VI) the names of lawyers, vote counters and vote supervisors;
- (VII) other contents that shall be recorded in the minutes of the meeting.

The secretary of the Board shall be responsible for the minutes of the shareholders' meetings. The directors, the secretary of the Board, the convenor or his/her representative, and the presiding officer of the meeting who are present at the meeting shall sign on the minutes of the meeting and ensure that the minutes of the meeting are true, accurate and complete. The minutes shall be kept together with the register of signatures of shareholders attending on-site and the proxy's authorization letter for proxy attendance, as well as the information on valid voting by internet and other means, and shall not be altered or destroyed by any person during the business term of the Company. They shall be kept for a period of not less than 10 years.

The convenor shall ensure that the shareholders' meeting is held continuously until a final resolution is reached. In the event that a shareholders' meeting is suspended or a resolution cannot be reached due to force majeure or other special reasons, the necessary measures shall be taken to resume the meeting as soon as possible or to terminate the meeting directly, and a timely announcement shall be made. At the same time, the convenor shall report to the local organization of the China Securities Regulatory Commission and the stock exchange where the Company is located.

VOTING AND RESOLUTIONS OF THE SHAREHOLDERS' MEETING

Resolutions at shareholders' meetings are divided into ordinary and special resolutions.

Ordinary resolutions at a shareholders' meeting shall be passed by more than 1/2 of the voting rights held by the shareholders (including shareholders' proxies) present at the shareholders' meeting.

Special resolution at a shareholders' meeting shall be passed by more than 2/3 of the voting rights held by the shareholders (including shareholders' proxies) present at the shareholders' meeting.

The following matters are approved by ordinary resolution at the shareholders' meeting:

- (I) to elect and replace non-employee directors and supervisors;
- (II) to decide on the remuneration of the directors and supervisors concerned;
- (III) to consider and approve reports of the Board;
- (IV) to consider and approve reports of the Board of Supervisors;
- (V) to consider and approve the Company's profit distribution plan and compensation plan;
- (VI) the matters other than those that should be approved by special resolution as stipulated by laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed or the Articles of Association.

The following matters are approved by special resolution at the shareholders' meeting:

- (I) the increase or reduction of the registered capital of the Company;
- (II) the division, merger, dissolution, liquidation, voluntary winding-up or change of corporate form of the Company;
- (III) the amendments to the Articles of Association;
- (IV) the purchase or sale of major assets by the Company within one year or the amount of guarantee exceeding 30% of the total audited assets of the Company in the latest period;
- (V) the equity incentive plan;
- (VI) issuing corporate bonds and providing external loans;

(VII) the disposal of the Company's trademarks and core technologies;

(VIII) other matters stipulated by laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed or the Articles of Association, as well as those determined by the shareholders' meeting by ordinary resolution to have a significant impact on the Company, need to be passed by special resolution.

Shareholders (including shareholders' proxies) exercise their voting rights by the number of voting shares they represent, with each share carrying one vote.

The shares of the Company held by the Company do not carry voting rights and such shares are not included in the total number of shares present at shareholders' meetings with voting rights and are not deposited in the Central Clearing and Settlement System.

A controlling subsidiary of the Company shall not acquire shares in the Company. If the shares are held for special reasons, such circumstances shall be eliminated within one year in accordance with the law. Before the elimination of the aforesaid circumstances, the relevant subsidiary shall not exercise the voting rights corresponding to the shares held, and such shares shall not be counted towards the total number of shares present at the shareholders' meeting with voting rights.

The Board, independent directors, shareholders holding more than 1% of the voting shares or investor protection organizations established in accordance with laws, administrative regulations or the regulations of the CSRC may openly solicit shareholders' voting rights. The solicitation of shareholders' voting rights shall fully disclose the specific voting intention and other information to the solicited persons. Solicitation of shareholders' voting rights by means of compensation or disguised compensation is prohibited. The Company shall not impose a minimum shareholding ratio restriction on the solicitation of voting rights.

Shareholders who are related to the matters to be considered at a shareholders' meeting shall abstain from voting, and the shares they hold with voting rights shall not be included in the total number of shares with voting rights present at the shareholders' meeting. Except where all the shareholders are related parties.

Except in special circumstances such as a crisis situation in which the Company is involved, the Company will not enter into a contract with a person other than a director, manager or other senior executive to entrust the management of the entire or important business of the Company to that person unless approved by a special resolution of the shareholders' meeting.

The list of candidates for directors and supervisors shall be submitted to the shareholders' meeting for voting by way of a proposal.

The election of directors and supervisors at the shareholders' meeting is based on a cumulative voting system.

The cumulative voting system referred to in the preceding paragraph means that when a shareholders' meeting elects directors or supervisors, each share has the same number of voting rights as the number of directors or supervisors to be elected, and the voting rights owned by the shareholders may be pooled together.

The specific operating procedures of the cumulative voting system are as follows:

- (I) Independent directors, non-independent directors and supervisors of the Company shall be elected separately and shall vote separately.
- (II) In the election of independent directors, each shareholder is entitled to a number of votes equal to the product of the number of shares held by him/her multiplied by the number of independent directors he/she has the right to elect, which votes may only be cast for the independent director candidates of the Company, and the one who receives the highest number of votes shall be elected.
- (III) In the election of non-independent directors and supervisors, each shareholder shall be entitled to a number of votes equal to the product of the number of shares held by him/her multiplied by the number of non-independent directors and supervisors he/she has the right to elect, which votes may only be cast for non-independent directors and supervisors of the Company, and the one who receives the highest number of votes shall be elected.
- (IV) In the event that the number of candidates exceeds the number of candidates as provided for in the Articles of Association, the number of independent directors, non-independent directors and supervisors elected by each shareholder by voting shall not exceed the number of independent directors, non-independent directors and supervisors as provided for in the Articles of Association, and the total number of ballots cast shall not exceed the number of ballots to which the shareholder is entitled, or such ballots shall be null and void.
- (V) The scrutineers and counting officers of the shareholders' meeting must carefully check the above to ensure the fairness and validity of the cumulative voting.

Employee representative directors and supervisors shall be democratically elected by the employees of the Company through employee representative meetings, employee congresses or other forms.

The Board shall provide shareholders with details of the directors and supervisors standing for election, including at least the following information:

- (I) the educational background, work experience, part-time jobs, and other personal information;
- (II) whether there is any relationship with the Company or the Company's controlling shareholders and de facto controllers;
- (III) the disclosure of the number of shares held in the Company;
- (IV) whether it has been subject to any penalties imposed by the China Securities Regulatory Commission and other relevant authorities and disciplinary actions taken by the stock exchange;

In addition to the cumulative voting system, the shareholders' meeting will vote on all proposals on an item-by-item basis, and if there are different proposals on the same issue, the proposals will be voted on in the chronological order in which they were put forward; the shareholders' meeting will vote on all proposals on an item-by-item basis, and if there are different proposals on the same issue, the proposals will be voted on in the chronological order in which they were put forward, and Shareholders may not vote in favor of different proposals on the same issue at the same time at the shareholders' meeting. The shareholders' meeting will not adjourn or withhold voting on the proposals unless the shareholders' meeting is adjourned or a resolution cannot be made due to special reasons such as force majeure.

No changes will be made to the proposal when it is considered at the shareholders' meeting; otherwise, the change shall be considered a new proposal and cannot be voted on at this shareholders' meeting.

The same voting right may only choose one of the on-site, internet or other voting methods; in the event of a double voting of the same voting right, the result of the first vote shall prevail.

The shareholders' meeting is voted in a registered manner.

Before the shareholders' meeting votes on a proposal, two shareholders' representatives shall be elected to participate in the counting and supervision of votes. Where a shareholder has an interest in the matter under consideration, the relevant shareholder and his/her proxy shall not participate in the counting of votes or the supervision of votes.

When a shareholders' meeting votes on a proposal, a lawyer, a representative of shareholders and a representative of supervisors shall be jointly responsible for counting and supervising the votes, and the results of the voting shall be announced on the spot, and the results of the voting on the resolution shall be recorded in the minutes of the meeting.

Shareholders of the Company or their proxies who cast their votes through the Internet or other means are entitled to check their voting results through the corresponding voting system.

The on-site shareholders' meeting shall end no earlier than online or otherwise, and the presiding officer of the meeting shall announce the status and results of the vote on each proposal and, based on the results of the vote, whether or not the proposal has been approved.

Prior to the formal announcement of the voting results, the Company, the counters, the scrutineers, the major shareholders, the network service provider and other relevant parties involved in the on-site shareholders' meeting, the Internet and other voting methods are under an obligation to keep the voting confidential.

Shareholders attending the shareholders' meeting shall express one of the following views on the proposals put to vote: for, against or abstain from voting, except for the case where the securities registrar and clearing house, as the nominal holder of the shares under the mechanism for interconnected trading between the stock markets of the Mainland and Hong Kong, has made a declaration in accordance with the intention of the actual holder.

Votes not filled in, incorrectly filled in, illegible, or not cast shall be deemed to be abstentions by the voter, and the number of shares held by him/her shall be counted as 'abstentions'.

If the presiding officer of the meeting is in any doubt as to the result of a resolution put to the vote, he/she may count the votes cast; if the presiding officer of the meeting does not conduct a vote count, shareholders or shareholders' proxies attending the meeting who disagree with the announcement of the result by the presiding officer shall have the right to request for a vote count immediately after the announcement of the result of the vote, and the presiding officer of the meeting shall then proceed to count the votes immediately.

The shareholders' meeting shall make a resolution in a timely manner, which shall set out the number of shareholders and proxies attending the meeting, the total number of shares holding voting rights and their proportion to the total number of shares of the Company having voting rights, the manner of voting, the voting results of each proposal and the details of each resolution passed.

If the proposal is not approved, or if the current shareholders' meeting changes the resolution of the previous shareholders' meeting, a special reminder shall be included in the resolution of the shareholders' meeting.

If the shareholders' meeting approves the proposal for the election of directors and supervisors, the new directors and supervisors shall take office immediately after the shareholders' meeting has considered and approved the proposal.

If the shareholders' meeting approves the proposal of cash distribution, share dividend or capitalization of capital reserve, the Company will implement the specific proposal within 2 months after the shareholders' meeting.

THE BOARD**Directors**

Directors may include executive directors, non-executive directors and independent directors. Non-executive directors refer to directors who do not hold positions in the Company's operation and management, and independent directors refer to directors who do not hold positions in the Company other than that of director and do not have any direct or indirect interests with the Company, its substantial shareholders, or its de facto controllers, or any other relationships that may affect their ability to make independent and objective judgements. The directors of the Company shall be natural persons, and the directors shall possess the qualifications for appointment as required by laws, administrative rules and regulations, and shall not be able to serve as directors of the Company under any of the following circumstances:

- (I) civil incapacity or limited civil capacity;
- (II) where a criminal punishment is given for corruption, bribery, embezzlement of property, misappropriation of property, or undermining the order of the socialist market economy, or where the period of enforcement has not yet exceeded 5 years due to a crime, and a suspended sentence has been announced, 2 years have not yet elapsed from the date on which the probationary period of the suspended sentence has expired;
- (III) where a director, factory director, or manager of a company or enterprise in bankruptcy liquidation bears personal responsibility for the bankruptcy of the company or enterprise, it has not been more than 3 years since the completion of the bankruptcy liquidation of the company or enterprise;
- (IV) where they serve as the legal representative of a company or enterprise whose business license has been revoked or ordered to close down due to violations, and who bears personal responsibility, it has not been more than 3 years since the date on which the company's or enterprise's business license was revoked or ordered to close down;
- (V) individuals who bear a relatively large amount of debts that have not been paid off when they are due are listed as judgment defaulters by the people's courts;
- (VI) those who are prohibited from entering the securities market by the China Securities Regulatory Commission and its dispatched agencies or are found to be unsuitable persons, and the time limit has not expired;
- (VII) disciplinary sanctions against those who are found to be unsuitable to serve as directors, supervisors, or senior managers of the company by the National Stock Exchange Corporation or the stock exchange, and the time limit has not yet expired;

(VIII) other circumstances stipulated by the CSRC and the Stock Exchange;

(IX) other contents stipulated by laws, administrative regulations or departmental rules.

The methods and procedures for proposing director candidates are as follows:

- (I) the Board of the Company and shareholders who individually or collectively hold more than 3% of the Company's shares shall have the right to nominate candidates for election as directors of the Company;
- (II) the nomination of director candidates by the Board to the shareholders' meeting shall be made by a resolution of the Board; the nominating shareholders may submit the list of director candidates to the Board directly.

After being nominated, a director candidate shall examine himself/herself whether he/she meets the qualifications for the office and provide the Company with a written explanation of whether he/she meets the qualifications for the office and proof of relevant qualifications in a timely manner. The Board shall verify the candidate's qualifications for the office, and if it finds that the candidate does not meet the qualifications for the office, it shall request the nominator to withdraw the nomination of the candidate, and the nominator shall do so.

If a director is elected or appointed in violation of the provisions of this Article, such election, appointment or employment shall be null and void. The Company shall terminate the duties of a director if any of the circumstances set out in this Article occurs during the director's term of office.

Directors are elected or replaced by the shareholders' meeting for a term of three years. Directors may be re-elected upon expiration of their terms of office. The shareholders' meeting may not remove a director without cause before the expiration of his/her term of office.

The term of office of the directors shall be calculated from the date of their assumption of office until the expiry of the current term of office of the Board. If a director is not re-elected in time upon the expiry of his/her term of office, until the re-elected director assumes office, the original director shall still perform his/her duties as a director in accordance with the laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the Company's shares are listed, and the provisions of the Articles of Association.

Directors may be shareholders or non-shareholders. A director may concurrently hold the position of manager or other senior management personnel of the Company, and the total number of directors who concurrently hold the position of manager or other senior management personnel and directors who are representatives of employees shall not exceed one half of the number of directors.

The Board of the Company shall have a director who is a representative of the employees and who shall be elected or replaced by a general meeting of the employees (representatives) of the Company.

The directors shall comply with the laws and administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association, and shall have the following obligations of loyalty to the Company:

- (I) not to accept bribes or other illegal incomes through the use of his/her official position, and not to encroach on the Company's property;
- (II) not to misappropriate the Company's funds;
- (III) not to open accounts for the deposit of the assets or funds of the Company in his own name or in the name of any other person;
- (IV) not to violate the provisions of the Articles of Association by lending the Company's funds to others or providing guarantee for others with the Company's property without the consent of the shareholders' meeting or the Board;
- (V) not to enter into contracts or conduct transactions with the Company in violation of the provisions of the Articles of Association or without the consent of the shareholders' meeting;
- (VI) not to take advantage of the convenience of his/her office to obtain for himself/herself or others business opportunities that should belong to the Company, and to operate on his/her own or for others a business of the same kind as the Company's without the consent of the shareholders' meeting;
- (VII) not to accept for his/her own benefit commissions for transactions with the Company;
- (VIII) not to disclose Company secrets without authorization;
- (IX) not use his/her affiliation to the detriment of the Company;
- (X) other obligations of loyalty stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

Income derived by a director in breach of the provisions of this Article shall belong to the Company; if it causes loss to the Company, he/she shall be liable to pay compensation.

The directors shall comply with the laws and administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association, and shall have the following obligations of diligence to the Company:

- (I) shall exercise the rights conferred by the Company in a prudent, serious and diligent manner to ensure that the Company's business conduct complies with national laws, administrative regulations and the requirements of various national economic policies and that the business activities do not exceed the scope of business as stipulated in the business licence;
- (II) shall treat all shareholders fairly;
- (III) shall keep abreast of the Company's business operations and management;
- (IV) shall sign a written confirmation of the Company's periodic reports to ensure that the information disclosed by the Company is true, accurate and complete;
- (V) shall truthfully provide the Board of Supervisors with the relevant circumstances and information and shall not obstruct the Board of Supervisors or supervisors in the exercise of their powers and functions;
- (VI) other obligations of diligence as stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

A director who fails to attend two consecutive shareholders' meetings in person and does not appoint another director to attend the shareholders' meeting shall be deemed to be incapable of discharging his/her duties and the Board shall recommend to the shareholders' meeting for his/her removal.

A director may resign before the expiry of his/her term of office. A director shall not, by resignation or otherwise, circumvent the duties to which he/she is liable. A director who resigns shall submit a written resignation report to the Board. The Board of Directors shall disclose the situation within 2 days.

In the event that the Company's Board falls below the quorum due to the resignation of a director, the original director shall still perform the duties of a director in accordance with the laws, administrative regulations, departmental rules and the provisions of the Articles of Association until the re-elected director assumes office. Under such circumstances, the Company shall complete the by-election of directors within 2 months. The resignation report shall not take effect until the next director fills the vacancy created by his/her resignation. Before the resignation report takes effect, the resigning director shall continue to perform his/her duties.

Except for the circumstances listed in the preceding paragraph, the resignation of a director shall take effect from the time when the resignation report reaches the Board.

A director's obligations to the Company and its shareholders are not ipso facto discharged by his/her resignation or by the expiration of his term of office for a reasonable period after the report of his/her resignation has not yet become effective or has become effective and for a reasonable period after the expiration of his/her term of office, and a director's obligation to maintain the confidentiality of the Company's trade secrets for a period of three years from the date his/her resignation becomes effective or his/her term of office expires shall continue after the expiration of his/her tenure of office until such secrets become public information. The duration of other obligations shall be determined on an equitable basis, depending on the length of time that elapses between the occurrence of the event and the departure from office and the circumstances and conditions under which the relationship with the Company ends.

Major matters shall be decided collectively by the Board, and the Board shall not delegate statutory powers and duties to individual directors or others. No director shall act on behalf of the Company or the Board in his or her personal capacity without the provisions of the Articles or the legal authorization of the Board. When a director acts in his/her personal name, he/she shall declare his/her position and identity in advance if a third party would reasonably believe that he/she is acting on behalf of the Company or the Board.

A director who, in the performance of his/her duties with the Company, violates laws, administrative regulations, departmental rules, the listing rules of the stock exchange where the Company's shares are listed, or the provisions of the Articles of Association, and causes losses to the Company, shall be liable to pay compensation.

Independent directors shall act in accordance with the laws, administrative regulations, departmental rules, the listing rules of the stock exchange where the Company's shares are listed, and the relevant provisions of the Company's 'Work System for Independent Directors'.

The Board

The Company shall have a Board, which shall be the Company's permanent executive and operational decision-making body and shall be accountable to the shareholders' meeting. The Board shall discuss and evaluate whether the corporate governance mechanism provides appropriate protection and equal rights to all shareholders and whether the corporate governance structure is reasonable and effective.

The Board shall consist of 7-11 directors, of which 3-4 shall be independent directors, and the independent directors shall include one accounting professional who meets the requirements of the securities regulatory rules of the place where the Company's shares are listed, one employee director, and one chairman of the Board.

The shareholders' meeting authorizes the Board to exercise the following powers in accordance with the principle of scientific decision-making in favor of the Company and prudent authorization:

- (I) to convene and report to the shareholders' meeting;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (II) to implement the resolutions of the shareholders' meeting;
- (III) to decide the Company's business plans and investment programs;
- (IV) to formulate the Company's profit distribution plan and loss recovery plan, annual financial budget and final accounts;
- (V) to formulate proposals for the increase or reduction of the registered capital of the Company, the issue of bonds or other securities and the listing of the Company;
- (VI) to formulate proposals for material acquisitions by the Company, acquisitions of shares in the Company or mergers, demergers, dissolutions and changes in corporate form;
- (VII) to decide, within the scope of the authorization granted by the shareholders' meeting, on the Company's external investment, acquisition and disposal of assets, pledge of assets, external guarantee matters, entrustment of finance, connected transactions and other transactional matters;
- (VIII) connected transactions between the Company and connected natural persons with a transaction amount of 0.5 million or more;
- (IX) to consider transactions between the Company and connected corporations where the transaction amount represents more than 0.5% of the Company's total audited assets for the most recent period and exceeds 3 million;
- (X) to determine the set-up of the internal management organization of the Company;
- (XI) to appoint or dismiss senior management such as the general manager, financial controller, secretary to the Board and chief engineer of the Company; to appoint or dismiss other senior management such as the vice general manager of the Company upon the nomination of the general manager and to decide on matters of remuneration and rewards and punishments thereof;
- (XII) to formulate the basic management system of the Company;
- (XIII) to formulate proposals for the amendment of the Articles of Association;
- (XIV) to manage corporate disclosure matters;
- (XV) to propose to the shareholders' meeting the appointment, dismissal or replacement of the accounting firm to audit the Company;
- (XVI) to receive a report on the work of the general manager of the Company and to inspect the work of the general manager;

- (XVII) the relevant requirements for participation in strategic goal setting, review of implementation and mechanism for evaluating the performance of the management;
- (XVIII) other powers and functions conferred by laws, administrative regulations, departmental rules, listing rules of the place where the Company's shares are listed, or the Articles of Association and the shareholders' meeting.

The Board of the Company should provide an explanation to the shareholders' meeting regarding the non-standard audit opinion issued by the certified public accountants on the Company's financial reports.

The Company has formulated rules of procedure for the Board to ensure that the Board implements the resolutions of the shareholders' meetings, to enhance work efficiency and to ensure scientific decision-making.

The rules of procedure for the Board provide for the convening and voting procedures of the Board, which are prepared by the Board and approved by the shareholders' meeting.

The Board shall determine the authority for external investment, acquisition and disposal of assets, pledge of assets, external guarantee matters, entrustment of finance and connected transactions, and establish strict examination and decision-making procedures; major investment projects shall be organized to be examined by relevant experts and professionals and reported to the shareholders' meeting for approval.

Transactions (other than the provision of guarantees and the provision of financial assistance) incurred by the Company that meet one of the following criteria shall be submitted to the Board for consideration:

- (I) the total amount of assets involved in the transaction (the higher of book value and appraised value, if both exist) or the transaction amount represents more than 10% of the Company's total audited assets for the most recent period;
- (II) the transaction involves a net asset value or transaction amount that is more than 10% of the Company's audited net assets for the most recent accounting year and exceeds 3 million;
- (III) the transactions that should be approved by the Board as required by the regulatory rules of the place where the Company's shares are listed (including the Listing Rules).

In case of negative values of the above indicators, the absolute values will be taken for calculation. If the above Board's approval authority is exceeded, the shareholders' meeting will consider and approve the proposal. If the above Board's approval authority is not met, the general manager's office will consider and approve the proposal.

The Board has the authority to approve connected transactions (except for external guarantees and the provision of financial assistance) that meet the following criteria:

- (I) the amount of transactions between the Company and connected natural persons exceeds 0.5 million;
- (II) the transactions between the Company and connected corporations in which the transaction amount represents 0.5% or more of the Company's total audited assets for the most recent period and exceeds 3 million.

Connected party transactions that do not meet the criteria for consideration by the Board are approved by the office of the general manager. If the general manager has a relationship with the matter under consideration, the related transaction shall be considered and decided by the Board.

The Company's external guarantee shall be approved and resolved by more than two-thirds of the directors present at a Board meeting, and if it complies with the provisions of Article 39 of the Articles of Association, it shall be submitted to the shareholders' meeting for deliberation after being considered and approved by the Board.

The provision of financial assistance by the Company shall be approved and resolved by more than two-thirds of the directors present at a meeting of the Board, and if it complies with the provisions of Article 38 of the Articles of Association, it shall be submitted to the shareholders' meeting for deliberation after being considered and approved by the Board.

The Board shall have a chairman, who shall be elected by the Board by a majority of all directors. The term of office of the chairman is three years and he/she may be re-elected.

The chairman of the Board exercises the following powers and duties:

- (I) to preside at shareholders' meetings and to convene and preside at meetings of the Board;
- (II) to supervise and examine the execution of the resolutions of the Board;
- (III) other powers that the Board may delegate.

If the chairman of the Board is unable to perform his/her duties or fails to perform his/her duties, a director shall be elected by a majority of the directors to perform his/her duties.

The Board shall meet at least twice a year and shall be convened by the chairman of the Board, who shall notify all directors and supervisors in writing 14 days prior to the date of the meeting. The topics for Board meetings shall be prepared in advance with sufficient decision-making materials and sent to the Board members at least 3 days before the date of the meeting.

When the Board convenes an extraordinary meeting, notice of the meeting shall be given to each participant in writing or by means of communication three days prior to the convening of the meeting. On the premise of safeguarding the full expression of opinions by the directors, an interim meeting may be convened in writing, by telephone, by facsimile or with the aid of communication facilities through which all directors are able to communicate.

Where the situation is one of urgency and an impromptu extraordinary meeting of the Board is required, notice of such meeting may be given at any time by telephone or other verbal means, provided that the convenor shall give notice thereof at the meeting.

Shareholders representing more than 1/10 of the voting rights, more than 1/3 of the directors, more than 1/2 of the independent directors or the Board of Supervisors may propose to convene an extraordinary meeting of the Board. The chairman of the Board shall convene and preside over a meeting of the Board within 10 days from the receipt of the proposal.

A Board meeting shall be held with the attendance of a majority of the directors. Resolutions of the Board must be passed by a majority of all directors.

Voting on the resolutions of the Board shall be on a one-person-one-vote basis.

A director who is affiliated with an enterprise involved in an item resolved at a Board meeting may not exercise his/her right to vote on the resolution, nor may he/she exercise his/her right to vote on behalf of other directors. The meeting of the Board may be held if a majority of the unrelated directors are present, and resolutions made at a meeting of the Board shall be approved by a majority of the unrelated directors. If the number of unrelated directors present at a Board meeting is less than three, the matter shall be submitted to the shareholders' meeting for deliberation.

Resolutions of the Board is voted in a registered manner.

An interim meeting of the Board may pass a resolution in writing without convening a meeting on the premise of ensuring that the directors fully express their views. Upon being signed by the number of directors required to pass a resolution as provided for in the Articles of Association, such resolution shall become effective on the date of signature by the last-signed director.

A director shall attend the meeting of the Board in person; if a director is unable to attend for any reason, he/she may appoint another director in writing to attend the meeting on his/her behalf, and the scope of authorization shall be stated in the appointment letter. The director attending the meeting on behalf of the director shall exercise the rights of a director within the scope of authorization. A director shall not accept the proxy of more than two directors to attend a Board meeting on his/her behalf. When considering connected transactions, a non-connected director shall not appoint a connected director to attend the meeting on his/her behalf. An independent director shall not appoint a non-independent director to attend the

meeting on his/her behalf. A director attending a meeting on behalf of another director shall exercise the rights of a director within the scope of authorization. A director who fails to attend a Board meeting or to appoint a proxy to attend the meeting shall be deemed to have abstained from voting at that meeting.

The Board shall make minutes of its decisions on matters discussed at the meeting, which shall be true, accurate and complete. The directors present, the secretary of the Board and the recorder shall sign the minutes. The directors present at the meeting have the right to request that their speeches at the meeting be recorded in the minutes in a descriptive manner. Minutes of Board meetings shall be kept by the secretary of the Board as corporate records. The said minutes shall be kept for a period of not less than ten years.

Minutes of the Board meetings include the following:

- (I) the date and place of the meeting and the name of the convenor;
- (II) the names of the directors present and the names of the directors (proxies) authorized to attend the Board;
- (III) the agenda of the meeting;
- (IV) the highlights of directors' remarks;
- (V) the manner in which each resolution shall be voted upon and the result thereof (which shall state whether the votes were in favor of or against the resolution or whether they abstained).

The Board shall set up four specialized committees, namely the Audit and Risk Committee, the Strategy and Investment Committee, the Nomination Committee, and the Remuneration and Evaluation Committee, as required; the Board may set up other committees as required from time to time. The members of the specialized committees shall all be composed of directors, with independent directors constituting a majority and acting as convenors of the Nomination Committee, the Remuneration and Evaluation Committee and the Audit and Risk Committee, and at least one independent director of the Audit and Risk Committee shall be an accounting professional. The duties of the specialized committees of the Board shall be carried out in accordance with the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the relevant provisions of the Company.

GENERAL MANAGERS AND OTHER SENIOR MANAGEMENT

The Company has a general manager, a number of deputy general managers, a person in charge of finance, the secretary of the Board and a chief engineer, who are appointed or dismissed by the Board.

The general manager, deputy general manager, financial controller, secretary of the Board, chief engineer and other senior management of the Company as recognized by the Board the Company shall be the senior management of the Company and shall be appointed for a term of three years each and shall be eligible for reappointment for a second consecutive term.

The prohibitions against acting as a director set out in the Articles of Association shall also apply to senior management.

The provisions of the Articles of Association relating to the duties of loyalty and diligence of directors shall also apply to senior management.

The person in charge of finance, as the senior management, shall be nominated by the chairman of the Board and appointed by the Board. In addition to meeting the requirements of the preceding paragraph, the person in charge of finance shall possess professional and technical qualifications of accountant or above, or have a professional background in accounting and have been engaged in accounting work for more than three years.

The general manager shall be responsible to the Board and shall exercise the following powers and duties:

- (I) to preside over the management of the Company's production and operation, to organize the implementation of the Board's resolutions and to report to the Board on its work;
- (II) to organize the implementation of the Company's annual business plan and investment program;
- (III) to draw up a proposal for the establishment of an internal management structure for the Company;
- (IV) to draw up a basic management system for the Company;
- (V) to make specific rules and regulations of the Company;
- (VI) to propose to the Board candidates for the position of vice general manager and other senior management of the Company;

(VII) to decide on the appointment or dismissal of responsible management personnel other than those to be appointed or dismissed by the Board;

(VIII) the general manager shall attend the meetings of the Board;

(IX) other powers and functions conferred by the Articles of Association or the Board.

In exercising his/her powers and duties, the general manager shall not alter the resolutions of the shareholders' meeting and the Board or exceed the scope of authorization.

In the event that the general manager is unable to perform his/her duties for any reason, the Board shall authorise one of the directors to act as the general manager in his/her place.

The general manager and other senior management may resign before the expiration of their terms of office, and the senior management shall submit a written report of resignation, and shall not circumvent the duties they are required to assume by resignation.

The resignation report of the Board secretary shall not take effect until the transfer of his/her job is completed and the relevant announcement is disclosed. Before the resignation report takes effect, the Board secretary who intends to resign shall continue to perform his/her duties.

Except for the above circumstances, the resignation of senior management shall take effect from the time the resignation report reaches the Board.

The general manager shall formulate the general manager's work rules and submit them to the Board for approval before implementation.

The Company has a Board secretary, who is responsible for the preparation of the Company's shareholders' meeting and Board meetings, the custody of documents and the management of the Company's shareholders' information, etc.

The secretary of the Board shall be nominated by the chairman of the Board and appointed by the Board. A director or senior management of the Company may also serve as the secretary of the Board.

Senior management shall be liable for any losses caused to the Company if they have violated any laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are listed or the Articles of Association in the performance of their duties with the Company.

SUPERVISORS AND BOARD OF SUPERVISORS**Supervisors**

The circumstances in the Articles of Incorporation that prohibit a person from serving as a director shall also apply to a supervisor. Directors, general managers and other senior management shall not concurrently serve as supervisors.

Supervisors shall comply with the laws, administrative regulations and the Articles of Association, and shall assume the obligations of loyalty and diligence to the Company, and shall not use their duties and powers to accept bribes or other illegal incomes, and shall not encroach on the Company's property.

The term of office of a supervisor shall be three years. Supervisors may be re-elected upon expiration of their terms of office.

If a supervisor is not re-elected in time upon expiry of his/her term of office, or if a supervisor resigns during his/her term of office, resulting in the quorum of the Board of Supervisors being reduced to less than the required number of members, the original supervisor shall still perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles of Association until the re-elected supervisor assumes his/her office.

A supervisor shall submit a written report of resignation and shall not circumvent his/her responsibilities by resigning. If a supervisor resigns during his/her term of office, resulting in less than a quorum of the Board of Supervisors, or if an employee representative supervisor resigns, resulting in less than one-third of the Board of Supervisors, the Company shall complete the by-election of supervisors within 2 months. The resignation report shall not take effect until the next supervisor fills the vacancy created by the resignation. Before the resignation report takes effect, the resigning Supervisor shall continue to perform his/her duties.

Supervisors who are unable to attend two consecutive meetings of the Board of Supervisors in person are deemed unable to perform their duties and shall be removed by the shareholders' meeting or employee representative meeting.

Supervisors may attend Board meetings and ask questions or make suggestions on matters resolved by the Board.

Supervisors shall not take advantage of their affiliations to harm the interests of the Company, and shall be liable for compensation if they cause losses to the Company.

Supervisors shall be liable for compensation if they cause losses to the Company by violating laws, administrative regulations, departmental rules or the provisions of the Articles of Association in the performance of their duties.

The Company shall bear all expenses incurred by the Supervisor in the performance of his/her duties.

Board of Supervisors

The Company has a Board of Supervisors. The Board of Supervisors consists of three supervisors, and the Board of Supervisors has a chairman.

The chairman of the Board of Supervisors is elected by a majority of all the supervisors. The chairman of the Board of Supervisors shall convene and preside over the meetings of the Board of Supervisors; if the chairman of the Board of Supervisors is unable to perform his/her duties or fails to perform his/her duties, a supervisor shall be jointly elected by a majority of the supervisors to convene and preside over the meetings of the Board of Supervisors.

The Board of Supervisors shall include representatives of the shareholders and an appropriate proportion of representatives of the employees of the Company, of which the proportion of representatives of the employees shall not be less than 1/3. The representatives of the employees in the Board of Supervisors shall be democratically elected by the employees of the Company through the employee representative meeting, employee general meeting or other forms.

The Board of Supervisors shall exercise the following powers and functions:

- (I) shall examine and give written opinions on the periodic reports of the Company prepared by the Board;
- (II) to understand the operation of the Company and examine the Company's finances;
- (III) to supervise the conduct of directors and senior management in the performance of their duties with the Company, and to propose the dismissal of any director or senior management who has violated the laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' meeting;
- (IV) to request directors and senior management to rectify their acts when such acts are detrimental to the interests of the Company;
- (V) to propose the convening of an extraordinary shareholders' meeting, and to convene and preside over the shareholders' meeting when the Board fails to perform its duty to convene and preside over the shareholders' meeting as stipulated in the Company Law;
- (VI) to make proposals to the shareholders' meeting;
- (VII) to institute legal proceedings against directors and senior management in accordance with the provisions of Article 189 of the Company Law;

(VIII) to conduct investigations if it discovers abnormalities in the Company's operations; and, if necessary, to engage professional organizations such as accounting firms and law firms to assist it in its work;

(IX) other powers and functions conferred by laws, administrative regulations, departmental rules or the Articles of Association.

The Company shall take measures to safeguard the supervisors' right to information and provide necessary assistance to the supervisors in the normal performance of their duties, and no one shall interfere or obstruct them. The Company shall bear the expenses necessary for the exercise of the duties and powers of the Board of Supervisors.

The Board of Supervisors shall convene a meeting at least once every six months. Supervisors may propose to convene an interim Board of Supervisors meeting. The Board of Supervisors shall notify all supervisors within ten days prior to the meeting.

Resolutions of the Board of Supervisors shall be passed by more than half of the supervisors.

The Board of Supervisors shall formulate the rules of procedure of the Board of Supervisors to specify the duties of the Board of Supervisors and the procedures for convening and voting of the Board of Supervisors to ensure the efficiency of the Board of Supervisors' work and scientific decision-making, and to regulate the mechanism of operation of the Board of Supervisors. The meeting rules of the Board of Supervisors shall be reported to the shareholders' meeting for approval and shall be attached as an annex to the Articles of Association.

The Board of Supervisors shall make minutes of the decisions on the matters discussed, and the minutes of the Board of Supervisors shall be true, accurate and complete. Supervisors and recorders attending the meetings shall sign the minutes. Minutes of the Board of Supervisors meetings shall be kept as company records and shall not be altered or destroyed by any person during the business term of the Company and shall be kept as Company records for at least 10 years.

The study and discussion by the Party Committee of the Company is the prerequisite procedure for the Board and the management to make decisions on major issues. Major operation and management matters of the Company must be studied and discussed by the Party Committee before decisions are made by the Board or the management. The main contents of the Party Committee's study and discussion of major issues for decision-making include:

FINANCIAL ACCOUNTING SYSTEM, AUDIT AND PROFIT DISTRIBUTION**Financial Accounting System**

The Company formulates its financial accounting system in accordance with the laws, administrative regulations, the regulatory rules of the place where the Company's shares are listed and the regulations of the relevant state departments.

The Company prepares and discloses an annual report within four months from the end of each accounting year and submits an annual financial accounting report to the CSRC and the stock exchange where the Company's shares are listed; it prepares and discloses an interim report within two months from the end of the first half of each accounting year, and submits a half-yearly financial accounting report to the dispatching organ of the CSRC (if necessary) and the stock exchange where the Company's shares are listed.

The financial report of the annual report shall be audited by an accounting firm in compliance with the requirements of the Securities Law. The aforesaid financial accounting reports are prepared in accordance with relevant laws, administrative regulations and departmental rules, as well as the regulatory rules of the place where the Company's shares are listed.

The Company will not maintain separate accounting books in addition to the statutory accounting books. The assets of the Company will not be deposited in the name of any individual.

Profit Distribution

When the Company distributes its after-tax profit for the year, 10% of the profit should be withdrawn and included in the Company's statutory provident fund. If the accumulated amount of the Company's statutory provident fund is more than 50% of the Company's registered capital, no further withdrawals may be made.

If the Company's statutory provident fund is insufficient to cover the losses of previous years, the Company's profits of the current year shall be used to cover the losses before the statutory provident fund is withdrawn in accordance with the provisions of the preceding paragraph.

After the Company has withdrawn the statutory provident fund from its after-tax profit, it may also withdraw an arbitrary provident fund from its after-tax profit upon a resolution of the shareholders' meeting.

The remaining after-tax profits of the Company after making up losses and withdrawing the reserve shall be distributed in proportion to the shares held by the shareholders, unless the Articles of Association stipulate that such distribution shall not be made in proportion to the shareholdings.

If the shareholders' meeting violates the preceding paragraph by distributing profits to shareholders before the Company has made up for its losses and withdrawn the legal reserve, the shareholders shall be required to return to the Company the profits distributed in violation of the provision.

Shares of the Company held by the Company shall not participate in the distribution of profits.

The Company shall appoint one or more collection agents in Hong Kong for H shareholders. The collection agent(s) shall be responsible for receiving and holding the dividends and other monies payable by the Company in respect of the H Shares on behalf of the H Shareholders concerned pending payment to such H Shareholders. The collection agent appointed by the Company shall comply with the requirements of laws and regulations and the securities regulatory rules of the place where the Company's shares are listed.

The Company's provident fund is used to cover the Company's losses, to expand the Company's production and operation or to be converted to increase the Company's capital.

In order to make up for the Company's losses, the provident fund shall first be used as a discretionary provident fund and a statutory provident fund; if it is still not possible to make up for the losses, the capital provident fund may be used in accordance with the regulations.

When a legal reserve is converted to capital, the amount of the reserve retained shall be not less than 25% of the registered capital of the Company before the conversion.

The distribution of dividends (or shares) shall be completed within two months after the shareholders' meeting of the Company has resolved on the profit distribution plan, or after the Board of the Company has formulated a specific plan based on the conditions and upper limit of the interim dividend distribution for the following year as considered and approved by the annual shareholders' meeting.

The Company's profit distribution policy is:

The Company shall implement a proactive profit distribution method:

- (I) Principle of profit distribution: The Company shall implement a continuous and stable profit distribution policy. The Company's profit distribution shall emphasize reasonable investment returns to investors and take into account the sustainable development of the Company.

- (II) Forms and intervals of profit distribution: The Company may distribute dividends in the form of cash, shares or a combination of cash and shares; when distributing dividends, the Company shall give priority to cash dividends. On the premise that the conditions for dividend distribution are met and the Company's normal production and operation capital requirements are satisfied, in principle, profit distribution shall be carried out once every accounting year, with profit distribution mainly in the form of cash.

If necessary, the Board of the Company may propose interim cash dividends based on the Company's profitability and capital requirements.

- (III) Cash dividend conditions, targets and ratios:

1. The Company is profitable for the year and the Company's cumulative profit available for distribution is positive;
2. There are no major investment plans or major cash expenditure items affecting the distribution of profits;
3. The auditing organization has issued a standard unqualified audit report on the Company's financial report for the year;
4. The Company has sufficient cash flow and the implementation of cash dividends will not affect the continuing operation of the Company, and the Company has no major investment plans or significant cash expenditure in the next twelve months.

Significant investment plans or significant cash outlays refer to one of the following situations: (1) the cumulative expenditure on external investment, acquisition of assets or purchase of equipment proposed by the Company in the next twelve months reaches or exceeds 50% of the Company's latest audited net assets; (2) the cumulative expenditure on external investment, acquisition of assets or purchase of equipment proposed by the Company in the next twelve months reaches or exceeds 30% of the Company's latest audited total assets; and (3) the cumulative expenditure on external investment, acquisition of assets or purchase of equipment proposed by the Company in the next twelve months reaches or exceeds 30 million.

The cash dividend policy target is a fixed dividend payout ratio or otherwise.

AUDIT

The Company has implemented an internal audit system with full-time auditors to carry out internal audit supervision of the Company's financial revenues, expenditures and economic activities.

The Company has set up an internal audit organization, which shall meet with the Audit and Risk Committee on a regular basis to report on the status of the internal audit work and the problems identified, and submit an internal audit report to the Audit and Risk Committee at least once a year.

The internal audit system of the Company and the duties of the auditors shall be implemented after approval by the Board. The person in charge of audit is responsible to the Board and reports on his/her work.

APPOINTMENT OF ACCOUNTING FIRM

The Company employs an accounting firm that has obtained the “qualification to engage in securities-related business” to perform audits of accounting statements, verification of net assets, and other related advisory services for a period of one year, which may be renewed.

The appointment, dismissal or replacement of an accounting firm must be decided by the shareholders’ meeting, and the Board may not appoint an accounting firm before the decision is made by the shareholders’ meeting.

The Company guarantees to provide true and complete accounting certificates, accounting books, financial accounting reports and other accounting information to the accounting firm, and shall not refuse, conceal or misrepresent them.

The audit fee of the accounting firm shall be determined by the shareholders’ meeting.

In the event that the Company dismisses or does not re-appoint an accounting firm, the Company shall notify the accounting firm 10 days in advance, and the shareholders’ meeting of the Company shall allow the accounting firm to state its opinion when voting on the dismissal of the accounting firm. In the event that the accounting firm proposes to resign, it shall explain to the shareholders’ meeting whether there are any irregularities in the Company.

LABOR PERSONNEL SYSTEM

The Company formulates and improves its labor management, wage and welfare and social insurance systems in accordance with relevant laws and regulations.

The Company has the autonomy to decide on staffing. The Company has the right to recruit and dismiss employees in accordance with relevant laws and regulations.

The Company may determine the wage levels of its management and employees at all levels in accordance with its own economic efficiency and within the scope of the relevant government regulations. The Company shall arrange medical insurance, retirement insurance and unemployment insurance for its managers and employees in accordance with relevant government regulations.

NOTICES AND ANNOUNCEMENTS

The Company may use the following forms of notice:

- (I) by personal service;
- (II) by post;
- (III) by fax;
- (IV) by announcement;
- (V) other means of service permitted by laws and administrative regulations.

Subject to the laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association, notices issued by the Company shall be deemed to have been received by all members once they have been announced, if such notices are made by way of public announcement.

The notice of the shareholders' meeting of the Company shall be made by way of announcement, and the media for the publication of the announcement shall be subject to the laws, administrative regulations, departmental rules, and the information disclosure newspapers and periodicals designated by the listing rules of the stock exchange where the Company's shares are listed.

The notice of a meeting of the Board of the Company shall be given by personal delivery, facsimile, mail, WeChat or e-mail.

The notice of a meeting of the Board of Supervisors of the Company shall be given by personal delivery, facsimile, mail, WeChat or e-mail.

If the notice is sent by personal delivery, the person to be served shall sign (or seal) on the receipt of delivery, and the date of receipt shall be the date of delivery; if the notice is sent by mail, the delivery date shall be the second working day from the date of delivery to the post office; if the notice is sent by fax, the time specified by the recipient is the date of delivery of the signal sent by the fax machine; if the notice is sent by WeChat or email, the date of delivery shall be the date of successful delivery; if the notice is sent by way of announcement, the date of publication of the first announcement shall be the date of delivery.

The Company issues announcements and discloses information to shareholders holding shares listed for trading on the National Stock Exchange System through the information disclosure newspapers and websites designated by laws, administrative regulations or the relevant domestic securities regulatory authorities. Where an announcement is to be made to the H Shareholders in accordance with the Articles of Association, such announcement shall at

the same time be published on the designated websites of the Stock Exchange, the Company's website and such other websites as may from time to time be prescribed under the Listing Rules in accordance with the requirements of the Listing Rules.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, a person entitled to such notice shall not invalidate the meeting and the resolutions passed at the meeting.

MERGER, DEMERGER, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

A merger of companies can take the form of either a merger by absorption or a merger by creation.

A company that absorbs another company is a merger by absorption, and the absorbed company is dissolved. The merger of two or more companies to form a new company is a de novo merger and the merging parties are dissolved.

In the case of a merger of companies, the merger agreement shall be signed by the merging parties and a balance sheet and inventory of property shall be prepared. The Company shall notify the creditors of the merger within 10 days from the date of the resolution on the merger and announce the merger in newspapers within 30 days. Within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if the notice has not been received, the creditors may request the Company to settle the debts or provide corresponding guarantees.

In the event of a merger of companies, the debts and liabilities of the merging parties shall be inherited by the surviving company or the newly established company after the merger.

When the Company is separated, its property shall be divided accordingly.

In the event of a separation of the Company, a balance sheet and an inventory of the Company's property shall be prepared. The Company shall notify the creditors within 10 days from the date of the resolution on the separation and make an announcement in the newspaper within 30 days.

The debts of the Company prior to its demerger shall be borne jointly and severally by the demerged company. However, unless otherwise stipulated in the written agreement between the Company and its creditors on the settlement of debts prior to the demerger.

When the Company needs to reduce its registered capital, it must prepare a balance sheet and an inventory of its property.

The Company shall notify the creditors within 10 days from the date of the resolution to reduce the registered capital and announce it in the newspaper within 30 days. Within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if the notice has not been received, the creditors shall have the right to demand the Company to settle the debts or provide corresponding guarantees.

In case of merger or separation of the Company and change in registration, the company shall register the change with the company registration authority in accordance with the law; in case of dissolution of the Company, the Company shall register the cancellation of the company in accordance with the law; in case of establishment of a new company, the Company shall register the establishment of the company in accordance with the law.

If the Company increases or reduces its registered capital, it shall register the change with the company registration authority in accordance with law.

The Company is dissolved for the following reasons:

- (I) The expiration of the term of business provided for in the Articles of Association or the occurrence of any other cause for dissolution provided for in the Articles of Association;
- (II) The shareholders' meeting resolved to dissolve;
- (III) Dissolution due to merger or separation of the Company;
- (IV) The Company's business licence is revoked, the Company is ordered to close down, or the Company is revoked in accordance with the law;
- (V) If the Company experiences serious difficulties in its operation and management, and its continued existence will cause significant loss to the interests of shareholders and cannot be resolved through other means, shareholders holding more than 10% of the voting rights of all shareholders of the Company may request the People's court to dissolve the Company.

If the Company is in the situation described in paragraph (1) of Article 182 of the Articles of Association, it may survive by amending the Articles of Association.

Amendments to the Articles of Association in accordance with the preceding paragraph shall be approved by more than 2/3 of the voting rights held by the shareholders present at the shareholders' meeting.

Where the Company is dissolved as a result of the provisions of paragraphs (1), (2), (4) and (5) of Article 182 of the Articles of Association, a liquidation group shall be established within 15 days from the date on which the cause for dissolution arises to commence liquidation. The liquidation group shall be composed of persons determined by the directors or

the shareholders' meeting. If the liquidation group is not formed to carry out the liquidation after the expiry of the period, the creditors may apply to the People's court to appoint the relevant persons to form a liquidation group to carry out the liquidation.

The liquidation group shall exercise the following powers during the liquidation:

- (I) to liquidate the property of the Company and prepare a balance sheet and inventory of the property respectively;
- (II) to notify and publicize creditors;
- (III) to deal with the outstanding business of the Company in connection with the liquidation;
- (IV) to pay the taxes owed and taxes incurred in the course of the liquidation;
- (V) to liquidate debts and liabilities;
- (VI) to dispose the residual property of the Company after settlement of debts;
- (VII) to represent the Company in civil litigation.

The liquidation group shall notify the creditors within 10 days from the date of its establishment and make an announcement in newspapers or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall declare their debts to the liquidation group within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if they have not received the notice.

When a creditor declares a creditor's right, it shall explain the relevant matters of the creditor's right and provide supporting materials. The liquidation group shall register the creditor's rights.

During the period of declaration of credit rights, the liquidation group shall not carry out liquidation of creditors.

The liquidation group shall, after liquidating the Company's property and preparing balance sheet and inventory of property, formulate a liquidation plan and report it to the shareholders' meeting or the People's court for confirmation.

The remaining property of the Company after payment of liquidation expenses, employees' wages, social insurance premiums and statutory compensation, payment of outstanding taxes and settlement of the Company's liabilities shall be distributed to the shareholders in proportion to their shareholdings.

During the liquidation period, the Company shall survive but shall not commence any business activities unrelated to the liquidation. The Company's property will not be distributed to the shareholders until it has been settled in accordance with the preceding paragraph.

If the liquidation group, after liquidating the Company's property and preparing the balance sheet and inventory of property, finds that the Company's property is insufficient to settle its debts, it shall, in accordance with the law, apply to the People's court for declaration of bankruptcy.

After the Company has been declared bankrupt by the people's court, the liquidation group shall transfer the liquidation affairs to the people's court.

Upon completion of the liquidation of the Company, the liquidation group shall prepare a liquidation report and report it to the shareholders' meeting or the people's court for confirmation, and report it to the company registration authority to apply for cancellation of the Company's registration and announcement of the termination of the Company.

The members of the liquidation group shall perform their duties faithfully and fulfil their obligations in accordance with the law.

The members of the liquidation team shall not take advantage of their duties to accept bribes or other illegal incomes, and shall not misappropriate the Company's property.

If a member of the liquidation team causes losses to the Company or creditors due to intent or gross negligence, he or she shall be liable for compensation.

If the Company is declared bankrupt by law, it shall implement bankruptcy and liquidation in accordance with the law on corporate bankruptcy.

INFORMATION DISCLOSURE AND INVESTOR RELATION MANAGEMENT SYSTEM

The Company will prepare and disclose periodic reports and interim reports in accordance with the relevant regulations of the China Securities Regulatory Commission and the Stock Exchange.

The Board of Directors of the Company is responsible for information disclosure in whole. The Chairman of the Company is the primary person responsible for information disclosure, and the Board Secretary is responsible for the specific disclosure matters. Other directors and senior management of the Company should provide necessary assistance to the Chairman and the Board Secretary regarding information disclosure affairs.

The Company, its directors, supervisors, and senior management should disclose all information that may have a significant impact on the transfer price of the Company's stocks and other securities varieties in a timely and fair manner, and ensure that the content of the disclosed information is true, accurate, and complete, without any false records, misleading statements, or material omissions, and bear corresponding legal liabilities for its authenticity, accuracy, and completeness.

The Company publishes announcements and other information that needs to be disclosed in the periodicals and websites designated by the China Securities Regulatory Commission and the stock exchange where the Company's stocks are listed.

Investor relations refer to the relevant activities carried out by the Company to strengthen communication with investors and potential investors, enhance investors' understanding and recognition of the listed company, improve the corporate governance and value of the listed company, and achieve the purposes of respecting investors, rewarding investors, and protecting investors through facilitating the exercise of shareholders' rights, information disclosure, interactive communication, and handling of appeals.

The Board Secretary is the person in charge of the Company's investor relations management. The Securities Investment Department, as the investor relation department of the Company, is responsible for the daily affairs of investor relations. The Company's investor relation management work should reflect the principles of fairness, impartiality, and openness, objectively, truly, accurately, and completely introduce and reflect the actual situation of the Company, and avoid misleading investors that may be caused by excessive publicity.

The work scope of investor relation management is to disclosure of relevant information that affects investors' decision-making in a timely manner under the premise of following the principle of public information disclosure. The main items include:

- (1) The Company's development strategy, including the Company's development direction, development plan, competitive strategy, and business policy, etc.;
- (2) Statutory information disclosure and its explanations, including periodic reports and interim announcements, etc.;
- (3) The Company's business management information that can be disclosed in accordance with the law, including production and operation status, financial status, research and development of new products or new technologies, business performance, dividend distribution, etc.;
- (4) The Company's environmental, social, and governance information;
- (5) The Company's cultural building;
- (6) The ways, channels, and procedures for shareholders to exercise their rights;

- (7) Information on the handling of investors' appeals;
- (8) The risks and challenges that the Company is facing or may face;
- (9) Other relevant information of the Company.

The objects of the Company's investor relation management work include the Company's shareholders (including current shareholders and potential shareholders), investment institutions such as funds, securities analysts, financial media, regulatory authorities, and other relevant domestic and foreign personnel or institutions. The ways for the Company to communicate with investors include but are not limited to:

- Announcements;
- Shareholders' meetings;
- Analyst meetings, performance briefings, roadshows, and annual report briefings;
- Company website;
- Email and telephone inquiries;
- On-site visits and inspections;
- One-on-one communication;
- Other ways.

In case of disputes between the Company and investors, they should first be resolved through negotiation. If the negotiation fails, they can be submitted to a professional securities and futures dispute mediation institution for mediation, or an arbitration institution for arbitration, or a people's court for litigation.

PREVENTION OF CAPITAL OCCUPATION BY THE CONTROLLING SHAREHOLDER AND RELATED PARTIES

The Company should prevent the controlling shareholder and related parties from occupying, transferring, or misappropriating the Company's funds, assets, and resources directly or indirectly through various means.

Connected transactions between the Company and the controlling shareholder and other related parties must be carried out in strict accordance with the relevant regulations of the Articles of Association, the regulatory rules of the stock exchange where the Company's stocks are listed, and the Connected transaction Management System.

When the Company has connected transactions with the controlling shareholder and other related parties, the capital approval and payment process must strictly implement the connected transaction agreement and the relevant regulations on capital management, and no abnormal operating capital occupation shall be formed.

The Company, its controlling subsidiaries, and affiliated branches shall not provide funds directly or indirectly to the controlling shareholder and other related parties in the following ways:

- (1) Paying wages, benefits, insurance, advertising, and other expenses, bearing costs, and other expenditures for the controlling shareholder, actual controller, and other related parties;
- (2) Lending the Company's funds (including entrusted loans) to the controlling shareholder, actual controller, and other related parties for use, whether for a fee or free of charge, except when other shareholders of the Company's equity participation companies provide funds in the same proportion. The aforementioned "equity participation companies" do not include companies controlled by the controlling shareholder and actual controller;
- (3) Entrusting the controlling shareholder, actual controller, and other related parties to conduct investment activities;
- (4) Issuing commercial acceptance bills without a real trading background for the controlling shareholder, actual controller, and other related parties, and providing funds in the form of procurement funds, asset transfer funds, prepayments, etc. without the consideration of goods and services or obviously contrary to commercial logic;
- (5) Repaying debts on behalf of the controlling shareholder, actual controller, and other related parties;
- (6) Other ways as determined by the China Securities Regulatory Commission and the Stock Exchange.

The Company strictly prevents the non-operating capital occupation behavior of the controlling shareholder and its related parties and formulates the "Management System for Preventing the Capital Occupation by the Controlling Shareholder and Related Parties".

The finance department and audit department of the Company should regularly inspect the Company and its subsidiaries and report the review situation of the non-operating capital transactions between the Company and its subsidiaries and the controlling shareholder and related parties, so as to prevent the occurrence of non-operating capital occupation by the controlling shareholder and related parties.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

The Company may amend the Articles of Association in accordance with the needs and in accordance with the procedures and requirements of relevant laws and regulations. The amended Articles of Association shall not conflict with the laws and regulations.

The Company amends the Articles of Association in accordance with the following procedures:

- (1) The Board of Directors proposes a draft amendment to the Articles of Association;
- (2) Convene a shareholders' meeting and pass the motion to amend the Articles of Association;
- (3) If the amended clauses of the Articles of Association involve matters that need to be approved in accordance with the law, they must be reported to the relevant government departments for approval; if they involve matters that need to be registered in accordance with the law, they must be reported to the market supervision and administration department for application for change of registration.

SUPPLEMENTARY PROVISIONS**Definition**

- (1) Senior management refer to the general manager, deputy general managers, financial controller, board secretary, chief engineer, and other senior management recognized by the Board of Directors of the Company.
- (2) Controlling shareholder refers to a shareholder whose shareholding accounts for more than 50% of the total share capital of the Company; or a shareholder whose shareholding proportion is less than 50% but whose voting rights enjoyed by virtue of its shareholding are sufficient to have a significant impact on the resolutions of the shareholders' meeting, or a controlling shareholder as defined by the securities regulatory rules of the place where the Company's stocks are listed.
- (3) Actual controller refers to a person who can actually control the behavior of the Company through investment relationships, agreements, or other arrangements.
- (4) Related relationship refers to the relationship between the Company's controlling shareholder, actual controller, directors, supervisors, senior management, and the enterprises directly or indirectly controlled by them, as well as other relationships that may lead to the transfer of the Company's interests. However, state-controlled enterprises do not have a related relationship simply because they are both state-controlled.

Matters not covered by the Articles of Association shall be submitted by the Board of Directors to the shareholders' meeting for discussion.

In the Articles of Association, "more than", "within", and "less than" include the numbers themselves; "less than", "outside", "lower than", and "more than" do not include the numbers themselves.

Disputes between the Company, shareholders, directors, supervisors, and senior management involving the provisions of the Articles of Association shall first be resolved through negotiation. If the negotiation fails, they shall be resolved through litigation, and any party shall have the right to file a lawsuit with the people's court in the place where the Company is located.

The Board of Directors may formulate bylaws in accordance with the provisions of the Articles of Association. The bylaws shall not conflict with the provisions of the Articles of Association.

The Articles of Association shall be interpreted by the Board of Directors of the Company.

The Articles of Association shall be reviewed and approved by the shareholders' meeting of the Company and shall come into effect and be implemented from the date when the Company issues H shares, is filed with the China Securities Regulatory Commission, and is listed and traded on the Stock Exchange. From the effective date of the Articles of Association, the original Articles of Association of the Company shall automatically become invalid.

Final

Independent Technical Report on the Jinyan Kaolin Project

Huaibei, Anhui Province, China
Anhui Jinyan Kaolin New Materials Co., Ltd.



SRK Consulting (Hong Kong) Ltd • JYK001 • July 2025



Final**Independent Technical Report on the Jinyan Kaolin Project**

Huaibei, Anhui Province, China

Prepared for:

Anhui Jinyan Kaolin New Materials Co., Ltd.
Duji District, Huaibei City
Anhui Province
China

Prepared by:

SRK Consulting (Hong Kong) Limited
Suite 1818, 18/F, V Heun Building
138 Queen's Road Central, Central
Hong Kong

info@srk.com.hk
+852 2520 2522
www.srk.com

Lead Author: (Gavin) Heung Ngai Chan
Reviewer: Jeames McKibben

Initials: GC
Initials: JM

File Name:

JYK001_Jinyan Kaolin Project – Independent Technical Report_Rev1

Suggested Citation:

SRK Consulting (Hong Kong) Ltd. 2025. Independent Technical Report on Jinyan Kaolin Project. Final. Prepared for Anhui Jinyan Kaolin New Materials Co., Ltd.: China. Project number: JYK001. Issued July 2025.

Copyright © 2025

SRK Consulting (Hong Kong) Ltd • JYK001 • July 2025



Acknowledgments

The following consultants have contributed to the preparation of this Report.

Role	Name	Professional designation
Coordinating Author	(Gavin) Heung Ngai Chan	BSc, MPhil, PhD, FAIG
Coordinating Author	(Tony) Shuangli Tang	BSc, MSc, PhD, MAusIMM, MAIG
Coordinating Author	Alison Cole	BSc, MSc, MAIG
Coordinating Author	Falong Hu	MBA, BEng, FAusIMM
Coordinating Author	Wang Minhua	BEng, CCICT, CMSS
Coordinating Author	Lanliang Niu	BEng, MAusIMM
Coordinating Author	Nan Xue	MSc, MBA, MAusIMM
Peer Review	Robin Simpson	BSc (Hons), MSc, MAIG
Peer Review	Bruno Strasser	MSc, MAusIMM
Peer Review	Jeames McKibben	BSc (Hons), MBA, FAusIMM(CP), MAIG, MRICS
Releasing Authority	Gavin Chan	BSc, MPhil, PhD, FAIG

Disclaimer: The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Hong Kong) Ltd (SRK) by Anhui Jinyan Kaolin New Materials Co., Ltd. (Jinyan). The opinions in this Report are provided in response to a specific request from Jinyan to do so. SRK has exercised all due care in reviewing the supplied information. While SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

Contents

Useful Definitions	VI-14
Executive Summary	VI-20
1 Introduction	VI-29
1.1 Background	VI-29
1.2 Purpose of Report	VI-29
1.3 Scope of work	VI-29
1.4 Work program	VI-30
1.5 Reporting standard	VI-30
1.6 Effective Date and Report Date	VI-31
1.7 Units and currency	VI-31
1.8 Limitations, reliance on information, declaration and consents	VI-31
1.8.1 Limitations	VI-31
1.8.2 Legal matters	VI-32
1.8.3 Reliance on other experts	VI-32
1.8.4 Warranties	VI-32
1.8.5 Indemnities	VI-32
1.8.6 Consent	VI-33
1.8.7 Statement of SRK independence	VI-34
1.8.8 Corporate capability	VI-34
1.8.9 Stock exchange public report	VI-34
1.9 Project team	VI-35
2 Jinyan Kaolin Project	VI-38
2.1 Location	VI-38
2.2 Adjacent mining operations	VI-39
2.3 Access, climate and physiography	VI-40
2.3.1 Accessibility	VI-40
2.3.2 Climate	VI-41
2.3.3 Physiography	VI-41
3 Project overview	VI-41
3.1 Background	VI-41
3.2 Mining licence	VI-43

4	Geological setting and mineralisation	VI-45
4.1	Regional geology	VI-45
4.2	Local geology	VI-47
4.2.1	Stratigraphy	VI-47
4.2.2	Structure	VI-48
4.3	Mineralisation	VI-50
5	Exploration and drilling	VI-51
5.1	Historical exploration	VI-51
5.1.1	1957-1966 coal exploration	VI-51
5.1.2	1970-1986 exploration	VI-52
5.1.3	1991-2006 kaolin exploration	VI-52
5.1.4	Summary	VI-52
5.2	2024 infill and validation drilling	VI-54
6	Sample preparation and assaying	VI-56
6.1	Historical samples	VI-56
6.1.1	Sample preparation	VI-56
6.1.2	Quality assurance and quality control	VI-56
6.2	2024 infill and validation program	VI-58
6.2.1	Sample preparation	VI-58
6.2.2	Quality assurance and quality control	VI-59
6.2.3	Validation holes	VI-63
6.3	Bulk density	VI-64
6.3.1	Conclusion	VI-64
7	Mineral Resource estimation	VI-65
7.1	Introduction	VI-65
7.2	Mineral Resource estimation procedures	VI-66
7.3	Database compilation and validation	VI-67
7.4	Wireframe modelling	VI-67
7.5	Exploratory data analysis	VI-69
7.5.1	Compositing	VI-70
7.5.2	Capping	VI-71
7.6	Variogram modelling	VI-71

7.7	Block model and grade estimation	VI-72
7.7.1	Block model parameters	VI-72
7.7.2	Grade estimation	VI-72
7.8	Model validation	VI-73
7.9	Mined-out areas	VI-76
7.10	Classification	VI-76
7.11	Mineral Resource Statement	VI-77
7.11.1	Reasonable Prospects for eventual economic extraction	VI-77
7.11.2	Mineral Resource Statement	VI-78
7.11.3	Reconciliation	VI-79
8	Rock engineering	VI-81
8.1	Technical reports	VI-81
8.2	Geotechnical environment	VI-82
8.2.1	Stratigraphy	VI-82
8.2.2	Structure	VI-83
8.2.3	Kaolin ore	VI-83
8.2.4	Roof and floor conditions	VI-83
8.3	Underground rock engineering design	VI-84
8.3.1	Measures to prevent roof falls	VI-84
8.3.2	Measures for monitoring engineering deformation	VI-85
8.4	Observations during site visit	VI-86
8.5	Conclusions	VI-86
9	Hydrogeology	VI-87
9.1	Technical reports	VI-87
9.2	Hydrogeological background	VI-88
9.3	Aquifer characteristics	VI-89
9.4	Mine inflows	VI-90
9.5	Drainage system	VI-90
9.6	Conclusion	VI-91
10	Mining	VI-91
10.1	Introduction	VI-91

10.2 Mine operation	VI-93
10.2.1 Historical operation	VI-93
10.2.2 Current operation	VI-93
10.3 Mine development	VI-93
10.3.1 Development system layout	VI-93
10.3.2 Gates heading	VI-96
10.3.3 Mining face preparation and longwall installation	VI-98
10.4 Mining methodology	VI-98
10.4.1 Mining method	VI-98
10.4.2 Kaolin ore mining	VI-99
10.4.3 Mining equipment	VI-100
10.5 Service system	VI-101
10.5.1 Hoisting and transportation	VI-101
10.5.2 Ventilation	VI-102
10.5.3 Power supply	VI-103
10.5.4 Compressed air supply	VI-105
10.5.5 Mine drainage	VI-106
10.5.6 Mine monitoring and emergency refuge system	VI-107
10.6 Mine and production plan	VI-107
10.6.1 Mine design	VI-108
10.6.2 Development, mining and production schedule	VI-110
10.7 Conclusion and recommendations	VI-113
11 Ore Reserve estimation	VI-114
11.1 Introduction	VI-114
11.2 Ore Reserve estimation procedures	VI-114
11.3 Technical studies	VI-115
11.4 Ore definition	VI-115
11.5 Modifying factors	VI-115
11.6 Ore Reserve estimates	VI-118
11.7 Ore Reserve Statement	VI-119
12 Processing	VI-120
12.1 Kaolin	VI-120
12.2 Shuoli kaolin and its products	VI-121

12.3 Ore properties	VI-123
12.3.1 Mineral composition	VI-123
12.3.2 Physical properties.	VI-123
12.3.3 Chemical composition	VI-123
12.4 Kaolin calcination	VI-124
12.4.1 Production process.	VI-124
12.4.2 Production facilities and equipment	VI-127
12.4.3 Product quality	VI-134
12.5 Kaolin ceramic fibre	VI-137
12.5.1 Overview.	VI-137
12.5.2 Processes	VI-137
12.5.3 Production equipment	VI-139
12.6 Raw coke and powder	VI-140
12.7 Non-fired bricks	VI-141
12.7.1 Raw material sources.	VI-141
12.7.2 Production process.	VI-142
12.7.3 Production equipment	VI-142
12.7.4 Product quality	VI-143
12.8 Historical and planned production	VI-144
12.9 Processing plant service facilities	VI-145
12.9.1 Laboratory.	VI-145
12.9.2 Mechanical maintenance	VI-145
12.9.3 Water supply	VI-145
12.9.4 Natural gas supply.	VI-146
12.9.5 Electricity	VI-146
12.10 Conclusions and recommendations.	VI-146
13 Kaolin quality and market	VI-147
13.1 Product	VI-147
13.2 China's kaolin markets	VI-150
13.3 Market outlook	VI-151
14 Environmental studies, permitting, and social or community impact	VI-155
14.1 Environmental, permitting, and social or community review objective	VI-155
14.2 Environmental, permitting, and social or community review process, scope, and standards	VI-156

14.3 Permitting	VI-156
14.3.1 Safety Production Permit	VI-156
14.3.2 Water Extraction Permit	VI-157
14.3.3 Pollutant Discharge Permit	VI-157
14.4 Status of environmental approvals	VI-158
14.5 Environmental and social aspects	VI-160
14.5.1 Flora and fauna	VI-160
14.5.2 Water management	VI-161
14.5.3 Waste rock and solid waste management	VI-162
14.5.4 Air emissions	VI-162
14.5.5 Noise emissions	VI-163
14.5.6 Hazardous substances management	VI-164
14.5.7 Occupational health and safety	VI-164
14.5.8 Mine closure and rehabilitation	VI-164
14.5.9 Social considerations	VI-166
15 Capital and operating costs	VI-166
15.1 Capital cost	VI-166
15.2 Operating cost	VI-168
15.3 Economic analysis	VI-172
16 Conclusion	VI-174
17 Risk assessment	VI-175
References	VI-182

Tables

Table 1.1:	Public reports prepared by SRK for disclosure on the HKEx	VI-34
Table 1.2:	Details of qualifications and experience of the project team	VI-35
Table 3.1:	Shuoli mining licence coordinates	VI-43
Table 4.1:	General stratigraphy	VI-47
Table 5.1:	Summary of historical drill holes and channel samples	VI-53
Table 5.2:	Drill hole and underground channel database	VI-54
Table 5.3:	2024 infill and validation program statistics	VI-55
Table 6.1:	Statistics for 1957-1966 exploration phase laboratory duplicates	VI-56
Table 6.2:	Statistics for 1957-1966 exploration phase inter-laboratory check	VI-57
Table 6.3:	Statistics for 1991-2006 exploration phase laboratory duplicates	VI-57
Table 6.4:	Statistics for 1991-2006 exploration phase inter-laboratory check	VI-58
Table 6.5:	Standards used in the program	VI-60
Table 6.6:	Averaged grades comparison between validation holes and original holes	VI-63
Table 6.7:	Bulk density of kaolin deposit	VI-64
Table 7.1:	Summary of database used for Mineral Resource estimation	VI-67
Table 7.2:	Mineralised intervals determination criteria	VI-67
Table 7.3:	Interpreted domain parameters	VI-68
Table 7.4:	Basic statistics for Al_2O_3 and SiO_2 for all raw samples and samples within the domains	VI-69
Table 7.5:	Basic statistics for composite values for each domain	VI-70
Table 7.6:	Domain 5 variogram model — Directions	VI-71
Table 7.7:	Domain 5 variogram model — nugget, sill and ranges	VI-72
Table 7.8:	Summary of block model parameters — Resources Domain	VI-72
Table 7.9:	Search ellipsoid parameters used for Mineral Resource estimation	VI-73
Table 7.10:	Mineral Resource classification criteria used in estimation	VI-77
Table 7.11:	Shuoli Kaolin Mine Mineral Resource Statement as at 31 May 2025	VI-78
Table 7.12:	Reconciliation statistics — 2022-May 2025	VI-80
Table 7.13:	Reconciliation statistics — 1993-May 2025	VI-81
Table 10.1:	Operation statistics — 2019-May 2025	VI-93
Table 10.2:	Key parameters of mine shafts	VI-94
Table 10.3:	Key parameters of headings	VI-97
Table 10.4:	Main heading equipment	VI-97
Table 10.5:	Main mining equipment	VI-100

Table 10.6:	Key parameters of Main Fan at #3 West ventilation shaft	VI-102
Table 10.7:	Key parameters and materials per mining block	VI-109
Table 10.8:	Summary of Shuoli Kaolin Mine schedule over LOM	VI-112
Table 11.1:	Ore Reserve estimation sequential table	VI-118
Table 11.2:	Shuoli Kaolin Mine Ore Reserve Statement as at 31 May 2025	VI-119
Table 12.1:	Kaolin chemical composition	VI-123
Table 12.2:	Main equipment of kaolin calcination.	VI-128
Table 12.3:	Mullite sand powder processing and product packaging equipment . . .	VI-130
Table 12.4:	Test results of precision casting mullite sand and power	VI-135
Table 12.5:	Phase test results of Jinyan calcined kaolin products	VI-135
Table 12.6:	Density test results of calcined kaolin products	VI-136
Table 12.7:	Particle size test results of precision casting mullite sand and powder	VI-136
Table 12.8:	Major equipment for Jinyan kaolin fibre	VI-139
Table 12.9:	Raw coke product classification	VI-141
Table 12.10:	Main equipment of non-fired brick factory	VI-142
Table 12.11:	Compressive strength test results of Jinyan non-fired bricks	VI-143
Table 12.12:	Historical and planned production volume	VI-144
Table 13.1:	Company sales record summary	VI-153
Table 13.2:	Forecast prices	VI-154
Table 14.1:	Details of the safety production permit for the Project	VI-156
Table 14.2:	Details of the water extraction permit for the Project	VI-157
Table 14.3:	Details of the EIA reports and approvals for the Project	VI-159
Table 14.4:	Details of the WSCP report and approval for the Project	VI-160
Table 15.1:	Actual and forecast capital cost (RMB million)	VI-167
Table 15.2:	2022 to May 2025 operating cost	VI-169
Table 15.3:	Forecast operating cost (nominal).	VI-170
Table 15.4:	Post tax NPV sensitivity analysis (RMB million)	VI-173
Table 15.5:	Post-tax NPV sensitivity analysis at different discount rates (RMB million).	VI-173
Table 17.1:	Risk assessment matrix	VI-175
Table 17.2:	Risk assessment on the Project	VI-176

Figures

Figure 2.1:	Location map of the Project	VI-38
Figure 2.2:	Adjacent coal mines	VI-39
Figure 2.3:	Project location	VI-40
Figure 3.1:	Aerial view of the Chamotte Plant	VI-42
Figure 3.2:	Mining licence projected on satellite image	VI-44
Figure 4.1:	Tectonics map of North China Block in Late Permian	VI-45
Figure 4.2:	Structural geological map of Huaibei area	VI-46
Figure 4.3:	Shuoli Kaolin Mine structural geology map	VI-49
Figure 5.1:	Plan view of historical drill holes and channels	VI-53
Figure 5.2:	Verification drilling and underground channel sampling	VI-54
Figure 5.3:	2024 infill and validation program	VI-55
Figure 6.1:	Field duplicates	VI-59
Figure 6.2:	Coarse crushed duplicates	VI-59
Figure 6.3:	Pulp duplicates	VI-59
Figure 6.4:	Blanks	VI-60
Figure 6.5:	CRM GBW070025	VI-61
Figure 6.6:	CRM GBW03121a	VI-62
Figure 6.7:	Inter-laboratory checks	VI-62
Figure 6.8:	Validation hole comparison	VI-63
Figure 7.1:	General relationship between Exploration Results, Mineral Resources and Ore Reserves	VI-65
Figure 7.2:	Interpreted domains — extents	VI-68
Figure 7.3:	Frequency statistics on composites — Domain 5	VI-70
Figure 7.4:	Variogram map and fitted model — Domain 5	VI-71
Figure 7.5:	Swath plot along east-west direction — Domain 5	VI-74
Figure 7.6:	Swath plot along north-south direction — Domain 5	VI-74
Figure 7.7:	Swath plot along east-west direction — Domain 1	VI-75
Figure 7.8:	Swath plot along north-south direction — Domain 1	VI-75
Figure 7.9:	3D view — Al ₂ O ₃ (%) Resources Domain	VI-76
Figure 7.10:	Mineral Resource classification in 3D view	VI-77
Figure 7.11:	3D view of domain thickness	VI-78
Figure 7.12:	Model depletion	VI-80
Figure 10.1:	Flowchart of mining operation — Shuoli Kaolin Mine	VI-92
Figure 10.2:	Roadway	VI-95

Figure 10.3: Plan view of mine development layout	VI-96
Figure 10.4: Schematic of longwall mining panel	VI-98
Figure 10.5: Power supply system	VI-104
Figure 10.6: Pump station	VI-106
Figure 10.7: Plan view of mine design and mining blocks	VI-108
Figure 10.8: ROM mining schedule per block over LOM	VI-111
Figure 10.9: Heading schedule per block over LOM	VI-111
Figure 10.10: Block and penal mining sequence	VI-113
Figure 11.1: Plan view of Ore Reserve estimate areas	VI-117
Figure 11.2: Ore Reserve waterfall chart	VI-118
Figure 12.1: Chamotte Plant	VI-122
Figure 12.2: Mullite Precision Casting Sand and Powder Plant	VI-122
Figure 12.3: Calcined kaolin processing flowsheet	VI-125
Figure 12.4: Jinyan calcination kaolin plant	VI-134
Figure 12.5: Ceramic fibre production process	VI-138
Figure 12.6: Part of the production equipment for the Jinyan kaolin fibre	VI-139
Figure 12.7: Non-fired brick production equipment	VI-143
Figure 13.1: Kaolin ore and calcined kaolin ore	VI-148
Figure 13.2: Refractory mullite (chamotte) products	VI-148
Figure 13.3: Precision casting mullite products	VI-149
Figure 13.4: Ceramic fibre	VI-149
Figure 13.5: China's market size for mullite for precision casting, by sales revenue, to 2029	VI-153
Figure 15.1: Post-tax NPV sensitivity analysis	VI-173

Appendices

Table 1 — JORC Code 2012

Useful Definitions

This list contains definitions of symbols, units, abbreviations, and terminology that may be unfamiliar to the reader.

Abbreviation	Meaning
°	degrees
°C	degrees Celsius
µm	micrometres, equal to one millionth of a metre
AIG	Australian Institute of Geoscientists
Anticline	An anticline is an arch-like fold in rock layers, where the oldest rocks are at the core of the fold, and the layers dip away from the centre
asl	above sea level
AusIMM	Australasian Institute of Mining and Metallurgy
bulk density	A physical property of mineral components, defined by the weight of an object or material divided by its volume, including the volume of its pore spaces
CAGR	compound annual growth rate
Carboniferous	Time period 359–299 million years ago
CCICT	China Coal Industry Committee of Technology
Channel sample	Sample collected by cutting a continuous groove or channel into the rock face using tools such as chisels, saws, or drills. The groove is typically uniform in width and depth to ensure consistency
CMSS	China Mine Safety Society
compressive	The capacity of a material or structure to withstand loads tending to reduce size, measured by plotting
CRM	certified reference material

drill core	A solid, cylindrical sample of rock produced by an annular drill bit, generally rotatively driven but sometimes cut by percussive methods (drill core is extracted from a drill hole)
drill hole	A hole drilled in the ground by a drill rig, usually for exploratory purposes to obtain geological information and to allow sampling of rock material
EIA	Environmental impact assessment, a comprehensive analysis of the environmental consequences of a mining project
exploration	Activities undertaken to prove the location, volume and quality of a deposit
fault	A fracture or fracture zone in rock along which movement has occurred
fold	A bend or flexure in a rock unit or series of rock units that has been caused by crustal movements
formation	A body of rock having a consistent set of characteristics (lithology) that distinguish it from adjacent bodies of rock
g/cm ³	grams per cubic centimetre
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2012
kg	kilograms
km	kilometres
km ²	square kilometres
kt	thousand tonnes
kV	kilovolts

kW	kilowatts
log	The record of, or the process of recording, events or the type and characteristics of the rock penetrated in drilling a borehole, as evidenced by the cuttings, core recovered, or information obtained from electric, sonic or radioactivity devices
LOI	loss on ignition
LOM	life-of-mine
m	metres
M	million
m ³	cubic metres
magmatic	Pertaining to, or derived from, magma
Mineral Resource	Concentration or occurrence of material of intrinsic economic interest on or inside the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge
mm	millimetres
MPa	megapascals
Mt	million tonnes
Mtpa	million tonnes per annum
mudstone	Mudstone is a fine-grained sedimentary rock composed primarily of clay-sized particles
oolite	A nearly spherical rock ~2 mm particle formed by concentric deposition around a nucleus; oolitic describes a rock formed from oolites

Ordovician	Time period 485–445 million years ago, follows after Cambrian
Ore Reserve	The economically mineable part of a measured and/or indicated mineral resource
Permian	Time period 299–252 million years ago
PRC	People’s Republic of China
QAQC	quality assurance and quality control
Quaternary	Time period 2.58–0 million years ago
RMB	Chinese Renminbi, Chinese currency
ROM	run-of-mine
sedimentary rock	A rock formed from the accumulation and consolidation of sediment, usually in layered deposits and which may consist of rock fragments of various sizes, remains or products of animals or plants, products of chemical action or of evaporation, or mixtures of these
sill	A tabular sheet intrusion of molten rock (magma) that has intruded between older layers of sedimentary rock, a sill does not cut across the pre-existing formations
slope of regression	a fundamental aspect of linear regression analysis, illustrating the relationship between the independent variable (predictor) and the dependent variable (response). In the context of Kriging estimates, the slope of the regression line serves as an indicator of the quality of the estimation
specific gravity	The ratio of its mass to the mass of an equal volume of water
SRK	SRK Consulting (Hong Kong) Limited

stratigraphy	The study of sedimentary rock units, including their geographic extent, age, classification, characteristics and formation
strength	applied force against deformation in a testing machine. It is the maximum compressive stress that can be applied to a material, such as a rock, under given conditions, before failure occurs
strike	Direction of line formed by intersection of a rock surface with a horizontal plane. Strike is always perpendicular to direction of dip
swath plot	A swath plot is typically created by dividing the study area into parallel slices or swaths along a specific direction (e.g., north-south, east-west, or vertical). For each swath, the average estimated value and the average actual value (from sample data) are calculated and plotted against the swath position
syncline	A syncline is a fold where the rock layers dip inward towards the centre, forming a concave shape. The youngest rock layers are typically found at the core of the fold
t	tonnes
variogram model	A variogram is a graph that represents the degree of spatial dependence between sample points as a function of distance. It plots the semivariance (half the average squared difference between paired data points) against the distance separating those points
variography	A fundamental technique in geostatistics used to analyse the spatial variability and correlation of a regionalized variable, such as mineral grades, soil properties, or any other spatially distributed data
vein	Sheet-like body of minerals formed by fracture filling or replacement of host rock

waste	The part of an ore deposit that is too low in grade to be of economic value at the time of mining, but which may be stored separately for possible treatment later
water absorption	The amount of water that a material can absorb under controlled conditions
wireframe	A skeletal three-dimensional model in which only lines and vertices are represented, a preliminary stage used in preparing a full three-dimensional model
WSCP	Water and Soil Conservation Plan

EXECUTIVE SUMMARY

SRK Consulting (Hong Kong) Limited (SRK) has been commissioned by Anhui Jinyan Kaolin New Materials Co., Ltd. (Jinyan or the Company) to prepare an Independent Technical Report (ITR or the Report) on the Jinyan Kaolin Project (the Project), located Shuoli Town, Duji District near Huaibei City, Anhui Province of the People's Republic of China.

This ITR will be included a prospectus relating to an initial public offering (IPO) of shares in the Company and associated capital raising on the Hong Kong Stock Exchange (HKEx). This Report has been prepared by a multidisciplinary team in accordance to the VALMIN Code (2015), JORC Code (2012) guidelines and HKEx Listing Rules.

The scope of work of this ITR includes a review of the following technical disciplines:

- geology and Mineral Resources
- mining and Ore Reserves
- mineral processing
- product quality
- economic analysis
- permitting, environmental and social considerations.

A risk assessment is also included.

Work program

SRK's work program included a review of the provided information by Jinyan, a site visit conducted by SRK consultants and associates, the estimation of Mineral Resources and Ore Reserves in accordance the JORC Code (2012) and the preparation of this Report.

Jinyan Kaolin Project

The Project encompasses the Shuoli Kaolin underground mine, which is covered by a mining licence spanning approximately 17.9955 km², with an approved mining capacity of 0.5 Mtpa. Formerly known as the Shuoli Coal Mine, the mine was converted to kaolin mining after the depletion of coal resources in the same sedimentary succession led to its closure in 2019.

The Project includes a Chamotte Plant located in an industrial area directly above the mine along with a separate Mullite Precision Casting Sand Plant and Powder located in the Longhu Industrial Park, 10 km to the south. The Chamotte Plant produces a range of products, including crushed and screened kaolin ores (raw coke and raw powder), as well as refractory mullite (chamotte). The calcined kaolin materials from the rotary kilns are further processed into precision casting mullite sand and powder products at the Mullite Precision Casting Sand and Powder Plant.

Jinyan has also developed a new ceramic fibre product, with commercial production set to begin in the first quarter of 2025. Waste generated during processing is used to produce non-fired bricks.

Geology and mineralisation

The Project is located in the southern part of Xuhuai Basin, along the southeastern edge of the North China Block. It falls within the Xu-Su Arc Nappe Belt and is mainly controlled by the north-northeast trending Fengpei Fault and the east-west trending Subai Fault. The Project area is underlain by Carboniferous and Permian stratigraphy, primarily consisting of coal-bearing clastic rocks.

From bottom to top, the stratigraphy of the Shuoli Kaolin Mine includes the Carboniferous Taiyuan Formation, Permian Shanxi Formation, Lower Shihezi Formation and Upper Shihezi Formation. In the Permian Lower Shihezi Formation, the basal unit is represented by the light grey to grey-green aluminous mudstone layer. This layer occurs throughout the Project area, and is only partially absent in the northwest and southwest. It has an average thickness of approximately 5 m and a maximum thickness of 9.40 m. With its consistency and distinctive textures, it serves as an important marker unit known as the K2 index layer. It also acts as the host depositional layer of the Project's kaolin mineralisation.

The Project is located on the western limb of the Zhahe Syncline, where the primary fold is relatively well developed, and faults are less prominent. The secondary folds on this limb trend northeast-northwest and appear to have been refolded in a north-south direction. The strata in the area dip gently to moderately. In the southern and southeastern parts of the Project area, a system of faults trending east to northeast form the Project's natural boundary.

The kaolin deposit is hosted by the aluminous mudstone K2 index layer within the basal unit of the Permian Lower Shihezi Formation. This aluminous mudstone unit is located 12-24 m beneath the previously extracted No. 5 coal seam. Although the kaolin layer is continuous, it has been divided into five separate distinct domains based on impurity contents, specifically where Fe_2O_3 is less than 2% and TiO_2 is less than 0.6%. The mineralisation layer extends from 50 m to 240 m below surface and varies in thickness from 0.77 m to 4.76 m. The entire layer dips gently, ranging from approximately 5° to 13°.

Exploration History

Between 1957 and 2006, three historical exploration campaign phases took place: an initial coal resource exploration phase from 1957 to 1966, a combined exploration and active mining phase from 1970 to 1986, and a kaolin exploration phase from 1991 to 2006. A total of 200 drill holes and channels were completed for kaolin sampling during historical explorations; however, the core or pulp samples were not preserved. Of these, 138 drill holes and channels were used for resource estimation, with core recoveries exceeding 80%.

In October 2024, Jinyan conducted an infill and validation program that included 7 drill holes, 21 underground channels and 2 validation holes, based on SRK's recommendations.

Mineral Resources

Leapfrog software (version 2024.1) was used to generate the geological and ore domain models and prepare assay data for statistical/geostatistical analysis, construct the block model, estimate Al_2O_3 and SiO_2 grades and tabulate the Mineral Resources. A 2D estimation approach was applied for the Project's kaolin deposit.

A criterion that combines Al_2O_3 cut-off and Fe_2O_3 and TiO_2 impurity limits was used to define the mineralised intervals: Al_2O_3 greater than 30%, impurity Fe_2O_3 less than 2%, and impurity TiO_2 less than 0.6%. Additionally, a minimum mining thickness (0.7 m) was employed for domains to comply with the limitations of the longwall mining method. Five domains were defined within the Shuoli Kaolin Mine area.

For each estimation domain, estimates were made of 'accumulations' (product of grade and true thickness), and true thickness. For the elements of interest, the block grades were then obtained by dividing the corresponding accumulation estimate by the thickness estimate.

No capping was applied to Al_2O_3 or SiO_2 in this Report. The variograms for the interpolation of Al_2O_3 and SiO_2 accumulations, and true thickness, were modelled using Leapfrog Edge. Due to insufficient samples in Domains 1, 2, 3 and 4 for fitting a meaningful variogram, the variogram model developed for Domain 5 has been applied to these domains. SRK produced the block models for all Resources Domains with dimensions of 100 m × 100 m × variable Z (East × North × Elevation) and sub-blocking with dimensions of 10 m × 10 m × variable Z (East × North × Elevation) in Leapfrog Edge. No rotation has been allowed. A minimum 0.7 m thickness was employed for variable Z of the block model. Block accumulation and true thickness values were interpolated using the Ordinary Kriging (OK) method.

As at 31 May 2025, the mined-out area was surveyed and wireframed as a depletion zone. During the resource estimation process, Mineral Resources within the mined-out area were estimated and subsequently subtracted to obtain the remaining resources.

The Mineral Resource estimates for the remaining deposit within the licence areas, excluding the protective pillar, are given in Table ES 1.

**Table ES 1: Mineral Resource Statement — Shuoli
Kaolin Mine — as at 31 May 2025**

Classification	Tonnage	Al_2O_3	Al_2O_3 Material	SiO_2	SiO_2 Material
	(kt)	(%)	(kt)	(%)	(kt)
Measured	2,367	40.35	955	42.83	1,013
Indicated	8,990	40.28	3,621	41.13	3,698
Measured and Indicated	11,357	40.29	4,576	41.49	4,711
Inferred	7,292	40.30	2,939	41.58	3,032
Total	18,649	40.30	7,515	41.52	7,743

Notes:

- 1 Any differences between totals and sum of components are due to rounding.
- 2 A 0.7 m minimum thickness was applied to the resource block model.
- 3 The models are reported for domains with a thickness greater than 0.7 m, which is the minimum mineable thickness using the current mining method (longwall mining).
- 4 Mineral Resources that are not Ore Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
- 5 Mineral Resources are reported inclusive of Ore Reserves.
- 6 The Mineral Resources are effective as at 31 May 2025.

Competent Person's Statement: *The information in this Report that relates to Mineral Resources is based on information compiled by Dr (Tony) Shuangli Tang who is a Member of the AIG and Member of the AusIMM. Dr Tang is a full-time employee of SRK Consulting (Hong Kong) Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity which he undertakes to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).*

Rock engineering

The kaolin mine is located in the lower part of the Permian Lower Shihezi Formation. The strata are stable, with underdeveloped structural fractures. The lithology is solid and intact, with a uniaxial compressive strength of 15.6 MPa and Mohs hardness between 3 and 4. There was no plasticity or swelling when the strata were exposed to water. The surrounding sequences consist of mudstone, sandstone and siltstone, with uniaxial compressive strength values ranging from 26.1 MPa to 11.19 MPa, indicating favourable geotechnical conditions. However, since the No. 5 coal seam located approximately 16 m above the kaolin layer has already been mined, there is a potential risk of disturbance and damage to the roof of roadways. Appropriate measures should be taken for roof management during kaolin mining.

The roof management methods and a series of effective measures are currently employed to prevent roof falls during the kaolin mining process. The monitoring and control systems for tunnel deformation and roof collapse in the main tunnels are comprehensive. Monitoring results indicate that there is minimal displacement of the tunnel walls and negligible roof deformation, which aligns with the observations made during underground inspections. This suggests that with the implementation of appropriate measures, the risks are controllable.

Hydrogeology

The area is characterised by three aquifers, which have minimal impact on kaolin mining. The primary hydrological hazard risk is the accumulation of water in mined-out areas which has been properly managed by the Company. The mine's drainage system, including water storage, pipelines and pumps, currently meets the relevant regulatory requirements.

There are four closed coal mines near the Project, with a total residual water inflow of approximately 330 m³/h. To prevent this residual water from flowing into the kaolin mine area, a 1,740 m-long sealed partition wall with a water pressure resistance of 11 MPa has been constructed between the kaolin mine and adjacent mines. The residual water will flow through boreholes in the partition wall and pipelines to the central water storage of the Project, from where it will be discharged to the surface. It is anticipated that by October 2026, the residual water level will rise to the level to flow into the kaolin mine, increasing the total water inflow to 440 m³/h. The reconstruction of the drainage system is expected to be completed by the end of October 2025.

Mining

An assessment of the mining system of the Shuoli Kaolin Mine, including the development system, operations, mining methods, and auxiliary systems and the life-of-mine (LOM) plan was conducted. The assessment covers the key project mining studies and current operation data. The purpose of the assessment is to provide a basis for declaring an Ore Reserve estimate in accordance with the JORC Code (2012). SRK considers the key technical studies are equivalent to pre-feasibility studies as per JORC Code (2012). The data for the review included:

- Preliminary Mine Design for 0.5 Mtpa capacity, dated December 2019
- Mineral Resources Development and Utilisation Plan, dated January 2023
- operations data and records as of October 2024
- site visit findings in October 2024.

The Shuoli Kaolin Mine uses the underground system from the former Shuoli Coal Mine, which was closed in July 2019 due to depletion of the coal resource. It mines kaolin from beneath the mined-out No.5 Coal seam.

The Mine has a designed production capacity of 0.5 Mtpa and employs the main, service, and ventilation shafts from the former coal mine, using single-level development and an incline drive. It operates with a fully mechanised longwall mining method, conveying run-of-mine (ROM) material to the main shaft and hoisting to the surface.

The underground infrastructure, including dewatering, ventilation and power supply, is well maintained. Operations are managed effectively by Jinyan's personnel, with equipment suitable for the mine's capacity. Management reports show that annual targets are consistently achieved.

Long-term mine plans are considered suitable, but SRK has adjusted the life-of-mine (LOM) plan based on updated Mineral Resource estimates. At the annual production volume of 400,000 t, the Mine has an LOM of 16 years. SRK considers the mining method is appropriate and mining conditions are good. Management and staff have the necessary experience, and the production targets can be met.

Ore Reserves

According to the JORC Code, an Ore Reserve is the economically mineable part of a Measured and/or Indicated Mineral Resource and includes losses and dilution that may occur by mine design and during the mining operation.

As at 31 May 2025, SRK estimated Ore Reserves of 6.06 Mt within the mining licence boundaries, reported in accordance with the JORC Code (2012) guidelines. This includes 1.09 Mt of Proved Ore Reserves and 4.97 Mt of Probable Ore Reserves. The Ore Reserve is tabulated in Table ES 2.

Table ES 2: Shuoli Kaolin Mine Ore Reserve Statement as at 31 May 2025

Category	Ore Reserve	Al ₂ O ₃	Fe ₂ O ₃	TiO ₂
	(kt)	(%)	(%)	(%)
Proved	1,093	38.9	0.66	0.51
Probable	4,969	37.9	1.08	0.49
Total	6,062	38.1	1.00	0.49

Source: SRK, 2025

Notes:

- Any differences between totals and sum of components are due to rounding.
- Cut-offs for ROM to define between ore and waste are Al₂O₃ ≥30%, Fe₂O₃ ≤2%, and TiO₂ ≤0.6%.
- The minimum mining cutting height is 2 m.
- The Ore Reserves are reported on a metric dry tonne basis.
- The Ore Reserves are reported at the reference point (ROM material as received at the processing plant).
- The Ore Reserves are reported inclusive of Mineral Resources.
- The Mineral Resources are effective as at 31 May 2025.

JORC Code Statement: *The information in this Report which relates to the Ore Reserve is compiled by Mr Falong Hu who is a full-time employee of SRK Consulting (China) Limited and a Fellow of the AusIMM. Mr Hu has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and the activity which he is undertaking to qualify as Competent Person as defined in the JORC Code (2012).*

Processing

Jinyan has established a calcined kaolin workshop, a kaolin ceramic fibre workshop, and a non-fired brick workshop at its Chamotte Plant. The calcined kaolin workshop uses both rotary and shaft kilns to calcine kaolin ore into mullite, which is then processed into precision casting and refractory mullite products. The mullite produced from the rotary kilns is transported by truck to the Mullite Precision Casting Sand and Powder Plant located in the Longhu Industrial Park where it is processed into precision casting mullite sand and powder products. The calcined kaolin workshop has four rotary kiln production lines and one shaft kiln, with a total production volume of 340,000 tpa. The rotary kiln production lines primarily produce precision casting mullite sand and powder, with lines #1 and #2 each having a production volume of 30,000 tpa, line #3 having a production volume of 50,000 tpa, and the newly built line #4 having a production volume of 200,000 tpa. During SRK's site visit in October 2024, the construction of line #4 was completed. The Company plans to begin commercial production in the first quarter of 2025. The shaft kiln production line calcines large blocks of kaolin ore, primarily producing refractory mullite blocks and granules, with lines #1 and #2 each having a production volume of 15,000 tpa.

The kaolin ceramic fibre workshop uses calcined kaolin as raw material to produce kaolin ceramic fibre, with a designed capacity of 1,000 tpa. The workshop has been built and is scheduled to start production in the first quarter of 2025.

Jinyan also sells some kaolin ore, which is classified into primary-grade raw coke ($\text{Fe}_2\text{O}_3 < 1.5\%$), secondary-grade raw coke ($\text{Fe}_2\text{O}_3 = 1.5\sim 2.0\%$) and kaolin waste ($\text{Fe}_2\text{O}_3 > 2.0\%$) based on iron content. Based on customer requirements for particle size, primary-grade and secondary-grade materials are screened and classified for sale as products, while waste is used to make non-fired bricks. The production of raw coke is simple, driven by mining volume and customer demand.

The non-fired brick workshop uses kaolin waste and other production waste, such as overburned and underburned kaolin, kiln tail ash, and flue gas desulfurisation ash. These are mixed with cement and water to produce bricks using an automatic machine. Brick production depends on waste availability, and the current machine's capacity is sufficient to process all waste.

Jinyan has strong research and development capabilities, having drafted standards for 'Casting Use Mullite Sand and Powder' and secured several processing patents. Jinyan has developed precision casting shell materials, creating a unique product advantage. In addition to its current products, Jinyan plans to continue developing other high-value-added specialty products.

Market outlook and product quality

The study of product and kaolin market was carried out by Frost & Sullivan, an independent market research consultancy. The Project's primary industrial mineral product will be a hard-rock kaolin ore that is processed by heating (calcined) to produce a variably sized mullite product targeting high-end manufacturing industries. Other products can be produced, including refractory kaolin products. The traditional markets for soft kaolin are typically in the paper coating, filler and ceramics industries and while these still important, the markets are rapidly undergoing change and the hard kaolin calcined kaolin/mullite products can achieve a significant and increasing market share.

The mullite sands and powder are marketed to the newly developing high-technology industries requiring high-precision casting of metallic components. Most potential purchasers of the product are currently located in the East China region. As China is a net importer of various types of soft kaolin, it is anticipated that most sales will continue to be within China, but some may be exported for use in similar industries in East Asia, Japan and Korea, expanding the market.

The average sale prices anticipated for the calcined kaolin/mullite for precision casting mullite products have been estimated in the order of RMB/t 1,250. In 2024, actual prices achieved by the Company ranged between RMB/t 1,300 and RMB/t 1,900. The average price increase predicted to 2028 is 5%, conservatively. Pricing is likely to be most sensitive to cost increases due to energy costs, which should be balanced by the increased demand.

It is assumed that levels of demand will be stable in the short term and increasing in the near term to medium term. A compound annual growth rate (CAGR) of 7.0% for sales revenue for 2025 to 2029 is forecast for precision casting mullite material. The market outlook for these products is optimistic but is dependent on ongoing development of the high-technology industries and manufacturing. These industries are currently forecast to experience significant growth.

With the LOM predicted to be 16 years, it is anticipated that the Huaibei deposit will continue to be a reliable ore source with potential to increase sales to the annual extraction limit and to continue to supply the precision casting mullite and other high-value products under development. There is potential competition from other similar sources of hard-rock kaolin, but the Company was an early adopter of the technology and is considered a market leader.

SRK recommends that the Company carry out detailed market studies and marketing activities to maximise the volume sold and prices achieved for its products and waste/by-products from the mine.

Permitting, environmental and social considerations

The Jinyan Project has obtained the required environmental protection permits for operation, including the safety production, water extraction, and pollutant discharge permits. Several environmental impact assessment (EIA) reports for the Project were completed and approved by the relevant authorities. These EIA reports cover the main production facilities including the Shuoli Kaolin Mine, Chamotte Plant and Mullite Precision Casting Sand and Powder Plant.

Vegetation in the vicinity of the Project mainly comprises common local plant species, with no ecologically sensitive species identified. The area historically affected by coal mining activities has experienced significant subsidence, creating extensive waterlogged areas. Since the Project's facilities are primarily located within the former coal mine and industrial park areas, the Project will not have a significant impact on the habitats of flora and fauna in the region.

Water drained from the mine is treated on site and re-used in production. The plant separates rainwater from wastewater, with industrial and domestic wastewater being collectively discharged to the Longhu Industrial Park wastewater treatment plant. Desulfurisation, denitrification, and dust removal equipment are used to eliminate sulfur dioxide, nitrogen oxides, and other particulates.

SRK understands that the underground mining operation currently generates almost no waste rock. Other major industrial solid wastes from the Project include iron removal residues and dust collected by baghouse filters, which are either re-used or recycled. Hazardous wastes including waste denitrification catalysts, waste oil, and waste oil drums are stored in a designated facility and regularly disposed of by qualified contractors.

Capital and operating costs

From 2022 to May 2025, RMB441.9 million was invested in upgrading the underground mining facilities and constructing new surface workshops, including a kaolin processing workshop, non-fired brick workshop, and ceramic fibre workshop. A new rotary kiln system and a 35 kV substation were also established.

In June-December 2025, Jinyan plans to spend RMB3.8 million on fan and substation upgrades and RMB9.6 million on a resource upgrade drilling program for the area between Domain 1 and Domain 5. Surface operations will incur RMB3.3 million for equipment replacement and RMB1.5 million for dust control upgrades. An annual RMB8 million is allocated for sustaining capital,

A total of RMB103.5 million is budgeted for a mullite aluminium-silicon processing system and a new materials research centre.

Historical operating costs were RMB152.9 million in 2022, RMB154.5 million in 2023, and RMB181.5 million in 2024. The major expenses are fuel, electricity and salaries. Forecast costs from 2024 to 2040 are based on historical data and technical studies. Operating costs are expected to be RMB260.7 million in 2026 and RMB265.9 million in 2027, with major components remaining fuel and electricity. Unit costs over the LOM are RMB/t 979 for precision casting mullite products, RMB/t 847 for refractory mullite products, RMB/t 158 for raw coke and raw powder, and RMB/t 7,124 for ceramic fibre.

1 INTRODUCTION

1.1 Background

SRK Consulting (Hong Kong) Limited (SRK) is an associate company of the international group holding company, SRK Global Limited (the SRK Group). SRK was commissioned by Anhui Jinyan Kaolin New Materials Co., Ltd. (Jinyan or the Company) to prepare an Independent Technical Report (ITR or the Report) relating to the Jinyan Kaolin Project located in Shuoli Township, Duji District, Huaibei City, in the Anhui Province of eastern People's Republic of China (PRC) (the Project).

The Project includes the Shuoli Kaolin underground mine (the Mine), with a designed capacity of 0.5 Mtpa. Following closure of the Shuoli Coal Mine in 2019, its infrastructure was repurposed to kaolin mining after the coal resources were depleted as the known kaolin layers occur in the same sedimentary succession as the coal measures.

The Project also consists of a Chamotte Plant situated in an industry area directly above the underground mining operation and a separate Mullite Precision Casting Sand and Powder Plant located in the Longhu Industrial Park. The processing plants are capable of producing various products, including crushed and screened kaolin ores as well as calcined kaolin ores. The calcined kaolin ore is further processed into precision casting mullite sands and powder, and refractory mullite (chamotte).

Jinyan has developed a new ceramic fibre product, with commercial production expected to commence in the first quarter of 2025. The waste generated during processing is used to produce non-fired bricks.

1.2 Purpose of Report

This Report has been prepared by SRK for inclusion in the prospectus to be published by the Company in connection with the initial public offering (IPO) of shares in the Company and associated capital raising on the Main Board of the Hong Kong Stock Exchange (HKEx).

1.3 Scope of work

The scope of work for this ITR includes the following:

- geology and Mineral Resources
- mining and Ore Reserves
- mineral processing
- product quality

- economic analysis
- permitting, environmental and social considerations.

A risk assessment is also included.

1.4 Work program

SRK's work program completed under this commission included:

- review of supplied information
- site visit by SRK consultants and associates
- estimation of Mineral Resources and Ore Reserves in accordance to the JORC Code (2012)
- preparation of this Report.

1.5 Reporting standard

Key authors of this Report are Members or Fellows of either the Australasian Institute of Mining and Metallurgy (AusIMM) and/or the Australian Institute of Geoscientists (AIG) or other international Recognised Professional Organisations. As such, these authors are bound by international mineral reporting codes (in this case both the VALMIN and JORC Codes).

For the avoidance of doubt, this Report has been prepared according to the following guidelines:

- 2015 edition of the *Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets* (VALMIN Code)
- 2012 edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (JORC Code).

In accordance with the stated reporting guidelines, all geological and other relevant factors defining the Company's Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves have been considered in sufficient detail to serve as a guide for future exploration and development activities. Table 1 of the JORC Code has been used as a checklist during the preparation of this Report and any comments are provided on an 'if not, why not' basis to ensure clarity to an investor on whether aspects of the future development program have been considered as they apply to the JORC Code (2012) Table 1.

The criteria of the JORC Code Table 1 reflect the normal systematic approach to exploration and target evaluation. *Relevance* and *Materiality* are overriding principles which determine the information that needs to be publicly reported. This Report has attempted to

provide sufficient comment on all matters that might materially affect a reader's understanding or interpretation of the results being reported. The criteria under which the Project is being evaluated are consistent with the current understanding of the geological controls on the known mineralisation, but as more knowledge is gained, these criteria could change and be improved over time.

As per the VALMIN Code (2015), a draft of the Report was supplied to Jinyan to check for material error, factual accuracy and omissions before the final version of the Report was issued.

1.6 Effective Date and Report Date

The Effective Date for this Report is 31 May 2025.

The Kaolin Mineral Resource and Ore Reserve statements set out in this Report are reported as at 31 May 2025.

The Report Date is 21 July 2025.

1.7 Units and currency

Throughout this Report, SRK has used the International System of Units. All units used in this Report are defined in the glossary of terms.

All monetary values used in this Report are expressed in 2024 terms in Chinese Renminbi (RMB).

1.8 Limitations, reliance on information, declaration and consents

1.8.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by Jinyan throughout the course of SRK's investigations, which in turn reflects various technical and economic conditions at the time of writing. SRK has taken the technical information as provided by Jinyan in good faith.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Where such calculations involve a degree of rounding, SRK does not consider such rounding to be material.

Jinyan has confirmed in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, the information provided by Jinyan was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

1.8.2 Legal matters

SRK has not been engaged to comment on any legal matters. SRK is not qualified to make legal representations as to the ownership and legal standing of the mineral tenements that are the subject of this Report. SRK has not attempted to confirm the legal status of the mineral titles, joint venture (JV) agreements, local heritage or potential environmental or land access restrictions. SRK understands such matters are discussed elsewhere within Jinyan's prospectus.

1.8.3 Reliance on other experts

SRK has not performed an independent verification of the mining licence and land titles nor the legality of any underlying agreements that may exist concerning the permits, commercial agreements with third parties or sales contracts and instead has relied on information as provided to SRK by Jinyan's independent legal advisors.

The commodity price and inflation forecasts used in this Report for economic evaluation purpose is provided by Jinyan's industry expert, Frost & Sullivan (F&S), an independent market research and consulting company based in PRC.

1.8.4 Warranties

Jinyan has represented in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

1.8.5 Indemnities

As recommended by the VALMIN Code (2015), Jinyan has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by Jinyan or Jinyan not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.8.6 Consent

SRK consents to this Report being included, in full, in Jinyan's HKEx listing documents in the form and context in which it is provided and not for any other purpose. SRK provides this consent on the basis that the Technical Assessment expressed in the Executive Summary and in the individual sections of this Report is considered with, and not independently of, the information set out in the complete Report.

Practitioner Consent

The Competent Person who has overall responsibility for the preparation of this Report is Ms Alison Cole. Ms Cole is a Member of the AIG and an associate consultant with SRK Consulting (Hong Kong) Limited and also an employee of Geos Mining, an independent mining consultancy based in Sydney, Australia. Ms Cole has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined under the 2012 edition of the JORC Code. Ms Cole consents to the inclusion in this Report of the Mineral Resources and Ore Reserves in the form and context in which they appear.

The Competent Person who has overall responsibility for the Mineral Resources is Dr (Tony) Shuangli Tang. Dr Tang is a Member of the Australasian Institute of Geoscientists (AIG) and a full-time employee of SRK Consulting (Hong Kong) Limited. Dr Tang has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined under the 2012 edition of the JORC Code. Dr Tang consents to the inclusion in the Report of the Mineral Resources in the form and context in which they appear.

The Competent Person who has overall responsibility for the Ore Reserves is Mr Falong Hu. Mr Hu is a Fellow of the AusIMM and a full-time employee of SRK Consulting (China) Limited. Mr Hu has sufficient experience relevant to the style of mineralisation, type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. Mr Hu consents to the inclusion in the Report of Ore Reserves in the form and context in which they appear.

HKEx requirements

Ms Alison Cole meets the requirements of the Competent Person, as set out in Chapter 18 of the HKEx Listing Rules. Ms Cole is a Member of good standing of AIG; has more than five years' experience relevant to the style of mineralisation and type of deposit under consideration; is independent of the issuer applying all the tests in sections 18.21 and 18.22 of the Listing Rules; does not have any economic or beneficial interest (present or contingent) in any of the reported assets; has not received a fee dependent on the findings of this ITR; is not officer, employee of a proposed officer for the issuer or any group, holding or associated company of the issuer; and takes overall responsibility for the ITR.

1.8.7 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, has any material present or contingent interest in the outcome of this Report, nor any pecuniary or other interest that could be reasonably regarded as capable of affecting their independence or that of SRK. SRK has no beneficial interest in the outcome of this Report capable of affecting its independence. SRK's fee for completing this Report is approximately HK\$3 million. The payment of that professional fee is not contingent on the outcome of this Report.

1.8.8 Corporate capability

SRK is an independent, international group providing specialised consultancy services. Among SRK's clients are many of the world's mining companies, exploration companies, financial institutions, engineering, procurement and construction management (EPCM) and construction firms, and government bodies.

Formed in Johannesburg in 1974, the SRK Group now employs some 1,700 staff internationally in over 40 permanent offices in 20 countries on 6 continents. A broad range of internationally recognised associate consultants complements the core staff.

The SRK Group's independence is ensured by the fact that it is strictly a consultancy organisation, with ownership by staff. SRK does not hold equity in any projects or companies. This permits SRK's consultants to provide clients with conflict-free and objective support on crucial issues.

1.8.9 Stock exchange public report

SRK has prepared many public reports for the HKEx. Selected examples are listed in Table 1.1.

Table 1.1: Public reports prepared by SRK for disclosure on the HKEx

Company	Year	Project Name
Zijin Gold International	2025	Listing on HKEx
Jiaxin International Resources Investment	2025	Listing on HKEx
Xinjiang Xinxin Mining Industry	2025	Major acquisition
Chifeng Jilong Gold Mining . . .	2025	Listing on HKEx
Persistence Resources Group . . .	2024	Listing on HKEx
HuaiBei GreenGold	2023	Listing on HKEx
China Graphite	2022	Listing on HKEx
Pizu Group	2020	Major acquisition

Company	Year	Project Name
Heaven-Sent Gold Group	2019	Listing on HKEx
China UniEnergy	2016	Listing on HKEx
China Mining Resources	2016	Major acquisition
Agritrade Resources	2015	Major acquisition
Feishang Non-metals	2015	Listing on HKEx
Future Bright Mining	2014	Listing on HKEx
Hengshi Mining	2013	Listing on HKEx
Jinchuan Group International . . .	2013	Major acquisition
China Daye Non-Ferrous	2012	Very substantial acquisition
MMG	2012	Very substantial acquisition
China Nonferrous Metal Mining	2012	Listing on HKEx
China Hanking Holdings	2011	Listing on HKEx
CNNC International	2010	Major acquisition
Sino Prosper	2010	Major acquisition
United Company RUSAL	2010	Listing on HKEx

Source: SRK, 2025

1.9 Project team

This Report has been prepared by a team of SRK consultants and associates from SRK's offices in Hong Kong, Beijing, Almaty and Brisbane. The qualifications and experience of the consultants and associates who carried out the work in this Report are listed in Table 1.2. They have extensive experience in the mining industry and are members in good standing of appropriate professional institutions.

Table 1.2: Details of qualifications and experience of the project team

Specialist	Position/Company	Responsibility	Length and type of experience	Site inspection	Professional designation
(Gavin) Heung Ngai Chan . . .	Principal Consultant/ SRK Hong Kong	Project Management, capital and operating costs and report compilation	19 years – 16 years in consulting specialising in valuation, financial modelling, project evaluation, geological modelling and resource estimation; 3 years in academia	10-11 October 2024	BSc, MPhil, PhD (Earth Sciences), GradDip (AppFin), GradCert (Geostats), FAIG

Specialist	Position/Company	Responsibility	Length and type of experience	Site inspection	Professional designation
(Tony) Shuangli Tang	Senior Consultant/ SRK Hong Kong	Geology and Mineral Resource	9 years – 2 years in exploration geology and valuation; 7 years in consulting specialising in geological modelling and resource estimation	3-4 October 2024	BSc, MSc, PhD, MAusIMM, MAIG
Alison Cole	Associate Principal Consultant/ SRK Hong Kong	Geology and Mineral Resource, Competent Person taking overall responsibility of the Report	35 years – 16 years in consulting specialising in industrial minerals including heavy mineral sands, dimension stone, aggregate, clays. Exploration, project evaluation and review	10-11 October 2024	BSc, MSc, MAIG
Falong Hu	Principal Consultant/ SRK China	Mining and Ore Reserve	16 years – 3 years in mining engineering; 13 years in consulting specialising in mine planning, technical studies and Ore Reserve estimation	24-25 October 2024	MBA, BEng, FAusIMM
Bruno Strasser	Associate Principal Consultant/ SRK China	Mining and Ore Reserve	30 years – 13 years in mining, processing and construction project, 17 years in consulting	No site visit	BEng, MSc, MAusIMM
Lanliang Niu	Principal Consultant/ SRK China	Mineral processing	38 years – 20 years in academic research and gold and rare earth mines processing; and 18 years in consulting specialising in mineral processing	24-25 October 2024	BEng, MAusIMM
Nan Xue	Principal Consultant/ SRK China	Environmental and Social	18 years – 18 years in consulting specialising in environmental impact assessment and environmental technical studies	24-25 October 2024	BSc, MSc, MBA, MAusIMM

Specialist	Position/Company	Responsibility	Length and type of experience	Site inspection	Professional designation
Minhua Wang . . .	Associate Principal Consultant/ SRK Hong Kong	Geotechnical Engineering and hydrology	38 years – 38 years in coal resources exploration, mine geology, mining, geotechnical engineering and hydrological hazard management	3-4 October 2024	BEng, CCICT, CMSS
Robin Simpson . . .	Principal Consultant/ SRK Kazakhstan	Peer review — Geology and Mineral Resource	25 years – 7 years in mine and exploration geology, 19 years in consulting	No site visit	BSc (Hons), MSc, MAIG
Jeames McKibben . . .	Principal Consultant/ SRK Australasia	Overall Report	30 years in consulting specialising in valuation and corporate advisory; 2 years as an analyst; 8 years in exploration and project management roles	No site visit	BSc (Hons), MBA, MRICS, FGSA, FAusIMM(CP)

Source: SRK, 2025

2 JINYAN KAOLIN PROJECT

2.1 Location

The Jinyan Kaolin Project comprises an underground kaolin mining operation and two processing plants, a Chamotte Plant and Mullite Precision Casting Sand and Powder Plant, which are collectively situated in the northern part of Anhui Province in eastern China. The Project is located in Shuoli Township, Duji District, Huaibei City, approximately 15 km northeast of Huaibei City centre and 535 km northwest of Shanghai (Figure 2.1).

Figure 2.1: Location map of the Project

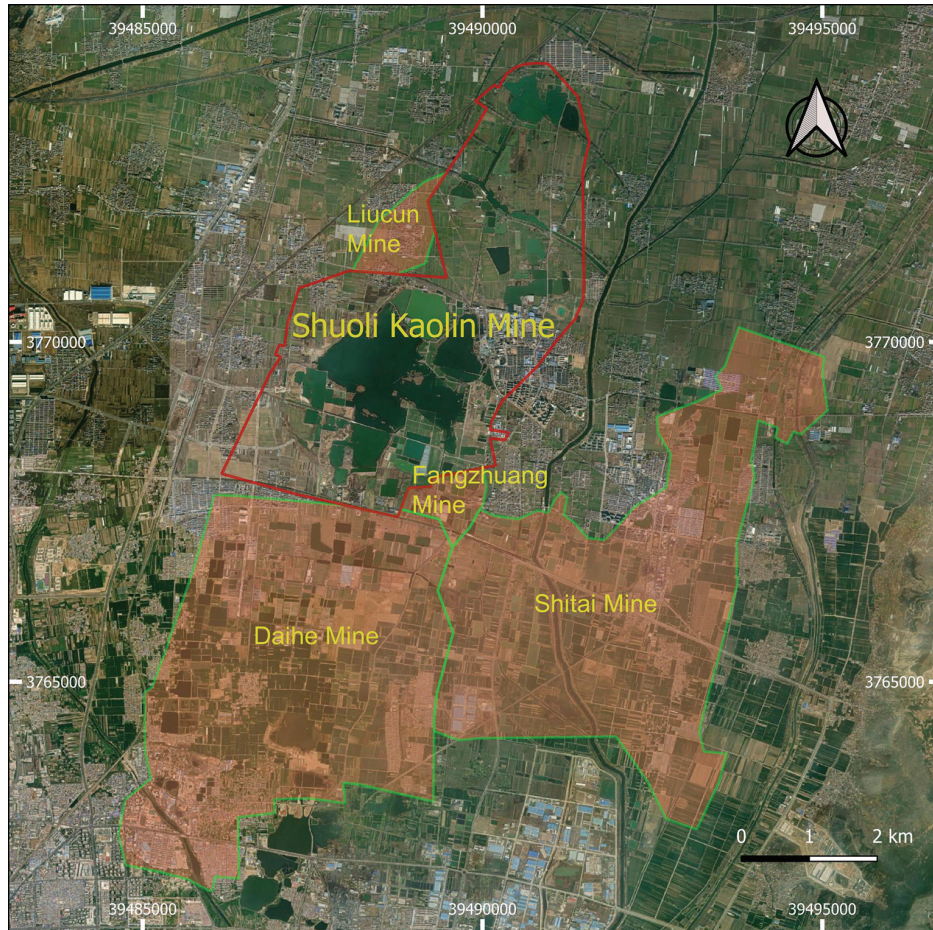


Source: SRK, 2025

2.2 Adjacent mining operations

The Project is surrounded by four historical coal mining operations: to the south are the Daihe and Fangzhuang coal mines; to the northwest is the Liucun coal mine, and to the southeast is the Shitai coal mine (Figure 2.2).

Figure 2.2: Adjacent coal mines



Source: Jinyan, 2025

All four coal mines operated for decades. They are all now depleted for coal. The last one (Shitai) was closed in 2022.

- The Daihe coal mine commenced operation in December 1965 and closed in 2017. Annual production capacity was 1.2 Mt.
- The Shitai coal mine commenced production in 1975 and closed in 2022. Annual production capacity was 1.5 Mt.

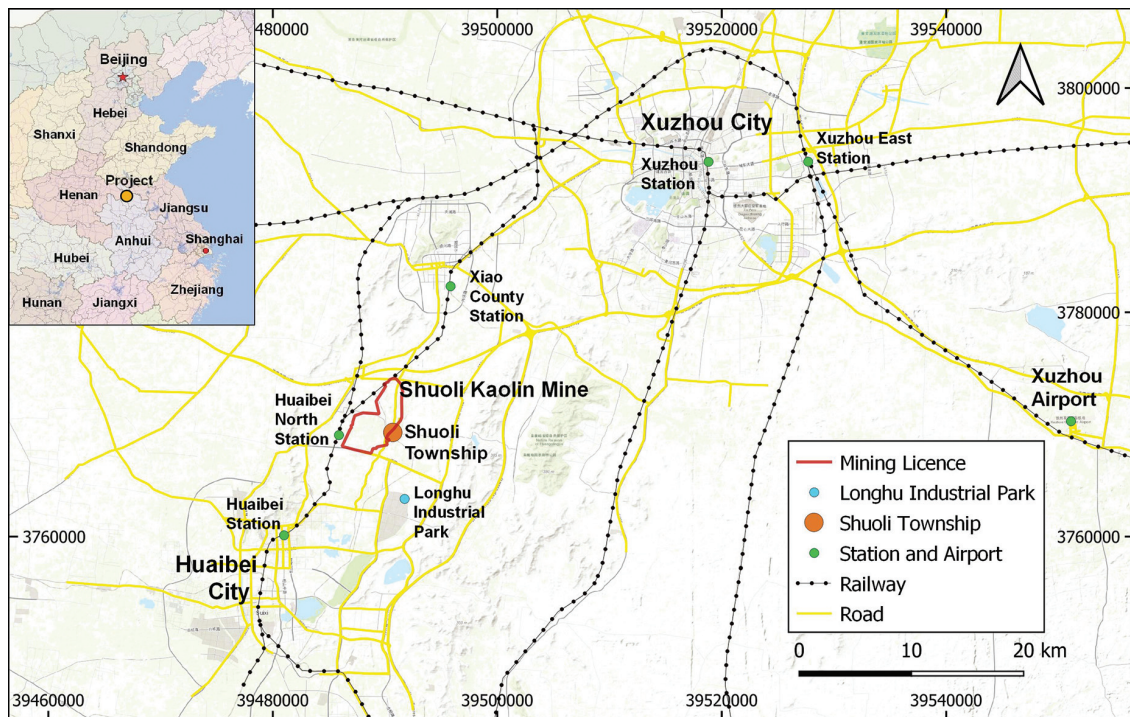
- The Liucun coal mine commenced production in 1998 and closed in November 2009. Annual production capacity was 50,000 t.
- The Fangzhuang coal mine commenced production in 1986 and closed in 2014. Annual production capacity was 0.12 Mt.

2.3 Access, climate and physiography

2.3.1 Accessibility

The Project is situated 15 km northeast of Huaibei City centre and can be accessed by vehicle in 30 minutes. The Huaibei North Station is located 7 km from the Project, while the Xiao County Station is situated 23 km away. The Mullite Precision Casting Sand and Powder Plant is located in the Longhu Industrial Park which is connected to the Shuoli processing plant by paved road for approximately 9 km. The nearest international airport is in Xuzhou City, Jiangsu Province, with regular flights to key cities in China and adjacent countries. The distance from Xuzhou Airport to Project site is approximately 70 km (Figure 2.3).

Figure 2.3: Project location



Source: SRK, 2025

2.3.2 *Climate*

The local climate is characterised by a warm temperate to semi-humid monsoonal climate. Winters are cold, dry, and windy, while summers are hot and rainy, with mild conditions in spring and autumn. The average annual temperature is 14.5°C. January is the coldest month, with an average temperature of -0.1°C and July is the hottest month, with an average temperature of 27.5°C.

The average annual precipitation is 847.2 mm, and the maximum monthly precipitation is 601.5 mm. Precipitation is unevenly distributed throughout the year, with 55–60% occurring from June to August. The predominant wind direction is southeast and east in spring and summer, and changes to north in winter. There are no climatic impediments to year-round exploration and development activities at the Project.

2.3.3 *Physiography*

The Project lies in the northern part of the Huaibei Plain, an area characterised by low relief with elevations ranging from 32 m to 35 m above sea level (asl). The Mine is covered by a Quaternary alluvial layer (40–80 m thick). The terrain is higher in the north and lower in the south.

There are no natural rivers; however, there is an artificially constructed river that runs through Gewa Village (葛洼村) to the east. Due to historical coal mining, a total of 14 km² of surface subsidence and water pooling occur in the western, southern and eastern parts of the Project's mining licence, with subsidence reaching depths of 8.0 m (Figure 3.2). Some of these subsidence areas have been backfilled and reclaimed, while others have been transformed into an artificial lake. Currently, the total area of remaining surface water bodies is 8.07 km². The maximum water depth is 6.5 m.

3 PROJECT OVERVIEW

3.1 Background

The Shuoli Kaolin Mine, formerly known as the Shuoli Coal Mine, commenced production in 1971 and was formally closed in 2019 after the coal resources were depleted. Following the cessation of coal production, all personnel, mining equipment and infrastructure from the former coal mine was repurposed towards kaolin production.

Kaolin within the Project area is found in a hard alumina-rich mudstone layer, averaging 2 m in thickness, located approximately 16 m below the main coal seam at depths ranging from 50 m to 250 m beneath the surface. Although the kaolin layer is continuous, it is divided into five domains, based on impurity contents, specifically Fe₂O₃ less than 2% and TiO₂ less than 0.6% (Figure 5.3).

Since 1997, the kaolin deposit has been extracted using the longwall mining method, similar to the previous coal mining operation. The current kaolin mining operations have focused on Domain 5, located in the southern part of the mining licence area, with dimensions of 1,800 m by 940 m and an average thickness of 2.5 m. The Mine has a design mining capacity of 0.5 Mtpa, but the actual mining volume was approximately 0.3 Mt in 2023 due to constraints in the market demand. As at 31 December 2023, the total kaolin depletion amounted to 3.03 Mt.

Jinyan has recently expanded the Chamotte Plant. It now consists of four rotary kiln production lines and two shaft kiln production lines, with a total annual production volume of 0.34 Mt (Figure 3.1). The plant produces various products, including crushed and screened kaolin ores, which are commercially referred to as raw coke and raw powder as well as refractory mullite, commercially known as chamotte. The calcined kaolin from the rotary kilns is transported to the Mullite Precision Casting Sand and Powder Plant located in the Longhu Industrial Plant where it is processed to produce precision casting mullite sands and powder products. Jinyan has developed a new ceramic fibre product, with commercial production expected to commence in first quarter of 2025. This new production line is also located at the Chamotte Plant. The waste generated during processing is used to produce non-fired bricks.

Figure 3.1: Aerial view of the Chamotte Plant



Source: SRK site visit, October 2024

3.2 Mining licence

Since 2021, Jinyan has owned the mining licence of the Shuoli Kaolin Mine, granted by the Huaibei Municipal Bureau of Natural Resources and Planning. The current licence was renewed on 6 March 2024 and is valid until 20 November 2039 (C3400002019117120148949). The licence covers an area of 17.9955 km² and permits kaolin production from depths between -50 m asl and -240 m asl. The mining licence coordinates are presented in Table 3.1 and shown in Figure 3.2. The approved annual production capacity is 0.5 Mt.

Table 3.1: Shuoli mining licence coordinates

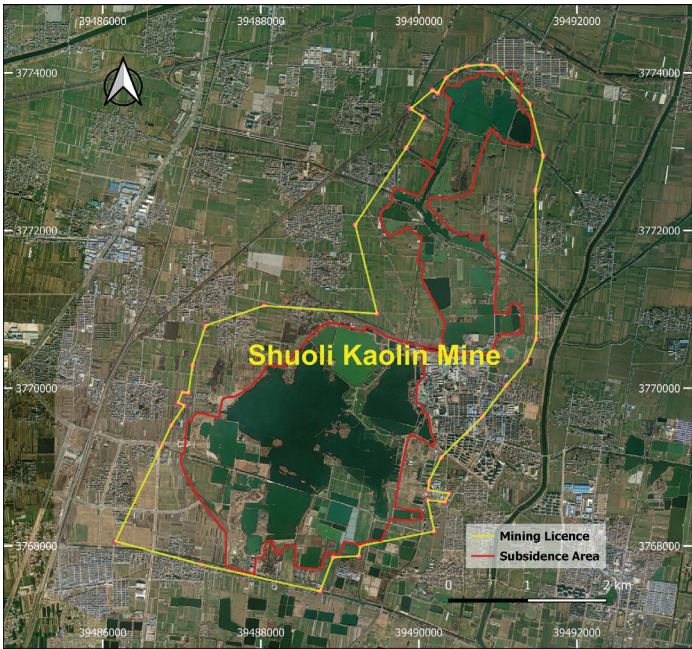
Corner	X	Y
1	39490195	3768184
2	39489262	3768000
3	39489238	3767870
4	39488914	3767854
5	39488751	3767423
6	39487250	3767762
7	39486161	3768059
8	39486742	3769264
9	39486865	3769527
10	39487031	3769778
11	39486953	3769817
12	39487007	3769952
13	39487085	3769940
14	39487136	3770291
15	39487302	3770793
16	39488041	3771047
17	39489471	3770945
18	39489195	3772072
19	39489840	3773047
20	39490062	3773437
21	39489898	3773545
22	39490172	3773780
23	39490239	3773740
24	39490345	3773936
25	39490472	3774033
26	39490610	3774085
27	39490795	3774102
28	39490970	3774092
29	39491400	3773609
30	39491573	3772947
31	39491475	3772510

Corner	X	Y
32	39491492	3770894
33	39491483	3770622
34	39491366	3770342
35	39491105	3770035
36	39490808	3769641
37	39490282	3769122
38	39490127	3768817
39	39490117	3768706
40	39490385	3768665
41	39490328	3768555
42	39490110	3768584

Source: Jinyan, 2025

Note: Xi'an 1954 projection.

Figure 3.2: Mining licence projected on satellite image



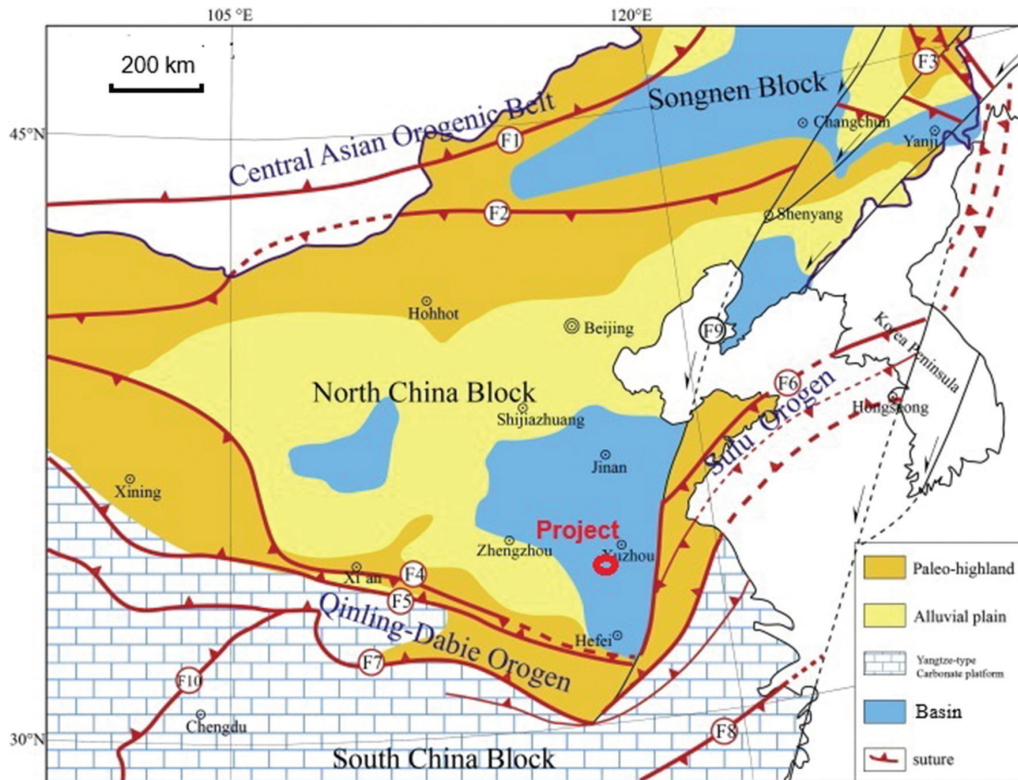
Source: Jinyan, 2025

4 GEOLOGICAL SETTING AND MINERALISATION

4.1 Regional geology

Tectonically, the Project is located in the southern part of Xuhuai Basin, along the southeastern edge of the North China Block (Figure 4.1). The Xuhuai Basin is bound to the east by the Tanlu Fault Zone and to the south by the Qinling-Dabie Orogen.

Figure 4.1: Tectonics map of North China Block in Late Permian

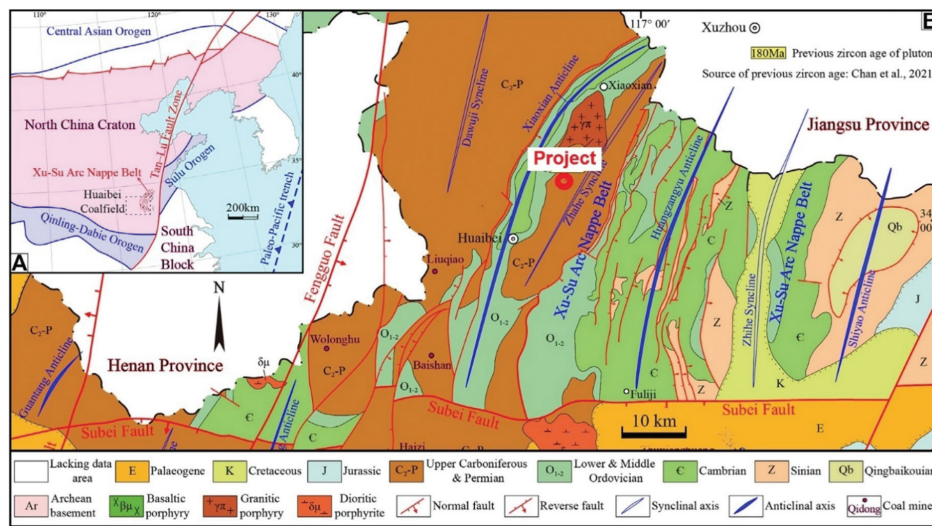


Fault names: F1-Hegenshan-Heihe Suture; F2-Solonkor Suture; F3-Mudanjiang Suture in NE China; F4-Kuanping Suture and its extension; F5-Shangdan Suture and its extension; F6-Wulian-Yantai Suture (an eastern extension of the Shangdan and Kuanping sutures); F7-Mianlue Suture and its extension; F8-Jiangshao Suture; F9-Tan-Lu Fault; F10-Longmenshan Transpressional Fault

Source: modified after Li et al., 2017.

The Project is part of the Xu-Su Arc Nappe Belt and is mainly controlled by the north-northeast trending Fengpei Fault and the east-west trending Subai Fault. It is also deformed by the north-south trending Zhahe Syncline and Xiaoxian Anticline (Figure 4.2). The area is underlain by Carboniferous and Permian rocks, primarily consisting of coal-bearing clastic rocks. Above this sedimentary layer, there are Neogene and Quaternary rocks which include semi-consolidated and loose clay, sub-clay, fine sand, and sub-sandy soil, with some local gravel layers. Magmatic rocks, including quartz porphyry, diorite and diabase, are reported to intrude the strata in the Huaibei area, typically appearing as stocks, dykes, sills and veins. However, these magmatic rocks are not observed in the Project area.

Figure 4.2: Structural geological map of Huaibei area



Source: modified after Gu et al., 2023

4.2 Local geology

4.2.1 Stratigraphy

The stratigraphy of the Shuoli Kaolin Mine from the oldest to the youngest includes the Carboniferous Taiyuan Formation, Permian Shanxi Formation, Lower Shihezi Formation, Upper Shihezi Formation and Quaternary residual deposits (Table 4.1).

Table 4.1: General stratigraphy

Period	Stratum	Description	Average thickness (m)	Key features
Quaternary . . .		Yellowish-brown, reddish-brown or greenish-yellow sandy clay, clayey sand, silt and gravel.	61	
Permian	Upper Shihezi Formation	Conformably overlies the underlying strata, which consist of grey to grey-white siltstone and sandstone, grey to purple mudstone, and thin coal seams.	89	The basal layer consists of grey to grey-white fine to medium sandstone (12 m). This layer marks the boundary between the lower and upper Permian and serves as a key marker unit known as the K3 index layer.
Permian	Lower Shihezi Formation	Conformably overlies the Shanxi Formation. Dark grey to grey mudstone, grey to light grey sandstone, and the main coal seams.	190	It contains 6 coal seams, with the No. 3 and No. 5 seams being the main seams. An aluminous mudstone layer at the basal unit serves as the marker unit known as the K2 index layer. This is the target kaolin layer.

Period	Stratum	Description	Average thickness (m)	Key features
Permian	Shanxi Formation	Conformably overlies the Taiyuan Formation.	139	Grey to dark grey siltstone to coarse sandstone, mudstone, and thin coal seams. It contains No. 6 and No. 7 coal seams.
Carboniferous. .	Taiyuan Formation	Conformably overlies the underlying strata, primarily limestone with thin layers of fine sandstone, siltstone, and mudstone with coal seams.	143	The top layer is a dense black mudstone (11 m), marking the boundary with the Shanxi Formation. Below is a grey fossiliferous limestone layer (1.35 m), serving as a marker unit known as the K1 index layer.

Source: Jinyan, 2025

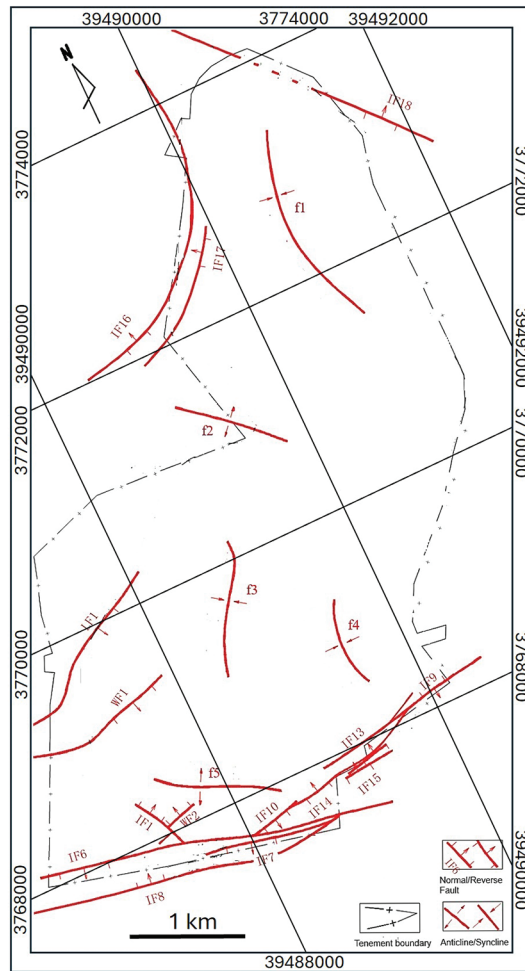
In the Permian Lower Shihezi Formation, the basal unit is represented by the light grey to grey-green aluminous mudstone layer. This layer occurs throughout the Project area, and is only partially absent in the northwest and southwest. Its average thickness is approximately 5 m, and the maximum thickness is 9.4 m. The layer is dense and blocky, with a slippery texture, containing purple patches and oolitic siderite with grain sizes of 0.5-1.0 mm. Due to its consistency and distinctive textures, this layer serves as an important marker unit (K2 index layer) for identifying the base of the Lower Shihezi Formation and for coal seam identification. It is also the host depositional layer of the Project's defined kaolin mineralisation, which is the focus of this Report.

4.2.2 Structure

The Project is located on the western limb of the regional Zhahe Syncline of the Huaibei Coalfield, where broad and gentle secondary folds are well developed.

In the central part of the Project area, the Cuolou Anticline (f2) divides the region into two secondary structural domains: the Huangwan Syncline (f3) to the south and the Gewa Syncline (f1) to the north (Figure 4.3). These folds trend northeast to northwest and appear to have been refolded in a north-south direction. The strata in the area dip gently to moderately. In the southern and southeastern parts of the Project area, a system of faults trending east to northeast form the Project's natural boundary.

Figure 4.3: Shuoli Kaolin Mine structural geology map



Source: Jinyan, 2025

Folds in the Project area include:

- Gewa Syncline (f1): Located in the north, it is the second largest structure, 3,100 m long, with dip angle ranging between 10° and 24°, steeper on the eastern side.
- Cuolou Anticline (f2): In the centre, this gently southeast dipping anticline is about 1,100 m long, with dip angle ranging between 8° and 6°.
- Huangwan Syncline (f3): On the southwestern side, it has a north-south axis and is 1,900 m long, with dip angle ranging between 6° and 17°.

- Wangtanzhuang Syncline (f4): Located on the eastern side, it is 1,400 m long, with steep dip angle ranging between 16° and 24° in the eastern limb and a fault (IF19) with nearly 20 m of displacement.
- Liuyuan Anticline (f5): In the south, this anticline is about 1,100 m long, with dip angle ranging between 6° and 17°.

Faults are mostly on the southern and eastern sides of the Liuyuan Anticline (f5). In total, there are 22 faults with displacements of 10 m or more, comprising:

- 1 fault with displacement of >100 m
- 3 faults with displacement of 50-100 m
- 10 faults with displacement of 20-50 m
- 8 faults with displacement of 10-20 m.

The faults include 14 normal faults and 8 reverse faults. Based on the fault orientation, these structures can be categorised into three groups, east-west, north-south, and north, with the east-west faults being the largest in scale.

Key faults are:

- IF6 Normal Fault: Southern boundary, with 28-60 m displacement, extending over 3.3 km.
- IF10 Normal Fault: Southern boundary, with 8-50 m displacement and a length of 375 m.
- IF9 Reverse Fault: Southeastern boundary, with 6-46 m displacement, extending 1.4 km.
- IF18 Reverse Fault: Northern boundary, with 54-110 m displacement, extending over 3.3 km.

These faults are mainly in areas where no kaolin mining activities are planned.

4.3 Mineralisation

The kaolin deposit is hosted by the aluminous mudstone within the basal unit of the Permian Lower Shihezi Formation, known as the K2 index layer. This aluminous mudstone unit is located 12-24 m beneath the No. 5 coal seam.

Although the kaolin layer is continuous, it has been divided into five separate domains based on impurity contents, specifically where Fe_2O_3 is less than 2% and TiO_2 is less than 0.6%. The mineralisation layer extends from 50 m to 240 m below surface and varies in thickness from 0.77 m to 4.76 m. The entire layer dips gently, ranging from approximately 5° to 13° .

5 EXPLORATION AND DRILLING

Between 1957 and 2006, several exploration campaigns targeting coal and kaolin deposits were conducted in the area. In September-October 2024, Jinyan conducted an infill and validation drilling program based on SRK's recommendations.

5.1 Historical exploration

The historical exploration campaigns took place in three distinct phases:

- an initial coal resource exploration phase from 1957 to 1966
- a combined exploration and active mining phase from 1970 to 1986
- a kaolin exploration phase from 1991 to 2006.

5.1.1 1957-1966 coal exploration

From 1957 to 1966, the Anhui Province Geology Bureau 325 Brigade (Anhui 325 Brigade) completed 206 drill holes for a total of 42,588.37 m. In accordance with the Chinese coal exploration standard, the drill spacing was approximately 500 m \times 500 m.

During this phase, 198 drill holes were cored for coal and kaolin, with an average core recovery rate of 71%. From 1957 to 1962, the core recovery rate was lower, averaging 63%, with 45% of the drill holes exceeding a 75% recovery rate. In 1965, the average core recovery rate was 74%, with 80% of the drill holes achieving recovery over 75%. The highest core recovery rate was in 1964, averaging 76%, with 86% of the drill holes achieving recovery over 75%. Of the 198 drill holes, 178 intercepted coal seams, with an average core recovery rate of 83%. SRK compiled the information received for 163 drill holes, with a total length of 30,925.52 m.

For kaolin sampling, 79 drill holes were cored and 457 core samples were collected. The analyses included SiO_2 , Al_2O_3 , Fe_2O_3 , TiO_2 and Loss on Ignition (LOI). Some samples were also tested for CaO , MgO , K_2O , Na_2O and SO_3 . A total of 123 samples were also taken for bulk density analysis.

5.1.2 1970-1986 exploration

From 1970 to 1986, further exploration was conducted: 122 drill holes for a total length of 26,984.25 m were completed. The nominal drill spacing was 300 m × 350 m.

Drill holes completed between 1971 and 1972 had a relatively low average recovery rate (69%), while those from 1985 to 1986 had a higher average recovery rate of 85%. Downhole geophysical surveys were carried out on most of the drill holes. The kaolin layers exhibit several characteristics, including low to medium apparent resistivity, medium gamma response and high anomaly values in natural gamma due to the elevated clay content. The resistivity ranged from low to medium, while conductivity was classified as medium. SRK compiled the information received for 117 drill holes, with a total length of 24,589.07 m.

For kaolin sampling, 54 drill holes were cored, resulting in the collection of 183 core samples. The analyses included SiO₂, Al₂O₃, Fe₂O₃ and TiO₂ content, and LOI. Some samples were also tested for CaO, MgO, K₂O, Na₂O and SO₃, with 98 bulk samples collected.

5.1.3 1991-2006 kaolin exploration

From 1991 to 2006, 31 underground drill holes were completed targeting the K2 layer, totalling 761.95 m along with 36 underground channels measuring 114.87 m at a spacing of 100 m × 200 m. The drill holes had a core diameter of 75 mm, achieving a core recovery rate of 75-100%. Specifically, the average recovery rate for downward drill holes was 86%, while upward drill holes had a 100% recovery rate.

Channels were excavated in underground workings where kaolin layers were exposed during coal production. The dimensions of these channels were 10 cm × 5 cm.

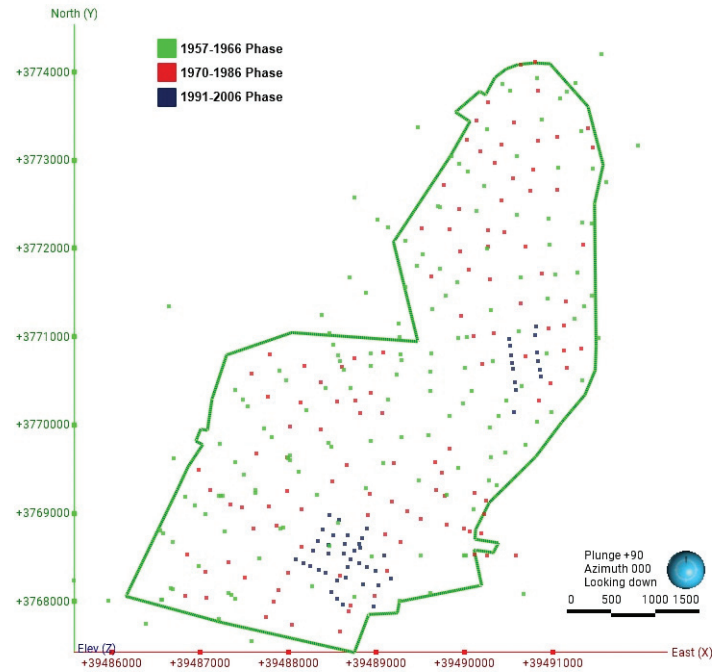
A total of 255 channel and core samples were collected for geochemical analysis and mineralogical analysis. The analyses included SiO₂, Al₂O₃, Fe₂O₃ and TiO₂ content, and LOI. An additional 16 samples were collected for bulk density tests and processing tests.

SRK received details relating to all 255 samples: 167 samples from 29 underground drill holes, with an aggregated length of 671.84 m, and 88 channel samples with a total length of 108.37 m.

5.1.4 Summary

A total of 200 drill holes and channels were completed for kaolin sampling during historical exploration; however, these core or pulp samples were not preserved. Of these, SRK used 138 drill holes and channels for resource estimation purposes, based on core recoveries exceeding 80%. The drill holes and channels from these three historical exploration phases are illustrated in the plan view map shown in Figure 5.1.

Figure 5.1: Plan view of historical drill holes and channels



Source: SRK, 2025

The information on all drill holes and channels is summarised in Table 5.1. The database provided to SRK is summarised in Table 5.2.

Table 5.1: Summary of historical drill holes and channel samples

Phase		Drill hole	Length	Assay
		(counts)	(m)	(counts)
1957-1966	Drill hole	206	42,588.37	unknown
	Kaolin cored	79	unknown	457
1970-1986	Drill hole	122	26,984.25	unknown
	Kaolin cored	54	unknown	183
1991-2006	Drill hole	31	761.95	unknown
	Kaolin cored	31	761.95	unknown
	Channel	36	114.87	unknown
Total	Drill hole and channel	395	70,449.44	unknown
	Kaolin cored and channel sampled	200	>876.82	>640

Source: SRK, 2025

Table 5.2: Drill hole and underground channel database

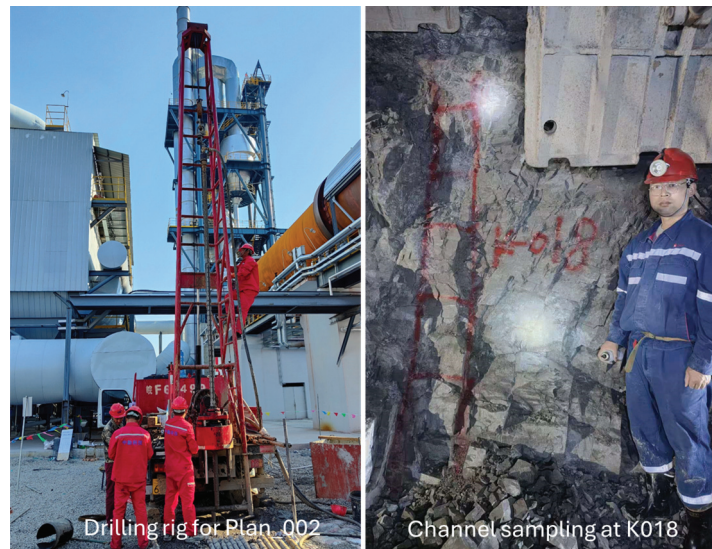
Phase		Drill hole (counts)	Length (m)	Assay (counts)
1957-1966.	Drill hole	163	30,925.52	
	Kaolin cored	45	8,428.23	267
1970-1986.	Drill hole	117	24,589.07	
	Kaolin cored	42	8,756.45	151
1991-2006.	Drill hole	29	671.84	
	Kaolin cored	29	671.84	167
	Channel	22	108.37	88
Total.	Drill hole and channel	331	56,294.80	
	Kaolin cored and channel sampled	138	17,964.89	673

Source: SRK, 2025

5.2 2024 infill and validation drilling

In October 2024, Jinyan conducted an infill and validation program aimed at upgrading the defined resource categories and validating the historical exploration results, as recommended by SRK. This program included 7 diamond drill holes, 21 underground channels and 2 validation holes (Figure 5.2).

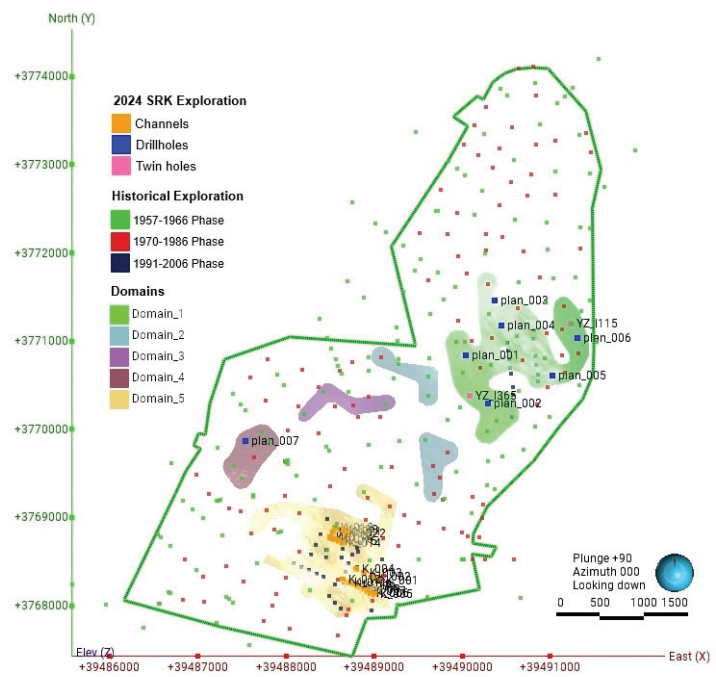
Figure 5.2: Verification drilling and underground channel sampling



Source: SRK, 2024

The plan view of the location for these drill holes and channels is presented in Figure 5.3. Table 5.3 presents the statistics for the 2024 validation program. A total of 218 samples were taken for determination of Al₂O₃, SiO₂, Fe₂O₃ and TiO₂ contents, and LOI analyses.

Figure 5.3: 2024 infill and validation program



Source: SRK, 2025

Table 5.3: 2024 infill and validation program statistics

Type	Drill hole	Length	Sample
	(count)	(m)	(count)
Drilling (Diamond core)	7	1,154.76	80
Channel sampling	21	58.90	120
Validation hole	2	290.23	18
Total	30	1,503.89	218

Source: SRK, 2025

6 SAMPLE PREPARATION AND ASSAYING

6.1 Historical samples

6.1.1 Sample preparation

Historical samples were prepared according to prevailing Chinese standard protocols. The samples were crushed and subsequently pulverised to a fine particle size of 150 μm . Pulp samples weighing 50 g each were analysed to determine the SiO_2 , Al_2O_3 , Fe_2O_3 and TiO_2 contents, and LOI. Some aliquots were further tested for CaO, MgO, K_2O and Na_2O contents.

SiO_2 and LOI were determined by gravimetric methods, Al_2O_3 by volumetric methods, Fe_2O_3 by the o-phenanthroline colorimetric method, and TiO_2 by the diantipyrylmethane photometric method. CaO, MgO, K_2O and Na_2O were analysed using atomic absorption spectroscopy (AAS).

6.1.2 Quality assurance and quality control

The quality assurance and quality control (QAQC) protocol adopted historically included laboratory duplicates and inter-laboratory checks. During the 1957-1966 exploration phase, 457 assays were submitted by the Anhui 325 Brigade, which included 33 laboratory duplicates and 23 inter-laboratory checks (Table 6.1 and Table 6.2). The inter-laboratory duplicates were tested at the laboratory of the Anhui Geological Bureau. SRK considers the historical QAQC results to be satisfactory, with no material bias evident.

Table 6.1: Statistics for 1957-1966 exploration phase laboratory duplicates

Compound	Primary			Duplicates			No. of pairs	Correlation coefficient
	Mean	Standard deviation	Median	Mean	Standard deviation	Median		
SiO_2	40.35	5.73	42.69	40.17	5.64	42.54	48	0.997
Al_2O_3	40.48	6.26	38.52	40.53	6.25	38.68	48	0.994
Fe_2O_3	2.49	5.02	1.16	2.48	4.98	1.22	48	1.000
TiO_2	0.74	0.47	0.57	0.72	0.43	0.58	48	0.990

Source: SRK, 2025

Table 6.2: Statistics for 1957-1966 exploration phase inter-laboratory check

Compound	Primary laboratory			Umpire laboratory			No. of pairs	Correlation coefficient
	Mean	Standard deviation	Median	Mean	Standard deviation	Median		
SiO ₂	43.03	2.55	43.81	43.07	2.61	44.18	35	0.994
Al ₂ O ₃	39.54	2.46	38.83	39.58	2.46	38.98	35	0.988
Fe ₂ O ₃	1.23	0.94	0.84	1.21	0.93	0.82	35	0.995
TiO ₂	0.68	0.42	0.54	0.67	0.43	0.51	35	0.984

Source: SRK, 2025

According to the Supplementary Exploration Geological Report by Anhui 325 Brigade, the laboratory used for the 1970-1986 exploration phase was Anhui 325 Brigade, which is the same laboratory used for the 1957-1966 exploration phase. No laboratory duplicates or QAQC programs were documented. A total of 183 samples were assayed.

In the 1991-2006 exploration phase, 255 assays were conducted at the Laboratory of Anhui Coal Field Geology Institution Third Exploration Team. This phase included 31 laboratory duplicates and 22 inter-laboratory checks (Table 6.3 and Table 6.4). The inter-laboratory checks were performed by the Nanjing Central Laboratory. SRK considers the historical QAQC results to be satisfactory, with no material bias evident.

Table 6.3: Statistics for 1991-2006 exploration phase laboratory duplicates

Compound	Primary			Duplicates			No. of pairs	Correlation coefficient
	Mean	Standard deviation	Median	Mean	Standard deviation	Median		
SiO ₂	42.77	1.94	43.04	42.89	1.84	43.28	16	0.982
Al ₂ O ₃	39.48	2.02	39.26	39.68	1.96	39.20	16	0.989
Fe ₂ O ₃	1.19	0.88	0.74	1.16	0.84	0.69	16	0.998
TiO ₂	0.49	0.11	0.48	0.51	0.13	0.49	16	0.967

Source: SRK, 2025

Table 6.4: Statistics for 1991-2006 exploration phase inter-laboratory check

Compound	Primary laboratory			Umpire laboratory			No. of pairs	Correlation coefficient
	Mean	Standard deviation	Median	Mean	Standard deviation	Median		
SiO ₂	38.68	12.63	42.47	42.68	1.84	42.84	11	0.961
Al ₂ O ₃	36.58	11.93	39.34	40.14	1.56	39.86	11	0.967
Fe ₂ O ₃	0.89	0.62	0.69	0.86	0.64	0.66	11	0.998
TiO ₂	0.52	0.18	0.45	0.47	0.08	0.47	11	0.949

Source: SRK, 2025

6.2 2024 infill and validation program

6.2.1 Sample preparation

Samples were prepared at the laboratory of the Henan Second Geological Exploration Institution (Henan Second Institution). Initially, assay samples were crushed into pebbles measuring 30 mm in size and then split using riffle dividers. The split samples were further crushed to a maximum size of 10 mm and thoroughly mixed. A 0.25 kg portion was then ground into a 0.25 mm powder using a disc pulveriser and subsequently split to obtain a 50 g aliquot. This aliquot was further ground in an agate mortar to produce pulps with a size of 150 µm. The prepared pulp samples were analysed to determine the SiO₂, Al₂O₃, Fe₂O₃ and TiO₂ contents, and LOI.

SiO₂ was determined using the gravimetric method. A 0.5 g sample was combined with 4-5 g of anhydrous sodium carbonate. The mixture was dissolved by heating with 50 mL of hydrochloric acid, and the precipitate from solution was placed in a muffle furnace up to 950°C. The fused sample was taken out and weighed. This was followed by addition of 0.5 mL sulfuric acid and 5 mL hydrofluoric acid to dissolve the fused sample. The sample was placed in the furnace and the temperature was increased to 950°C. The sample was then removed from the furnace and weighed again. The difference in weight between the two measurements was taken to be the weight of SiO₂ in the sample.

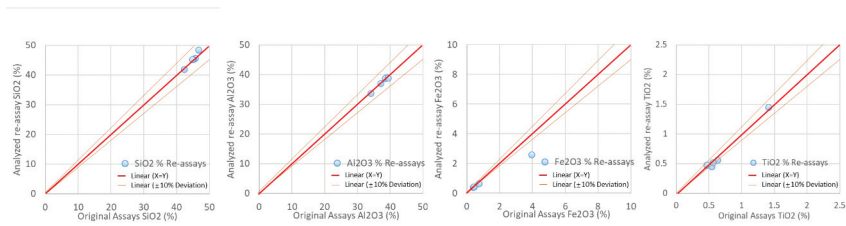
Al₂O₃ was determined using a volumetric method and Fe₂O₃ and TiO₂ were analysed by a colorimetric method. LOI was determined using the gravimetric method.

6.2.2 Quality assurance and quality control

Duplicate

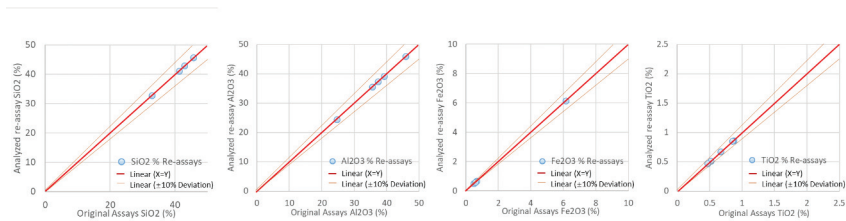
Five field duplicates, five coarse crushed duplicates and 11 pulp duplicates were included, which represented 9.6% of the 218 field samples. The results are shown in Figure 6.1, Figure 6.2 and Figure 6.3. SRK considers the results to be satisfactory, with no material bias evident.

Figure 6.1: Field duplicates



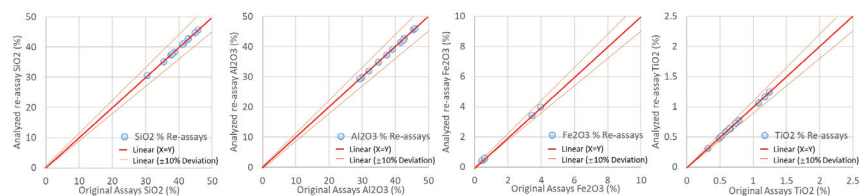
Source: SRK, 2025

Figure 6.2: Coarse crushed duplicates



Source: SRK, 2025

Figure 6.3: Pulp duplicates

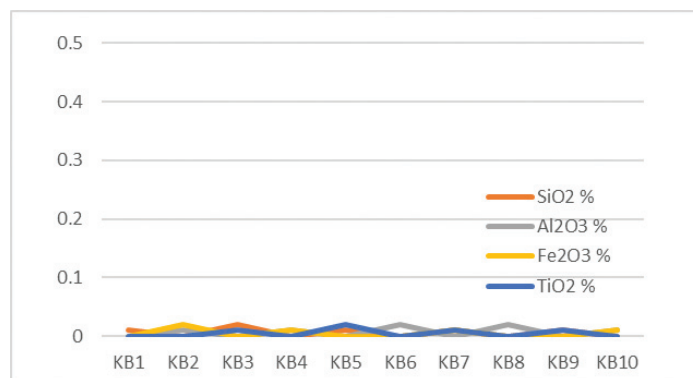


Source: SRK, 2025

Blanks

Ten blank tests were inserted in the sample batches at a frequency of one in every 25 samples. The blank is a test conducted on deionised water, but following the same procedures and conditions as normal sample measurement. The results were returned with values lower than 0.1%, demonstrating there were no contamination issues (Figure 6.4).

Figure 6.4: Blanks



Source: SRK, 2025

Standards

A total of 11 certified reference materials (CRMs) were inserted in the sample batches at a frequency of one in every 25 samples.

The CRM results, as well as the expected mean values and their acceptable limits, are presented in Figure 6.5 and Figure 6.6 and listed in Table 6.5. All results are within the expected values, except three SiO₂ grades of the GBW070025 samples that yielded a value slightly below the expected value (Figure 6.5, upper right). No systemic bias is evident.

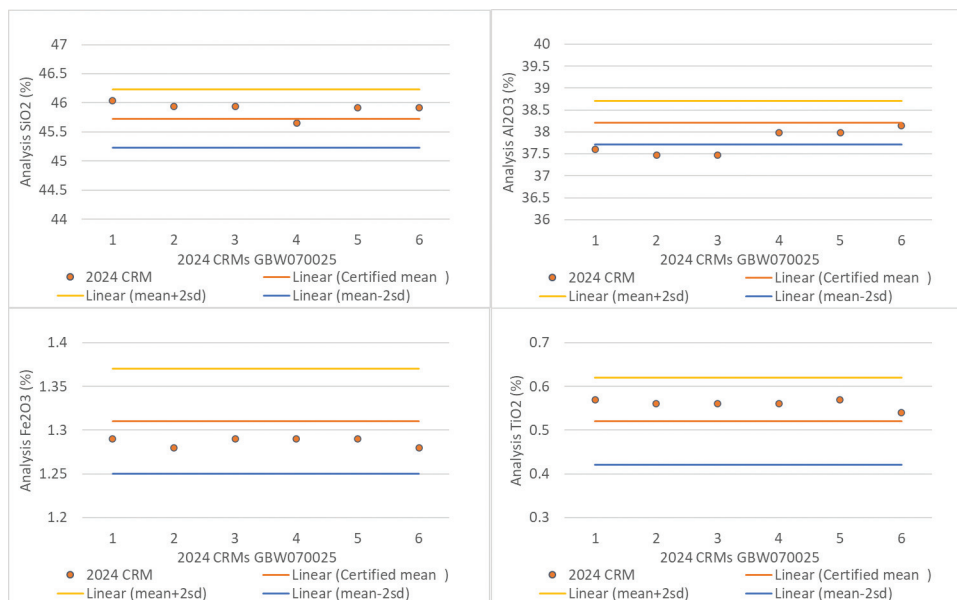
Table 6.5: Standards used in the program

Standard	Compound	Certified mean	Acceptable deviation limit (2 SD)	Unit	Number of samples
GBW070025	SiO ₂	45.73	±0.50	%	6
	Al ₂ O ₃	38.21	±0.50	%	6
	Fe ₂ O ₃	1.31	±0.06	%	6
	TiO ₂	0.52	±0.10	%	6

Standard	Compound	Certified mean	Acceptable deviation limit (2 SD)	Unit	Number of samples
GBW03121a	SiO ₂	43.41	±0.38	%	5
	Al ₂ O ₃	34.77	±0.50	%	5
	Fe ₂ O ₃	0.91	±0.28	%	5
	TiO ₂	0.25	±0.04	%	5

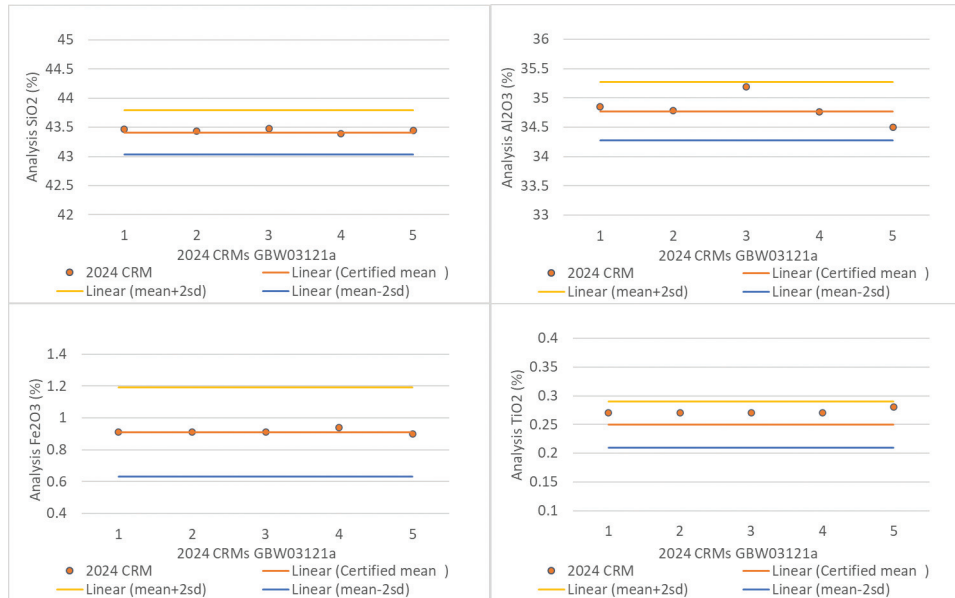
Source: SRK, 2025

Figure 6.5: CRM GBW070025



Source: SRK, 2025

Note: Solid orange line represents the certified value while the yellow and blue lines indicate the ±2 SD levels.

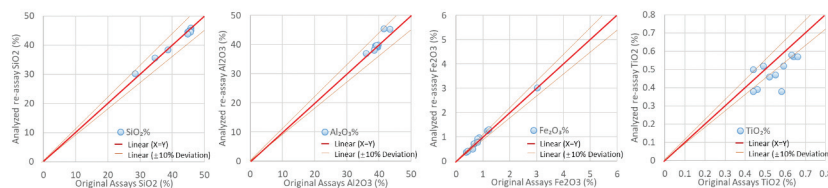
Figure 6.6: CRM GBW03121a

Source: SRK, 2025

Note: Solid orange line represents the certified value while the yellow and blue lines indicate the ± 2 SD levels.

Independent laboratory checks

Eleven pulp duplicates were sent to the SGS Laboratory in Tianjin for inter-laboratory checks, which represented 5.0% of the 218 field samples. The results are shown in Figure 6.7.

Figure 6.7: Inter-laboratory checks

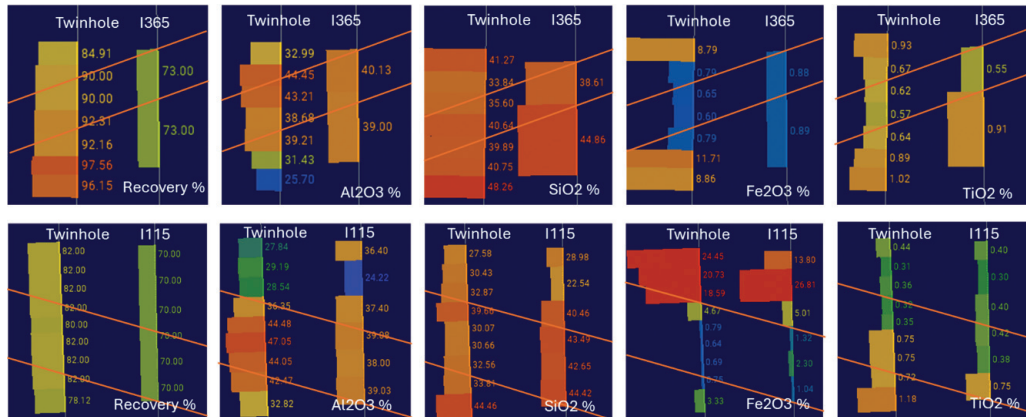
Source: SRK, 2025

SRK considers the results for SiO₂, Al₂O₃ and Fe₂O₃ to be satisfactory, with no significant bias detected. However, the results revealed a low bias in TiO₂ duplicates between the SGS Laboratory and the Henan Second Institution. SRK noticed that the assay method used by the SGS laboratory is X-ray fluorescence (XRF), which differs from wet chemistry methods employed by the Henan Second Institution. SRK recommends further investigation to determine the underlying cause of the bias.

6.2.3 Validation holes

Validation holes denoted as YZ_I365 and YZ_I115 were drilled close to historical drill holes I365 (2 m away) and I115 (14 m away), respectively (Figure 5.3). Core samples were collected from intersections of alumina-rich mudstones for assaying $\text{Al}_2\text{O}_3\%$, $\text{SiO}_2\%$, $\text{Fe}_2\text{O}_3\%$ and $\text{TiO}_2\%$. The comparison between assay results from the validation holes results from the original holes is illustrated in Figure 6.8.

Figure 6.8: Validation holes comparison



Source: SRK, 2025

The assay result for validation hole YZ_I365 indicates a 1.02 m-thick mineralised zone, constrained by TiO_2 impurity. It is comparable to the 1 m-thick mineralised interval in I365. In the validation hole YZ_I115, the result indicates a 1.90 m-thick mineralised zone, constrained by Fe_2O_3 and TiO_2 impurities. It is comparable to the 2.09 m-thick mineralised interval in I115. These averaged grades indicated a reasonable consistency, except for a low-grade interval of $\text{SiO}_2\%$ in I115 (Table 6.6).

Table 6.6: Averaged grades comparison between validation holes and original holes

Compound	Validation hole_YZ_I365	I365	Validation hole_YZ_I115	I115
$\text{SiO}_2\%$	38.12	38.61	33.24	43.52
$\text{Al}_2\text{O}_3\%$	40.95	40.13	42.98	38.70
$\text{Fe}_2\text{O}_3\%$	0.63	0.88	1.70	1.55
$\text{TiO}_2\%$	0.60	0.55	0.54	0.52

Source: SRK, 2025

The results shown in Figure 6.8 demonstrate a good consistency in the interpretation of the mineralised layer between validation and original holes.

6.3 Bulk density

A total of 78 samples were collected for bulk density measurement: 51 from historical exploration phases and 27 from the 2024 validation program. These samples were measured using the water immersion method. The density of the sample is determined by dividing its mass measured in air by the volume of water it displaces when immersed in water. The results are shown in Table 6.7. An average density of 2.60 g/cm³ is used for kaolin resource estimation purposes.

Table 6.7: Bulk density of kaolin deposit

Program	Sample type	Count	Average density (g/cm ³)
Historical exploration	Core	40	2.59
	Channel	11	2.62
2024 validation	Core	6	2.68
	Channel	21	2.60
Total		78	2.60

Source: SRK, 2025.

6.3.1 Conclusion

For the 1957-1966 phase, a review of the sampling procedures and preparation indicates that there are unlikely to be significant issues with the sample preparation methods. The historical laboratory duplicates and inter-laboratory checks from this phase demonstrated good reproducibility of results. However, core recovery from drill holes completed between 1957 and 1962 was poor, averaging 63%.

In the 1970-1986 phase, the recovery of drill holes completed between 1971 and 1972 was unsatisfactory, averaging 69%. In contrast, drill holes from 1985 to 1986 achieved a better average recovery of 85%.

During the 1991-2006 phase, laboratory duplicates and inter-laboratory checks again showed good reproducibility. Core recoveries from this period were satisfactory, averaging 86%.

In the 2024 infill and validation drilling program, laboratory duplicates and inter-laboratory checks generally showed reasonable reproducibility. Core recoveries from drill holes in this validation program were satisfactory, achieving an average of 90.7%.

SRK considers the intervals collected from the 1957-2006 and 2024 programs were adequate to be used for constraining the mineralised domain modelling. However, SRK considers only the intervals with a nominal recovery exceeding 80% are suitable for estimating block grades in the Mineral Resource block model.

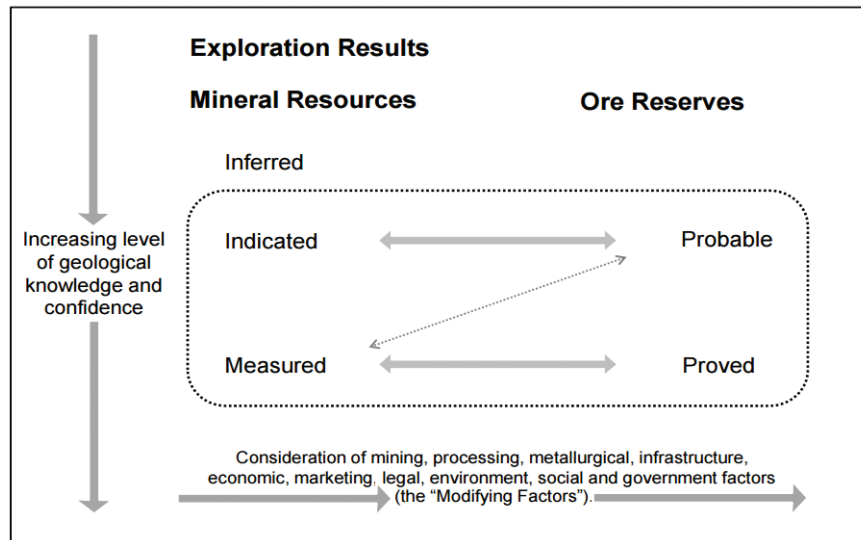
7 MINERAL RESOURCE ESTIMATION

7.1 Introduction

The exploration data collected by Jinyan from the period 1957-2006 vary in quality. However, the results from the 2024 validation program and geostatistical analysis indicate that the historical data are generally reasonable. SRK considers that the historical data can be used for modelling the estimation domains to constrain grade estimation. The drilling data — together with underground channel sampling with reasonable core recovery — are considered suitable for estimating block grades in the Mineral Resource block model.

The JORC Code states that ‘A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction’. Mineral Resources are classified as Measured, Indicated and Inferred according to the degree of geological confidence (Figure 7.1).

Figure 7.1: General relationship between Exploration Results, Mineral Resources and Ore Reserves



Source: JORC Code, 2012

The following sections summarise the key assumptions, parameters and methods used to estimate the Mineral Resources for the deposit.

7.2 Mineral Resource estimation procedures

Leapfrog software (version 2024.1) was used to generate the geological and ore domain models and used to prepare assay data for statistical/geostatistical analysis, construct the block model, estimate Al_2O_3 and SiO_2 grades and tabulate Mineral Resources.

Three-dimensional (3D) block grade estimation is commonly used for Mineral Resource estimation, based on kriging or inverse distance weighting (IDW). However, for reasonably continuous zones that are relatively thin compared to their extents in other directions, practical difficulties with implementing the 3D methods include the change of the sample support due to the variability of the layer thickness, and the use of unrealistically small blocks. Two-dimensional (2D) estimation approaches (which are appropriate for estimating zones with hard contacts and complete intersections through both hanging wall and footwall) have significant advantages over 3D approaches when modelling layer-like geometry.

The 2D estimation approach was applied for this Project's kaolin deposit. For each estimation domain, estimates of 'accumulations' (product of grade and true thickness) and true thickness were made. For the elements of interest, the block grades were then obtained by dividing the corresponding accumulation estimate by the thickness estimate.

The estimation methodology involved the following steps:

- Database compilation, verification as well as adjustment
- Establishment of host rock depositional layer by geological sections
- Definition of a Resources Domain by host rock layer, grade shell, impurities criteria and deposit thickness (≥ 0.7 m)
- Exploratory data analysis (compositing) and geostatistical analysis using variography
- Block modelling and grade interpolation
- Mineral Resource estimation and validation
- Classification of the Mineral Resources.

7.3 Database compilation and validation

Collar, assay and survey information from exploration campaigns were compiled into an MS Excel spreadsheet and validated using Leapfrog software to search for errors such as missing or overlapping intervals, correct hole or Channel ID, azimuths, dips and duplicated samples. The projection of collars and the geological and resource models generated during this project were in Beijing 1954/3-degree Gauss-Kruger zone 39 datum.

The exploration database statistics are summarised in Table 7.1.

Table 7.1: Summary of database used for Mineral Resource estimation

Method of sampling	Profiles	Assay records
	(m)	
Historical drilling	17,856.52	585
Historical channel	108.37	88
2024 SRK drilling	1,154.76	80
2024 SRK channel	58.90	120

Source: SRK, 2025

7.4 Wireframe modelling

The wireframe models for the deposits were built using Leapfrog software.

For the geological models of Quaternary and Permian sequences, and the domain host rock alumina-rich mudstones, SRK delineated the polylines based on the section and levels interpretation maps outlined in the 2019 Resource and Reserve verification report by Anhui Coal Field Geology Institution Third Exploration Team. From these polylines, the geological model was constructed in Leapfrog.

A criterion that combines the Al_2O_3 cut-off and Fe_2O_3 and TiO_2 impurity limits was then used to define the mineralised intervals (Table 7.2).

The constrained domaining demonstrated a good representation of the geological interpretation of the extents of the kaolinite unit, while being relatively insensitive to the exact thresholds chosen for Al_2O_3 , Fe_2O_3 and TiO_2 .

Table 7.2: Mineralised intervals determination criteria

Grade	$\text{Al}_2\text{O}_3 \geq 30\%$
Impurity	$\text{Fe}_2\text{O}_3 \leq 2\%$
Impurity	$\text{TiO}_2 \leq 0.6\%$

Source: SRK, 2025

Intervals were selected on each drill hole or underground channel. Within each drill hole, the average grades of Fe_2O_3 and TiO_2 weighted by interval length were used to determine mineralised intervals. The contact points between mineralisation and host rock were generated using Leapfrog's 'vein selection' function, and the mineralised envelopes were built using the 'vein modelling' and 'domain' functions. Additionally, a minimum mining thickness was employed for domains to conform to the limitations of the longwall mining method. To meet this minimum thickness condition, 16 (out of 138) intersections needed to be extended.

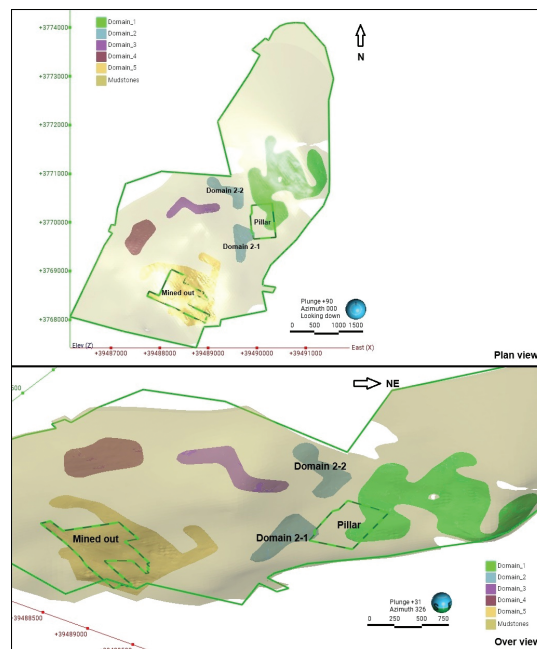
Five domains were defined within the Shuoli Kaolin Mine areas. The domain parameters are listed in Table 7.3. The domain extents are shown in Figure 7.2.

Table 7.3: Interpreted domains — parameters

Domain	Length	Width	Thickness	Azimuth	Dip
	(m)	(m)	(m)	(°)	(°)
Domain 1	1,680	1,550	2.1	30	13
Domain 2-1	800	300	2.3	235	8
Domain 2-2	900	180	2.3	235	8
Domain 3	1,100	170	1.2	72	9
Domain 4	740	350	2.2	130	11
Domain 5	1,800	940	2.5	60	5

Source: SRK, 2025

Figure 7.2: Interpreted domains — extents



Source: SRK, 2025

7.5 Exploratory data analysis

All intervals were used in the development of geological models and the interpretation of mineralised domains. To prevent potential inaccuracies, intervals with poor core recovery were excluded from variogram modelling and grade estimation. A nominal core recovery threshold of 80% was established for selecting intervals.

Table 7.4 shows the exploratory data analysis for Al_2O_3 and SiO_2 for all raw samples, samples within the interpreted domains, and samples used for grade estimation.

**Table 7.4: Basic statistics for Al_2O_3 and SiO_2
for all raw samples and samples within the domains**

Item	All raw data	Within domains	Recovery above threshold
	($\text{Al}_2\text{O}_3\%$)	($\text{Al}_2\text{O}_3\%$)	($\text{Al}_2\text{O}_3\%$)
Number of samples	863	527	438
Minimum value	13.65	35.16	35.16
Maximum value	55.48	55.48	54.01
Mean	38.32	39.94	40.00
Variance	19.65	8.32	7.99
Standard Deviation	4.43	2.88	2.83
Coefficient of variation	0.12	0.07	0.07

Item	All raw data	Within domains	Recovery above threshold
	($\text{SiO}_2\%$)	($\text{SiO}_2\%$)	($\text{SiO}_2\%$)
Number of samples	863	527	438
Minimum value	19.28	26.83	26.83
Maximum value	65.35	48.13	48.13
Mean	41.51	42.36	42.30
Variance	20.90	12.44	12.82
Standard Deviation	4.57	3.53	3.58
Coefficient of variation	0.11	0.08	0.08

Source: SRK, 2025

7.5.1 Compositing

The 2D estimation method requires a single composite for each complete intersection through the mineralised zone. Table 7.5 is a summary of composite statistics for mean $\text{Al}_2\text{O}_3/\text{SiO}_2$ accumulation (Al/Si_accum) and true thickness (TT) for each domain. Figure 7.3 shows the frequency statistics of Al/Si_accum and TT for Domain 5.

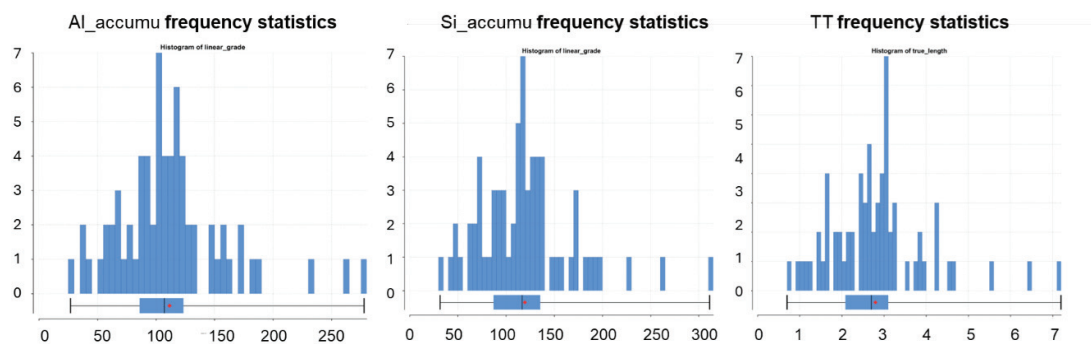
Table 7.5: Basic statistics for composite values for each domain

Domain	Item	Number of samples	Minimum value	Maximum value	Mean	Variance	Standard Deviation	Coefficient of variation
Domain 1 . .	Al_accum (m*%)	30	15.07	174.61	67.85	2,151.39	46.38	0.68
	Si_accum (m*%)	30	12.55	183.36	67.96	1,948.79	44.15	0.65
	TT (m)	30	0.40	4.20	1.68	1.24	1.11	0.66
Domain 2 . .	Al_accum (m*%)	6	68.25	145.81	102.87	719.09	26.82	0.26
	Si_accum (m*%)	6	73.26	171.73	111.98	1,360.38	36.88	0.33
	TT (m)	6	1.72	3.80	2.60	0.56	0.75	0.29
Domain 3 . .	Al_accum (m*%)	2	44.05	94.86	69.45	1,290.87	35.93	0.52
	Si_accum (m*%)	2	46.58	108.25	77.42	1,901.12	43.60	0.56
	TT (m)	2	1.07	2.48	1.77	1.00	1.00	0.56
Domain 4 . .	Al_accum (m*%)	4	56.07	144.97	102.68	1,331.71	36.49	0.36
	Si_accum (m*%)	4	65.57	167.14	101.34	2,142.92	46.29	0.46
	TT (m)	4	1.50	3.83	2.53	0.93	0.97	0.38
Domain 5 . .	Al_accum (m*%)	68	26.96	277.71	111.57	2,192.55	46.82	0.42
	Si_accum (m*%)	68	31.49	311.29	119.57	2,497.79	49.98	0.42
	TT (m)	68	0.70	7.20	2.80	1.37	1.17	0.42

Source: SRK, 2025

Note: TT = true thickness of the domain; accum = mean accumulation.

Figure 7.3: Frequency statistics on composites — Domain 5



Source: SRK, 2025

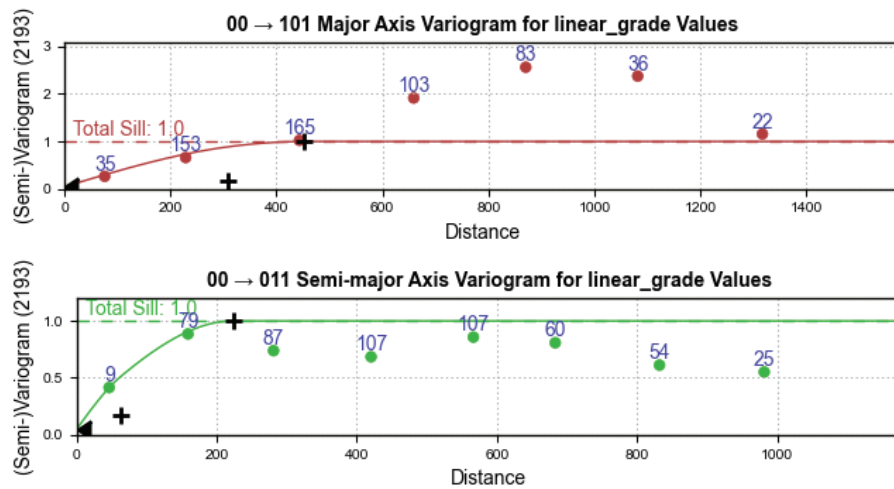
7.5.2 Capping

No grade capping for Al_2O_3 or SiO_2 was applied to the estimates outlined in this Report. Samples with an exceptionally high Al_2O_3 grade (exceeding 48%) account for 1.8% of all intervals, while those with an exceptionally high SiO_2 grade (exceeding 48%) account for 0.18%. These proportions do not materially affect the estimation results.

7.6 Variogram modelling

The variograms for the interpolation of Al_2O_3 and SiO_2 accumulations, and true thickness, were modelled using Leapfrog Edge. SRK assessed that a single variogram model (Figure 7.4) was an adequate representation of the spatial variability for all three attributes in Domain 5.

Figure 7.4: Variogram map and fitted model — Domain 5



Source: SRK, 2025

Due to insufficient samples in Domains 1, 2, 3 and 4 for fitting a meaningful variogram, the variogram model developed for Domain 5 has been applied to these domains. The parameters of the Domain 5 variogram model are shown in Table 7.6 (directions) and Table 7.7 (nugget, sill and ranges).

Table 7.6: Domain 5 variogram model — Directions

Compound	Direction		
	Dip	Dip azimuth	Pitch
	(°)	(°)	(°)
Al_2O_3	0	0	11
SiO_2	0	0	13

Source: SRK, 2025

Table 7.7: Domain 5 variogram model — nugget, sill and ranges

Compound	Nugget	Structure 1				Structure 2			
		Sill	Major axis	Semi-major axis	Minor axis	Sill	Major axis	Semi-major axis	Minor axis
			range	range	range		range	range	range
			(m)	(m)	(m)		(m)	(m)	(m)
Al ₂ O ₃	0.05	0.12	307	63	9,999	0.83	452	223	9,999
SiO ₂	0.05	0.06	160	29	9,999	0.89	446	143	9,999

Source: SRK, 2025

7.7 Block model and grade estimation

7.7.1 Block model parameters

SRK produced the block models for the Resources Domain with dimensions of 100 m × 100 m × variable Z (East × North × Elevation) and sub-blocking with dimensions of 10 m × 10 m × variable Z (East × North × Elevation) in Leapfrog Edge. No rotation has been allowed. A minimum 0.7 m thickness was employed for variable Z of the block model. The block model origin and local dimensions are shown in Table 7.8.

Table 7.8: Summary of block model parameters — Resources Domain

Dimension	Base point	Block size	Boundary size
		(m)	(m)
X	39486300	100	5,500
Y	3767500	100	4,600
Z	50	Variable	400

Source: SRK, 2025

7.7.2 Grade estimation

Block accumulation and true thickness values were interpolated using the Ordinary Kriging (OK) method. The variograms for the mean Al₂O₃/SiO₂ accumulation were modelled and used for interpolating true thickness. Due to a lack of sufficient samples in Domains 1, 2, 3 and 4 to fit a meaningful variogram, the variogram model developed for Domain 5 was applied to these domains.

For each block, the Al_2O_3 and SiO_2 grades were obtained by dividing the estimated grade accumulation by the estimated true thickness. The parameters used for the search ellipsoid are shown in Table 7.9.

Table 7.9: Search ellipsoid parameters used for Mineral Resource estimation

Major axis	Semi-major axis	Minor axis	Minimum number of composites	Maximum number of composites
(m)	(m)	(m)		
450	350	9,999	1	6

Source: SRK, 2025

7.8 Model validation

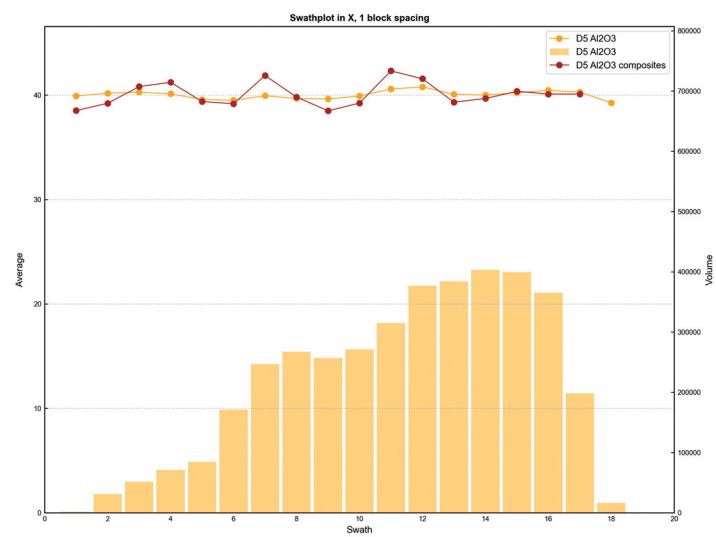
SRK undertook block model validation to confirm the reasonableness of the estimation parameters and estimation results. SRK adopted the following methods for the validation:

- visual validation of block grades against drill hole grades
- trend analysis.

In sectional views, SRK performed visual validation of the sample grades (drill holes and channel samples) against the intersection composites and estimated block model grades. This validation process demonstrated good correlation between local block estimations and nearby samples, without excessive smoothing in the block model.

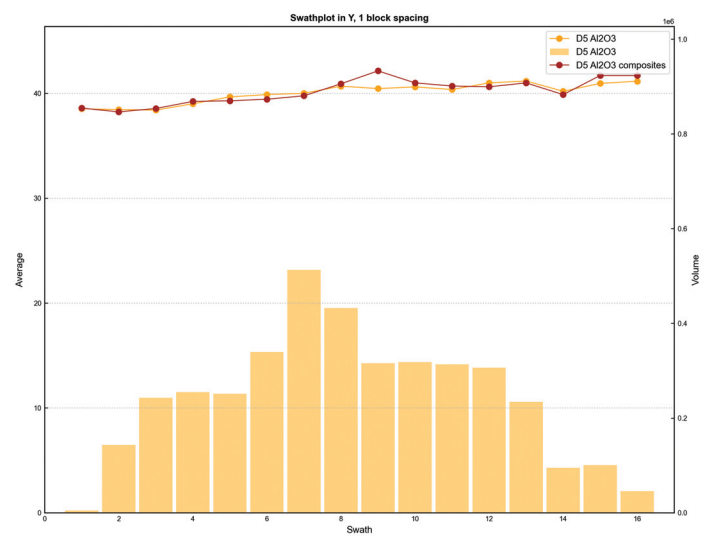
Figure 7.5 and Figure 7.6 show swath plots of Domain 5 in the east-west and north-south directions. Figure 7.7 and Figure 7.8 show swath plots of Domain 1 in the east-west and north-south directions. Figure 7.9 is a 3D view of the ‘all domains’ (Resources Domain) block model.

Figure 7.5: Swath plot along east-west direction — Domain 5



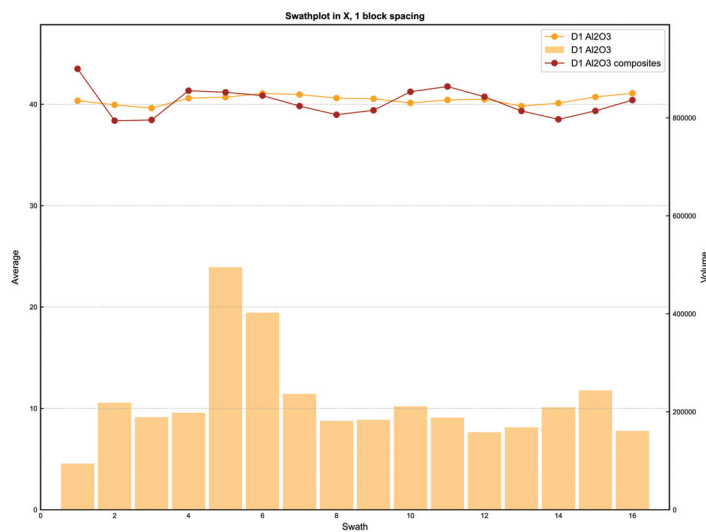
Source: SRK, 2025

Figure 7.6: Swath plot along north-south direction — Domain 5



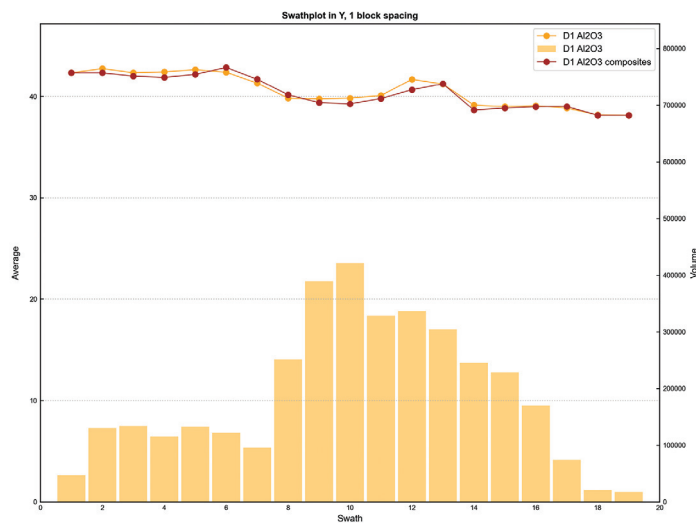
Source: SRK, 2025

Figure 7.7: Swath plot along east-west direction — Domain 1

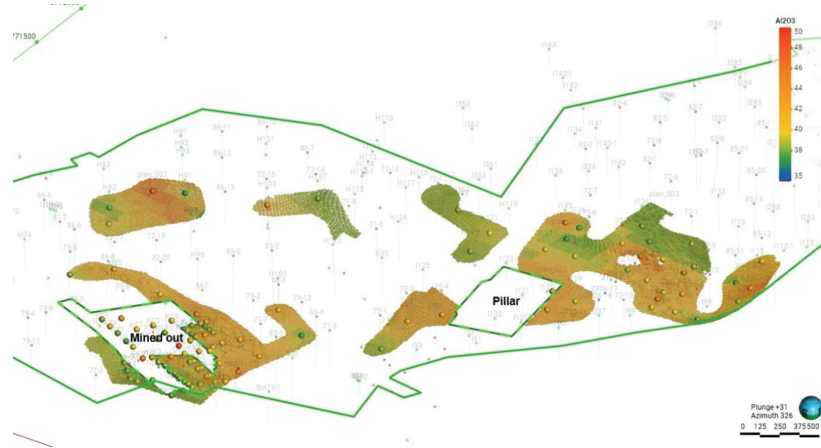


Source: SRK, 2025

Figure 7.8: Swath plot along north-south direction — Domain 1



Source: SRK, 2025

Figure 7.9: 3D view — Al_2O_3 (%) Resources Domain

Source: SRK, 2025

7.9 Mined-out areas

As at 31 May 2025, the mined-out area was surveyed and wireframed as a depletion zone. During the resource estimation process, Mineral Resources within the mined-out area were interpreted and subsequently subtracted to estimate the remaining resource position at the Project.

7.10 Classification

Mineral Resource classification should consider several factors, including the confidence level in the geological continuity of the mineralised structures, the quality and quantity of exploration data supporting the estimates, and the geostatistical confidence in the tonnage and grade estimates. The classification criteria should aim to integrate these concepts to delineate consistent areas with similar Mineral Resource classifications.

The following items have been considered during classification of the Mineral Resources:

- geological continuity and reliability of interpretation
- sample support and exploration workings density
- OK attributes (kriging variance, slope of regression, kriging efficiency).

The classification criteria are shown in Table 7.10.

A 3D view of the Mineral Resource classification is shown in Figure 7.10.

Table 7.10: Mineral Resource classification criteria used in estimation

Category	Mineral Resource classification criteria
Measured	Spacing between drill holes or channel sampling is within 50 m, or slope of regression is greater than 0.85
Indicated	Spacing between drill holes or channel sampling is within 250 m, or slope of regression is greater than 0.4
Inferred	Spacing between drill holes or channel sampling is more than 250 m, or the extension of Indicated Mineral Resources

Source: SRK, 2025

Figure 7.10: Mineral Resource classification in 3D view

Source: SRK, 2025

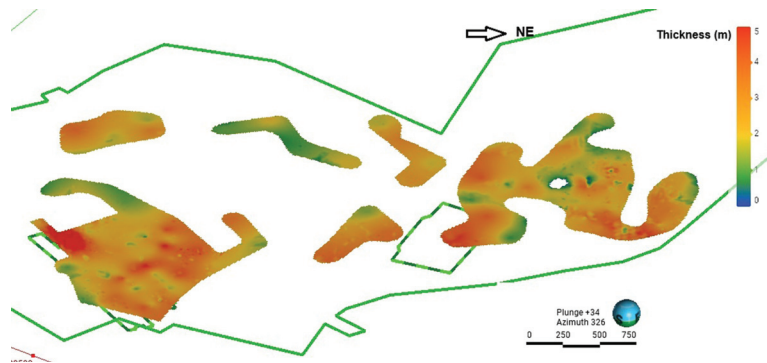
7.11 Mineral Resource Statement

7.11.1 Reasonable prospects for eventual economic extraction

Clause 20 of the JORC Code (2012) requires that all reports relating to Mineral Resource estimates must have reasonable prospects for eventual economic extraction.

Jinyan has been mining kaolin and processed the ore into various products, including precision casting mullite products, refractory mullite products, as well as raw coke and raw powder, catering primarily to the needs of high-temperature manufacturing, particularly in the field of precision casting since 1997. The longwall mining method employed for this kaolin deposit has proven to be appropriate. The minimum mineable thickness for the current longwall mining method is 0.7 m. This thickness has been applied to determine the portion of the block model that can be extracted. Based on the factors discussed above and reported sales to date, SRK considers the declared Mineral Resource has reasonable prospects for eventual economic extraction (Figure 7.11).

Figure 7.11: 3D view of domain thickness



Source: SRK, 2025

7.11.2 Mineral Resource Statement

Table 7.11 shows the Mineral Resource estimates for the remaining mineralisation within the licence area, excluding mined-out and other sterilised areas¹, as at 31 May 2025.

Table 7.11: Shuoli Kaolin Mine Mineral Resource Statement as at 31 May 2025

Category	Domain	Tonnage	Al ₂ O ₃	Al ₂ O ₃ Material	SiO ₂	SiO ₂ Material
		(kt)	(%)	(kt)	(%)	(kt)
Measured	Domain 1	—	—	—	—	—
	Domain 2	—	—	—	—	—
	Domain 3	—	—	—	—	—
	Domain 4	—	—	—	—	—
	Domain 5	2,367	40.35	955	42.83	1,013
	Subtotal	2,367	40.35	955	42.83	1,013
Indicated	Domain 1	7,090	40.22	2,852	40.81	2,894
	Domain 2	—	—	—	—	—
	Domain 3	—	—	—	—	—
	Domain 4	—	—	—	—	—
	Domain 5	1,900	40.50	769	42.34	804
	Subtotal	8,990	40.28	3,621	41.13	3,698
Measured + Indicated	Domain 1	7,090	40.22	2,852	40.81	2,894
	Domain 2	—	—	—	—	—
	Domain 3	—	—	—	—	—
	Domain 4	—	—	—	—	—
	Domain 5	4,267	40.42	1,724	42.61	1,818
	Subtotal	11,357	40.29	4,576	41.49	4,711

¹ Sterilisation refers to mineral resources that cannot be mined due to specific reasons, such as being located under a protected area.

Category	Domain	Tonnage	Al ₂ O ₃	Al ₂ O ₃ Material	SiO ₂	SiO ₂ Material
		(kt)	(%)	(kt)	(%)	(kt)
Inferred	Domain 1	1,039	40.39	419	41.21	428
	Domain 2	2,646	39.93	1,057	42.53	1,125
	Domain 3	492	38.86	191	43.63	215
	Domain 4	1,755	41.06	721	39.34	690
	Domain 5	1,360	40.51	551	42.15	573
	Subtotal	7,292	40.30	2,939	41.58	3,032
Total	Domain 1	8,129	40.24	3,271	40.86	3,322
	Domain 2	2,646	39.93	1,057	42.53	1,125
	Domain 3	492	38.86	191	43.63	215
	Domain 4	1,755	41.06	721	39.34	690
	Domain 5	5,627	40.44	2,275	42.50	2,391
	Total	18,649	40.30	7,515	41.52	7,743

Notes:

- 1 Any differences between totals and sum of components are due to rounding.
- 2 A 0.7 m minimum thickness was applied to the resource block model.
- 3 The models are reported for domains with a thickness greater than 0.7 m, which is the minimum mineable thickness using the current mining method (longwall mining).
- 4 Mineral Resources that are not Ore Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
- 5 Mineral Resources are reported inclusive of Ore Reserves.
- 6 The Mineral Resources are effective as at 31 May 2025.

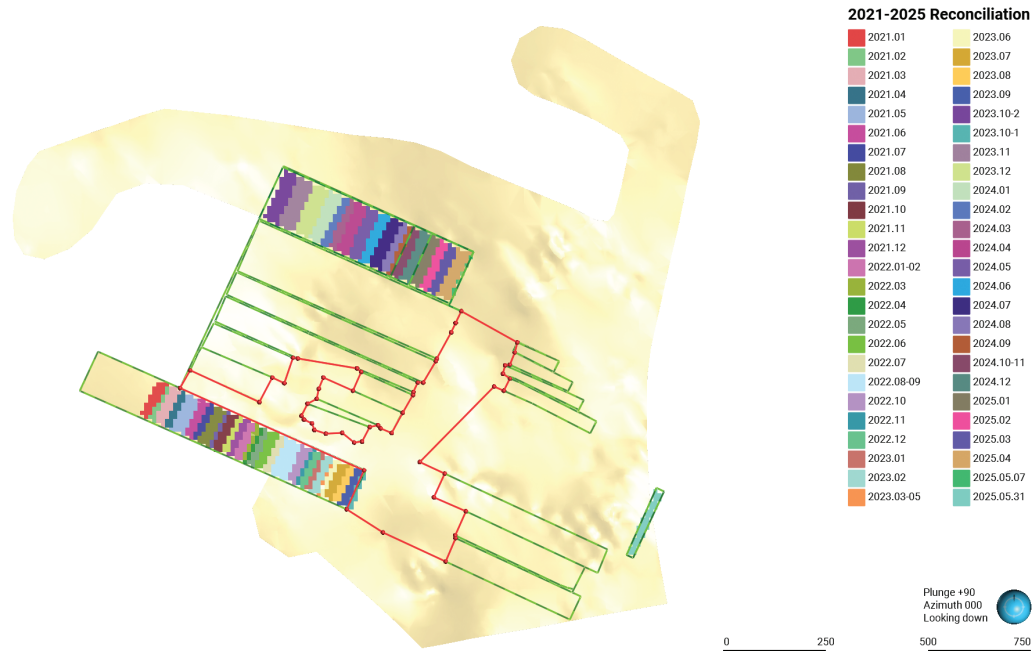
Competent Person's Statement:

The information in this Report that relates to Mineral Resources is based on information compiled by Dr (Tony) Shuangli Tang who is a Member of the AIG and Member of the AusIMM. Dr Tang is a full-time employee of SRK Consulting (Hong Kong) Limited and has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity which he undertakes to qualify as a Competent Person as defined in the 2012 edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (the JORC Code).

7.11.3 Reconciliation

SRK reviewed the 2022-2024 production records from Jinyan and conducted a reconciliation analysis. This analysis compared the actual produced kaolin to the model depletion for three calendar years (Figure 7.12).

Figure 7.12: Model depletion



Source: SRK, 2025

The resources model indicated a total of depletion of 981 kt, which was compared to the 1,141 kt of kaolin materials produced according to the records. The resultant difference is -6.9% (Table 7.12). The reconciliation result showed satisfactory consistency between the model depletion and actual production.

Table 7.12: Reconciliation statistics — 2022-May 2025

Period	Model depletion		Actual products	Average recovery	Actual depletion	Difference	
	Volume (^{'000 m³})	Tonnes (kt)	Tonnes (kt)		(kt)	(kt)	(%)
2022	91	237	171	86%	199	38	19%
2023	117	303	296	86%	344	-41	-12%
2024	138	360	343	86%	399	-39	-10%
Jan-May 2025 . .	62	162	171	86%	199	-37	-19%
Total	408	1,062	981	86%	1,141	-79	-6.9%

Source: SRK, 2025

Historical depletion and production before 2022 were not recorded in detail. The reconciliation statistics for the period of 1993-2025 are summarised in Table 7.13.

Table 7.13: Reconciliation statistics — 1993-May 2025

Period	Model depletion		Actual products	Average mining recovery	Actual depletion	Difference	
	Volume	Tonnes	Tonnes	(%)	(kt)	(kt)	(%)
	('000 m ³)	(kt)	(kt)				
1993-							
Dec 2018 . . .			1,690	75%	2,252		
Jan 2019-							
Dec 2023 . . .			770	86%	895		
Jan 2024-							
May 2025 . . .	201	522	514	86%	598	-76	-13%
Total	1,466	3,812	2,974	79%	3,745	67	1.8%

Source: SRK, 2025

The Mineral Resources within the sterilised areas are retained for protection of the infrastructure and were excluded from the Mineral Resource Statement (Figure 7.12). This amortisation was not included in the reconciliation statistics.

8 ROCK ENGINEERING

SRK conducted a geotechnical review which included a site visit from 3 to 4 October 2024. SRK's review included all aspects of the geotechnical environment, including a review of geological exploration reports and associated drawings, mine designs, safety technical measures for underground roadway excavation and working face operation procedures. The geology of the infill and verification drilling cores was examined, and the support and deformation conditions of the underground main roadways were inspected. The assessment relies on Chinese standards and guidelines for coal mine geology, engineering, hydrological safety, and operations, in addition to other relevant standards and guidelines.

8.1 Technical reports

The following documents were reviewed for the purposes of this review:

- Detailed Geological Report on the Associated Hard Kaolin Mine of Shuoli Coal Mine, Huaibei City, Anhui Province compiled by the 325 Geological Team of Anhui Geological and Mineral Exploration Bureau, September 2006
- Production Geological Report of Shuoli Coal Mine, Huaibei Shuoli Mining Co., Ltd. compiled by the Third Exploration Team of Anhui Coalfield Geological Bureau, 2015

- Production Geological Report of Shuoli Kaolin Mine, Huaibei City compiled by the Third Exploration Team of Anhui Coalfield Geological Bureau, November 2020
- Preliminary Design of the 500,000 tpa Kaolin Mining Project of Huaibei Shuoli Mining Co., Ltd. compiled by Huaibei Mining Group, January 2020.

In addition, SRK's review covered the underground roadway excavation operation procedures, mining operation procedures, geological drilling logs, and results of geotechnical properties testing. It also included an examination of geological data collected during kaolin production.

8.2 Geotechnical environment

The Mine, formerly the Shuoli Coal Mine, is located in the central part of the regional Zhahe Syncline in the Huaibei Coalfield. The eastern and western boundaries are defined by coal seams and kaolin outcrops, the southern boundary by the IF6 fault, and the northern boundary by the IF18 fault (Figure 4.3).

8.2.1 Stratigraphy

The stratigraphy of Mine from top to bottom is as follows (Table 4.1):

- Quaternary sedimentary units with an average thickness of 61 m, mainly composed of yellowish-brown, reddish-brown, or greenish-yellow sandy clay, clayey sand, silt, and gravel.
- Upper Shihezi Formation (Permian) with a thickness of approximately 89 m, mainly consisting of grey to grey-white siltstone to medium-grained sandstone, grey to purple mudstone, and thin coal seams. The rock layers are weathered to a yellowish-brown colour.
- Lower Shihezi Formation (Permian) with an average thickness of 190 m, mainly composed of dark grey to grey-white mudstone, grey to light grey sandstone, and major mineable coal seams. It contains 6 coal seams, with seams No. 3 and No. 5 being the main mining seams of the previous coal mining operation. The basal layer is marked by a well-developed layer of light grey to grey-green aluminous mudstone (kaolin mineralised layer) across the entire mine field, with stable stratigraphy and wide distribution, except for partial absence in the northwest and southwest. The thickness is generally around 5 m, with a maximum of 9.4 m. It is dense, blocky, has a slippery feel, contains purple patches and phosphatic ironstone oolites, and is the host layer for hard kaolin deposits, which is the target layer discussed in this Report.
- Shanxi Formation (Permian) with an average thickness of 138.5 m, mainly consisting of a set of grey to dark grey thick-bedded siltstone to coarse-grained sandstone and grey to dark grey mudstone with thin coal seams.

- Taiyuan Formation (Carboniferous) with an average thickness of 142.69 m, mainly composed of thin-bedded fine sandstone, siltstone, mudstone interbedded with coal seams, and limestone (total of 12 limestone layers).

8.2.2 *Structure*

The overall structure at the site is characterised by an S-shaped syncline with an axial orientation from northeast to northwest. It features well-developed secondary broad and gentle folds. The identified secondary folds include the Liuyuan Anticline, Huangwan Syncline, Wangtanzhuang Syncline, Cuolou Anticline and Gewa Syncline. There are 22 faults recognised across the entire mine site, each with displacements of ≥ 10 m, including one fault with a displacement > 100 m; three faults with a displacement between 50 m and 100 m; 10 faults with a displacement between 20 m and 50 m; and eight faults with a displacement between 10 m and 20 m. Based on fault nature, there are 14 normal faults and 8 reverse faults.

Based on orientation, these faults can be categorised into three main groups: east-west, north-south and northern reverse faults. The east-west faults are the largest in scale, longest in extension, widest in the fracture zone, and cause the greatest displacement.

The kaolin mine area has less-developed fault structures. The strata have a relatively gentle dip, with local magmatic intrusions having minimal impact on the geometry of the kaolin orebody (Figure 4.2).

8.2.3 *Kaolin ore*

The aluminous mudstone, which hosts the kaolin orebody, is laterally continuous. The kaolin ore is grey to grey-white or dark grey in colour and has an average thickness of 3.51 m. It is fine grained, blocky and has a greasy texture. Its hardness ranges between 3 and 4 on the Mohs hardness scale. It does not expand or exhibit plasticity when exposed to water. The ore has an average uniaxial compressive strength of 15.6 MPa.

The kaolin has gradational boundaries, with the aluminous mudstone located both above and below this layer. It is characterised by the absence or scarcity of nodular siderite. As the kaolin layer transitions into the aluminous mudstone containing oolitic siderite, there is a noticeable increase in oolitic siderite content.

8.2.4 *Roof and floor conditions*

The roof lithology consists of grey to dark grey blocky mudstone, with a thickness ranging from 2.1 m to 4.4 m, averaging 3.6 m. Above this layer is a light grey to dark grey, blocky, sandy mudstone layer, with a thickness between 3.1 m and 4.6 m, averaging 3.6 m. The floor lithology comprises grey to light grey fine-grained sandstone and sandy mudstone interbeds, with a thickness of 1.3-2.3 m, averaging 1.8 m. Beneath this is a purple-red patchy mudstone, with a thickness ranging from 1.9 m to 2.9 m, averaging 2.4 m.

The compressive strength of the roof and floor lithologies ranges from 11.19 MPa to 26.1 MPa. Previous coal mining activities indicated that the rock engineering conditions were relatively good. However, since the kaolin mine is situated approximately 12-25 m below the previously mined coal seam No. 5, the roof of the kaolin mine may be affected by disturbances from coal seam mining, potentially leading to a negative impact on the rock engineering conditions.

8.3 Underground rock engineering design

The currently active retreating working face is SAL-211, which has a designed strike length of 500 m and a face length of 130 m. It uses anchor bolt mesh cable support, with anchor bolts specified as GM22/2800 mm, high strength, ribless, threaded steel bolts. For roof support, the working face employs ZY6800-19/40 shielded hydraulic supports. The roof is allowed to collapse naturally after retreating.

The working face uses comprehensive mechanised tunnelling for the double roadways. The machine roadway cross section is 4.8 m × 3 m, and the ventilation roadway cross section is 4.4 m × 3 m.

8.3.1 Measures to prevent roof falls

Comprehensive guidelines have been established for preventing roof falls.

For advancing gate road faces:

- Design the support appropriately based on the nature of the surrounding rock to ensure safe and effective support, with targeted support design for each section.
- After comprehensive tunnelling or blasting, clean up hazardous rocks and promptly set up temporary support, prohibiting unsupported operations.
- In fault zones or fracture zones, reduce the working cycle progress and support spacing. Adopt short tunnelling and short support to minimise unsupported areas.
- Ensure that the arrangement of blastholes and the amount of explosives are compatible with the rock properties, support form, and distance to the tunnelling face to prevent roof falls caused by blasting damage to the support.

For retreating working faces:

- Ensure the initial support force of the face support is sufficient to effectively control the roof.
- Retreat the anchors in the two roadways of the face in advance to ensure the roof fully collapses. If necessary, implement forced roof fall measures in the goaf.

- Understand the periodic pressure pattern of the face, anticipate the pressure on the face, and strengthen the support throughout the pressure process.
- Appropriately accelerate the advancement speed of the face.
- Control the roof at the upper and lower ends with hydraulic supports, promptly pull the advance support, and extend the front shrink beam to properly support the roof.

SRK considers these measures are reasonable and sufficient.

8.3.2 Measures for monitoring engineering deformation

The mine system roadways employ the ‘cross’ roadway deformation observation method to monitor the deformation of the surrounding rock.

The specific observation methods are as follows:

- Deformation observation stations are established every 30-50 m.
- Measurement points are arranged in a ‘cross’ shape.
- A steel ruler is used as the monitoring equipment.
- The observation frequency is once a day during tunnelling, once a week after tunnelling, and once a month when mine pressure is stable.

Anchor stress monitoring is conducted using anchor cable dynamometers, with sets typically installed every 30-50 m along the roadways. In areas with soft rock, roof fracture zones, or high-stress regions, measurement points are placed closer together. The stress on the anchor cable is indicated by the readings on the dynamometer pressure gauge.

Roof separation monitoring is carried out using the KJ216 roof separation monitoring system, with a deep separation warning threshold set at 120 mm and a shallow separation warning threshold at 100 mm.

Monitoring results from key underground areas in September 2024 show that in the SAL-211 headgate, the measurement point with the largest deformation was point No. 13. This point is located at the intersection of the SAL-211 headgate and the maingate, which has a large cross sectional span and height, leading to significant roadway deformation. The deformation of the surrounding rock at other separation observation points remained stable during the observation period, with no significant changes. In the SAL-211 tailgate, the deformation of the surrounding rock at each separation observation point was stable during the observation period in September 2024, with no significant changes.

8.4 Observations during site visit

During both the former coal and current kaolin mining operations, the Mine did not experience any incidents related to fire, flooding or gas, and continued to maintain a strong safety record. The site is classified as a low gas mine, and ground temperatures are normal. Examination of infill drilling cores indicated that the rock is intact, with structures or fractures being minimally developed. The kaolin ore layer is relatively stable, with little lithological variation in the roof and floor, which mainly consist of mudstone and siltstone.

An underground visit revealed that the roadways, maingate, headgate, tailgate and working face are intact and in good condition. There are no signs of floor heave, roadway displacement, or roof fragmentation and falling blocks. A neat pattern of standardised support was observed.

During previous coal mining, some roadways were placed within the kaolin ore layer, indicating that the lithology of this layer is intact, with undeveloped structural fractures and stable rock layers. The roadway displacement observation system and roof separation observation system within the system roadways and working face roadways are intact, with observation methods, techniques, and data transmission meeting standard requirements.

The underground disaster avoidance routes, roadway names, chamber names, and direction signs comply with relevant regulations. The working face roadways use comprehensive mechanised tunnelling, with mechanical loading and transportation of ore and gangue. The tunnelling construction equipment, machinery and laser directional pointer are intact. The workplace is equipped with the required hanging of roadway layout plans, construction cross section diagrams, blasthole layout diagrams, blasting instructions, cross section cutting trajectory diagrams, regular cycle operation charts, disaster avoidance route maps, and temporary payment diagrams. These materials are complete, with clear and correct text and images being well protected and conveniently positioned for viewing.

8.5 Conclusions

The roadways and working face are considered to meet the relevant safety production quality standards, as confirmed by underground inspections. The sampling, testing, monitoring and evaluation methods for geotechnical engineering comply with the relevant regulations and standards. The measures taken to address geotechnical engineering issues are reasonable, feasible, and meet the relevant requirements, with practice proving their effectiveness.

Deformation monitoring of system roadways and the two roadways of the working face, along with roof separation monitoring results, indicates that the geotechnical engineering conditions of the kaolin mine are relatively good. This aligns with the actual conditions observed during underground inspections.

The geotechnical engineering risks observed during underground inspections are lower than those predicted by theoretical analysis. This is partly because mining of the No. 5 coal seam has been ceased more than 5 years. The compaction of the mined-out area in the No. 5 coal seam likely reduces risk by enhancing the structural integrity and stability of the Mine. This can lead to increased confidence in the safety of ongoing operations.

The measures taken to prevent geotechnical engineering risks are feasible and effective. However, individual sections may still present geotechnical engineering risks, which should be a focus of future kaolin mining safety management. Corresponding measures should continue to be implemented to mitigate these risks.

The provided materials and technical documents meet the relevant regulations and requirements, aligning with information from site inspections and interviews. Overall, SRK considers the geotechnical engineering conditions and risk prevention measures are satisfactory.

9 HYDROGEOLOGY

A hydrogeology review was carried out, including a site visit by SRK from 3 to 4 October 2024. SRK's review included examining hydrogeological data and materials, holding discussions with relevant technical mine personnel, visiting the infill drilling site and inspecting the underground water inflow points, sealing walls, old roadways, drainage systems, and water prevention and control systems. Information related to hydrogeological parameters, related materials, and water hazard risks was evaluated. The assessment relies on Chinese standards and guidelines for coal mine geology, engineering, hydrological safety, and operations, in addition to other relevant standards and guidelines.

9.1 Technical reports

SRK reviewed the following technical documents:

- Detailed Geological Report on the Associated Hard Kaolin Mine of Shuoli Coal Mine, Huaibei City, Anhui Province compiled by the 325 Geological Team of Anhui Geological and Mineral Exploration Bureau, September 2006
- Production Geological Report of Shuoli Coal Mine, Huaibei Shuoli Mining Co., Ltd., compiled by the Third Exploration Team of Anhui Coalfield Geological Bureau, January 2015
- Closure Geological Report of Shuoli Coal Mine, Duji District, Huaibei City, Anhui Province compiled by the Third Exploration Team of Anhui Coalfield Geological Bureau, September 2019
- Hydrogeological Type Report of Jinyan Gaoxin Shuoli Kaolin Mine compiled by Henan Polytechnic University Asset Management Co., Ltd., October 2019

- Production Geological Report of Shuoli Kaolin Mine, Huaibei City compiled by Huaibei Shuoli Mining Co., Ltd., November 2020
- Five-Year Mining Plan for Shuoli Kaolin Mine compiled by Jinyan Gaoxin Company, September 2022
- Hydrogeological Type Report of Jinyan Gaoxin Shuoli Kaolin Mine compiled by Anhui Jinyan Kaolin New Materials Co., Ltd., September 2022
- Investigation and Management Report on Hidden Disaster Factors in Non-coal Underground Mines compiled by Anhui Jinyan Gaoxin Kaolin Mining Branch, November 2023
- Safety Status Evaluation Report of Shuoli Kaolin Mine, Huaibei City compiled by China Inspection Group Public Trust Safety Technology Co., Ltd., February 2023.
- Investigation Report on Hidden Disaster Factors in Non-coal Underground Mines compiled by Anhui Jinyan Gaoxin Kaolin Mining Branch, May 2024

In addition to the above reports, various figures and drawings provided by Jinyan, including mine plans, hydrogeological profiles, historical void distribution maps, surrounding mine distribution, drainage systems, and secondary water hazard prevention systems, were reviewed. In addition, water level observation logs and water inflow observation logs and a large amount of actual underground production data were also reviewed.

9.2 Hydrogeological background

The Mine is located in the eastern central part of the Huaibei Coalfield Hydrogeological Subdivision I (Northern Area).

The hydrogeological boundaries are as follows:

- North: The IF18 reverse fault, which has poor water-bearing properties, forms a water-blocking boundary for the Permian sandstone fissure water and Carboniferous Taiyuan Formation limestone water within the mine field.
- South: Normal faults such as IF6 and IF10, along with the IF9 reverse fault, create a water-blocking boundary for the Permian sandstone fissure water and Carboniferous Taiyuan Formation limestone karst fissure water.
- East and West: The concealed outcrop belt of coal seams and kaolin layers, influenced by the recharge of Quaternary loose layer pore water, acts as a weak water inflow boundary for the Permian sandstone fissure water and Carboniferous Taiyuan Formation limestone karst fissure water.

These faults are unlikely to completely block the ingress of karst fissure water due to the significant thickness of the Ordovician limestone.

There are four closed coal mines in the surrounding area to the Project: the Daihe, Fangzhuang, Shitai and Shuanglong mines (Figure 2.2). Residual water from these former coal mines is expected to flow into the Mine area through designated boreholes and pipelines. By October 2026, it is anticipated that the water level of the closed mines will reach -186 m, allowing the water to flow through the boreholes into the Mine.

9.3 Aquifer characteristics

The aquifers in the Project area are divided from top to bottom as follows:

- **Quaternary Pore Aquifer:** The thickness of the Quaternary loose layer in this Mine is controlled by the palaeotopography, ranging from 45.2 m to 83.8 m, with an average thickness of 61.6 m. The aquifer has a specific yield of 0.151 to 1.389 L/s.m and a hydraulic conductivity of 2.792~12.81 m, indicating moderate to strong water abundance. During the previous mining of the No. 3 and No. 5 coal seams, there was no intrusion of Quaternary pore water into the Mine. The kaolin ore layer is located 12-25 m below the No. 5 coal seam. The fissures formed by the collapse of the retreating working face did not impact the bottom of the Quaternary aquifer. In addition, the sandy clay and clay interbedded with gravel at the bottom of the Quaternary have good cohesion and strong plasticity. This effectively prevents Quaternary pore water from seeping into the underlying aquifer, thereby impacting the underground mining operation.
- **Permian Sandstone Fissure Aquifer:** Situated between the kaolin ore layer and the No. 5 coal seam, this aquifer is mainly composed of sandstone, sandy mudstone, and mudstone, with an average thickness of 16.5 m. The sandstone fissure water is the direct water source for coal mine working faces and roadways and is a major component of mine water inflow. The roof sandstone fissure aquifer, with a specific yield of 0.008~0.203 L/s.m, exhibits weak to moderate water abundance. Groundwater is mainly stored within it and the water volume is not large, making it easy to drain. During the long-term mining of the No. 3 and No. 5 coal seams, the roof water has been largely drained. In recent years, no sandstone fissure water was intercepted during kaolin mining.
- **Carboniferous Taiyuan Formation Limestone Karst Fissure Aquifer:** This aquifer is approximately 150 m thick and is primarily composed of limestone, sandstone, mudstone, and thin coal seams, with water-bearing limestone. It represents a confined aquifer with specific yield ranges from 0.00085 to 0.838 L/s.m and the hydraulic conductivity ranges from 0.00072 to 4.061 m/d, indicating weak to moderate water abundance. The No. 6 coal seam, located approximately 85 m below the kaolin ore layer, has been mined out, and no karst fissure water outflow occurred during roadway tunnelling and coal mining.

9.4 Mine inflows

The largest historical water inflow in this Mine occurred in October 1980, with a flow rate of 125 m³/h. However, it quickly showed a declining trend, with the outflow gradually decreasing to seepage, dripping, and eventually drying up.

From 2015 to 2024, the annual average water inflow was as follows: 129.9 m³/h, 132.8 m³/h, 130.5 m³/h, 129.1 m³/h, 99.6 m³/h, 93.4 m³/h, 96.7 m³/h, 95.7 m³/h, 101 m³/h and 105 m³/h. The largest water inflow in the past 3 years was 110 m³/h, with a normal water inflow of 95.7 m³/h. The recent actual mine water inflow was 106 m³/h.

According to the closure reports for the nearby Daihe, Fangzhuang, Shitai and Shuanglong mines, the residual water inflows at these four closed mines are 85 m³/h, 20 m³/h, 160 m³/h and 65 m³/h, respectively. It is expected that by October 2026, the water level across the surrounding area will rise to -186 m, allowing water to flow into the Mine through designated water pipes in the partition wall, with the water inflow gradually increasing to 330 m³/h. At that time, the maximum water inflow of the Mine will reach about 440 m³/h.

9.5 Drainage system

The current drainage system includes the auxiliary shaft bottom water sump, which has a total volume of 2,800 m³ and comprises a main sump with a volume of 1,650 m³ and an auxiliary sump with a volume of 1,150 m³. The system is equipped with five MD280-436 multistage centrifugal pumps, each with a lift of 258 m, providing a combined rated total drainage capacity of 1,400 m³/h. There are three DN250 drainage pipelines in place. The drainage route begins at the underground water outflow point, channels the water into the central sump, and from there, pumps it to the surface sewage treatment station. The current drainage system capacity is sufficient to handle the current mine water outflow and complies with the relevant standards.

The residual water from the four surrounding coal mines is expected to flow into the Mine by October 2026, resulting in a total water inflow of approximately 440 m³/h. The current sump volume will not be sufficient to meet the predicted inflow and an upgrade of the drainage system is therefore required.

The upgraded drainage system remains to be implemented but is expected to have a total sump volume of 3,900 m³, consisting of the main sump 1,650 m³, the auxiliary sump of 1,150 m³, and an additional auxiliary sump of 1,100 m³. It will include five drainage pumps: three MD280 × 43 × 6 pumps with a lift of 285 m and a pump volume of 280 m³/h, and two MD500-50 × 5 pumps with a pump volume of 500 m³/h, providing a rated total pump volume of 1,840 m³/h. The system will also feature three DN250 drainage pipelines. The upgraded drainage system will be sufficient to meet the predicted inflow.

9.6 Conclusion

Previous studies have shown that the location, size, and water accumulation of historical (mined-out) voids have been surveyed and verified. Historical coal mining activities in the surrounding region have shown that poorly sealed boreholes did not have any impacts on current kaolin mining activities. The mining of the No. 6 coal seam which is present below the kaolin ore layer at the Mine has confirmed the absence of collapsed columns or water-conducting structures connecting the Taiyuan and Ordovician limestones. The residual water from the surrounding four closed coal mines is intercepted by the mine field boundary coal pillars and the 1,740 m-long artificial partition wall. When the water level rises, it is expected to enter the central sump of the Mine through boreholes and pipelines and be discharged to the surface, with limited impact on kaolin mining. SRK's review and site inspection show that the current and proposed groundwater controls meet the relevant regulations, standards, and requirements. SRK considers the overall situation to be satisfactory.

10 MINING

10.1 Introduction

This chapter presents an assessment of the Mine's mining system and operations, including the development system, operational processes, mining methodology, auxiliary production systems and the LOM plan. The assessment covers the key project mining studies and current operational data. The purpose of this assessment is to provide a basis for declaring an Ore Reserve in accordance with the JORC Code (2012).

The key technical studies and data for the assessment include:

- The Preliminary Mine Design of the Mining Engineering at 0.5 Mtpa Capacity for the Shuoli Kaolin Mine, dated December 2019, Huaibei Industrial and Architectural Design Institute Co., Ltd. (referred to as 19 Design).
- The Mineral Resources Development and Utilisation Plan Study at 0.5 Mtpa Capacity for the Shuoli Kaolin Mine, dated January 2023, Anhui Jinyan Kaolin New Materials Co., Ltd. (referred to as 23 Design).
- Operation data, including mining plan layouts, production plans and equipment details provided by Jinyan as at May 2025.
- Observations and materials gathered during SRK's site visit in October 2024 and subsequent information provided.

In SRK's opinion, the level of accuracy of the Modifying Factors presented in the 19 Design and 23 Design is equivalent to that of a pre-feasibility study (PFS), as per the JORC Code (2012) guidelines. Based on the reviewed results of the 23 Design and the current operation conditions, SRK has developed a mine design and production schedule using the updated Mineral Resource estimate (Section 7).

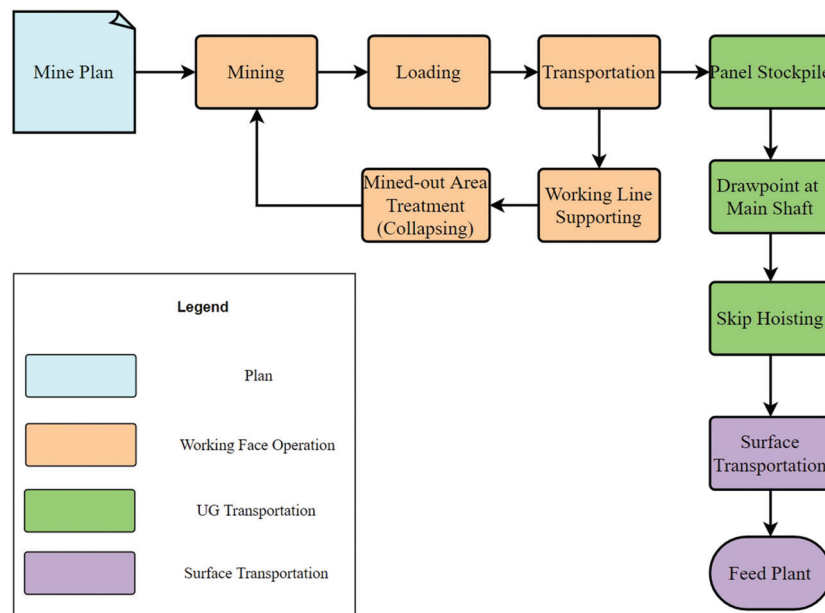
The Mine uses the underground access and mining system from the former Shuoli Coal Mine, which ceased operation in July 2019. Kaolin resources are currently being mined beneath the mined-out coal seam. The mining licence permit covers an area of 17.9955 km², with an approved mining capacity of 0.5 Mtpa. However, the actual mining volume is adjusted to meet market demand, which is currently below the approved capacity. The system is capable of reaching the fully approved capacity.

The underground access system uses the main and service shafts from the former coal mine, along with a ventilation shaft. The Mine features a single-level development with an incline drive to the mineralisation. Its infrastructure includes a water drainage system with a pump station, ventilation facilities, water and power supply, a conveyer belt system for ore haulage, and an ore bunker with a draw point and rail car station. During SRK's site visit, all equipment and systems were observed to be well maintained and in use.

The Mine employs a fully mechanised longwall mining method. ROM ore extracted from the longwall panels is conveyed to the ore bunker draw point at the main shaft and then hoisted to the surface via a skip to feed the processing plant.

The flowchart of the mining and operating system is shown in Figure 10.1.

Figure 10.1: Flowchart of mining operation — Shuoli Kaolin Mine



Source: Jinyan, modified by SRK, 2025

10.2 Mine operation

10.2.1 Historical operation

The Mine, formerly known as the Shuoli Coal Mine, was initially designed with a production capacity of 0.6 Mtpa. Construction began in August 1966, and the mine was commissioned in July 1971. Following several expansions, the coal mine's production capacity increased to 1.65 Mtpa by 2011.

Kaolin extraction, which began in 1993, occurred concurrently with the mining of the No. 5 coal seam, and officially commenced operations in 1997. The Shuoli Coal Mine was officially closed at the end of July 2019 due to the depletion of coal resources. Following the cessation of coal mining, all infrastructure was transitioned to the kaolin extraction operations.

10.2.2 Current operation

The relevant mining study and mine design for the Mine, supporting a mining capacity of 0.5 Mtpa, were prepared in December 2019. Table 10.1 summarises the annual ROM mined and delivered to the processing plant.

Table 10.1: Operation statistics — 2019-May 2025

Operation	ROM (kt)
2019	174
2020	167
2021	169
2022	171
2023	296
2024	343
January-May 2025	171

Source: Jinyan, 2025

10.3 Mine development

10.3.1 Development system layout

The Mine's access and kaolin layer development system consists of three shafts: a main shaft, an auxiliary service shaft and a ventilation shaft. The main and auxiliary shafts are centrally located within the surface industrial area, while the ventilation shaft is positioned further west. Details of the shafts' locations and dimensions are presented in Table 10.2.

Table 10.2: Key parameters of mine shafts

Shaft	Easting	Northing	Elevation	Depth	Diameter	Ladder way
				(m)	(m)	
Main shaft	39,490,166	3,769,976	34.8 m/-243 m	277.8	4.5	No
Auxiliary shaft	39,490,156	3,769,925	34.8 m/-213.2 m	248	6	Yes
#3 West ventilation shaft.	39,487,094	3,769,777	34.9 m/-62 m	96.9	4	Yes

Source: 23 Design, 2023

The main shaft is equipped with a single-rope, dual-drum winding hoist that lifts 5-t dual skips. It connects to the -200 m main mine level and is primarily used for hoisting kaolin ore.

The auxiliary shaft, also connected to the -200 m main mine level, features a single-rope, dual-drum winding hoist used to lift a single-deck cage for two 1-ton ore cars. This shaft is mainly used for hoisting waste rock, personnel and materials. It includes a ladder compartment that serves as an emergency exit.

The #3 West ventilation shaft is situated on the west side of the ore body. It is equipped with a fan installed in the fan room at the shaft portal, functioning as a return airway. This shaft also has a ladder compartment that serves as a secondary emergency exit.

The Mine adopts a single-level access system, with the main roadway level situated at an elevation of -200 m. There are three primary roadways:

- North Wing Main Roadway
- West Wing Main Roadway
- South Wing Main Roadway.

These roadways are located on the floor of the No. 5 Coal seam, which is generally 16 m above the kaolin layer. The North Wing Roadway is currently blocked as mining activities occur in the southern area. This roadway will be reopened as mining progresses to that area.

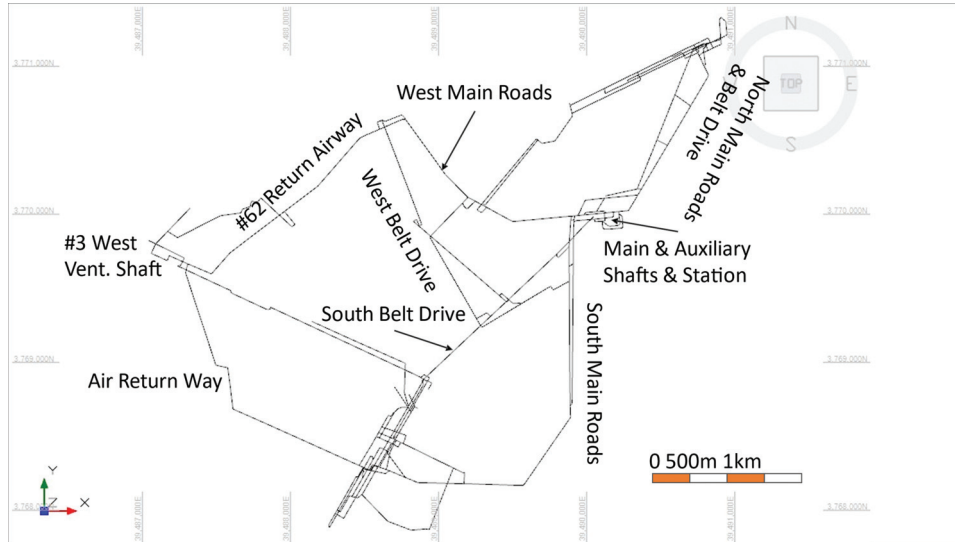
Figure 10.2: Roadway



Source: Jinyan, 2024

The #6-2 Roadway connects the West Wing Main Roadway to the #3 West ventilation shaft. At present, the main roadways, incline drives, and conveyor belt drive are in operation normally. The development system of the Mine is presented in Figure 10.3.

At the -60 m mine level, a main return air roadway is established, corresponding to the crosscut of the #3 West ventilation shaft. Ventilation for all mining areas is managed through return airways, return air inclines, and connecting return air roadways that lead to the main return air roadway at the -60 m level. This system ultimately discharges air to the surface via the #3 West ventilation shaft.

Figure 10.3: Plan view of mine development layout

Source: 23 Design, modified by SRK, 2025

10.3.2 Gates heading

The mining development of the kaolin layer primarily uses the existing workings from the previous coal operation, with new headings driven for the preparation of working panels.

Permanent roadways are supported using bolts, mesh, and cable bolts, while large underground chambers are reinforced with concrete arch supports. All main headings are designed to accommodate personnel and material transport, ventilation, and pipeline installation.

Headings to the working face are developed as needed for new panel preparation. These headings, whether headgate or tailgate, have rectangular cross sections and are supported by split sets, mesh, steel belts, and additional cable bolts.

The longwall entry at the working face also has a rectangular cross section, supported with split sets, mesh, steel belts, and cable bolts for stability.

Table 10.3: Key parameters of headings

<u>Heading type</u>	<u>Rock type</u>	<u>Cross section type</u>	<u>Support method</u>	<u>Width</u> (m)	<u>Equipment</u>
Belt Conveyor Drive	Rock	Semi-circular Arch	Split set, mesh and shotcrete	3.0	Belt Conveyor
Railway Roadway . . .	Rock	Semi-circular Arch	Split set, mesh and shotcrete	3.0	30 kg Rail and 45 kW Electric Locomotive
Cross-cut Drive – Dual Lanes	Rock	Semi-circular Arch	Split set, mesh and shotcrete	3.6	30 kg Rail
Cross-cut Drive – Single Lanes	Rock	Semi-circular Arch	Split set, mesh and shotcrete	3.0	30 kg Rail
Return Air Way	Rock	Semi-circular Arch	Split set, mesh and shotcrete	2.6	30 kg Rail
Headgate	Ore Seam	Rectangular	Split set, mesh and shotcrete	4.0	Belt Conveyor
Tailgate	Ore Seam	Rectangular	Split set, mesh and shotcrete	3.6	Continuous Rope Haulage Winch
Longwall Face Entry	Ore Seam	Rectangular	Split set, mesh and shotcrete	6.6	30 kg Rail

Source: 23 Design, 2023

To maintain continuous production at the working face, the Mine is planned with a single development heading based on preparation requirements. The development of these headings is fully mechanised, using a roadheader. Details of the equipment used for development are presented in Table 10.4.

Table 10.4: Main heading equipment

<u>Equipment</u>	<u>Model and Specifications</u>	<u>Unit</u>	<u>In Use</u>	<u>Spare</u>	<u>Subtotal</u>
Roadheader	EBZ-260H	Set	1	0	1
Roadheader	EBZ-260H	Set	1	0	1
Continuous Rope Haulage Winch.	SQ-120/75B	Set	2	0	2
Belt Conveyor	DSJ100/2*125	Set	2	0	2
Wet Dust Collector	KCS-500D	Set	2	0	2
Local Fan	FBDN0.6.0	Set	2	2	4
Hydraulic Oil Pump. . . .	BRW125/31.5	Set	2	1	3

Source: 23 Design

10.3.3 Mining face preparation and longwall installation

The preparatory work for installing a fully mechanised longwall involves excavating a drift known as the face entry. This drift is excavated from the lower side to the upper side at the starting position of the longwall face, preferably following the dip direction. Once production commences, this drift becomes the initial working face. The final cross sectional dimensions of the cut-through are typically 8.2 m wide by 3.4 m high. Its primary function is to accommodate the shearer, scraper conveyor and hydraulic supports.

10.4 Mining methodology

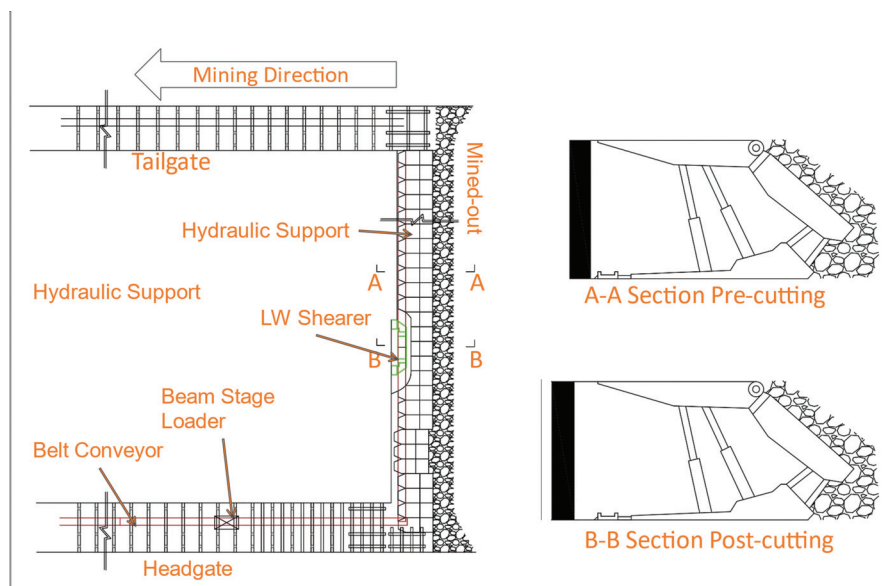
10.4.1 Mining method

The fully mechanised longwall mining method is used to extract the kaolin ore. This method employs a mechanical shearer to cut and load the ore, a flexible armoured face conveyor (AFC) to transport the ore, and hydraulic support shields (or chocks) to provide roof support and manage the caving of the mined-out area (goaf).

The longwall mining method is aligned along the strike of the mineralisation, based on geological conditions. A typical mining panel measures 600 m in length, 120 m in width and has a cutting height ranging from 2 m to 3.8 m.

Figure 10.4 shows a schematic of a fully mechanised longwall mining face, illustrating the directions of ore cutting and mining, and the collapsing of the goaf behind the longwall.

Figure 10.4: Schematic of longwall mining panel



Source: 23 Design and modified by SRK, 2025

10.4.2 Kaolin ore mining

The mining process is cycled as follows: longwall shearer cutting → scraper conveyor transporting → advancing hydraulic support → advancing the scraper conveyor.

- Cutting: The cutting is performed using an MG550/1380-WD shearer with a spiral $\phi 2$ m drum. The drum has a web width of 0.6 m. The height of cutting ranges from 1.8 m to 4.37 m. Production capacity is 200 t/h.
- Loading: The spiral drum of the shearer is paired with an SGZ800/800 scraper conveyor for ore transportation. The scraper conveyor operates at a chain speed of 1.1 m/s. The transport capacity is 1,500 t/h.
- Transportation:
 - Working face: Ore is loaded and transported by the scraper conveyor.
 - Transportation: Equipped with one SZB830/315 beam stage loader, with a standard length of 60 m, chain speed of 1.54 m/s and a transport capacity of 1,500 t/h; connecting to one DSJ100/2×75 belt conveyor with a transport capacity of 630 t/h and a belt speed of 2 m/s. The conveyor has a transition length of 12 m, with the loader and a storage length of 50 m.
- Support: ZY6800-19/40 hydraulic supports are used to stabilise the roof, with a total of 82 supports arranged along the working face.
 - Support height: 1,800-3,800 mm
 - Working resistance: 6800 kN
 - Support width: 1.5 m.
- Mined-out Area Management: Roof caving on the goaf side is controlled using hydraulic shield (or chock) supports, which facilitate timely roof collapse. Mining must be halted if the roof does not collapse, and the suspended roof distance exceeds the limits specified in the operational procedures. Artificial forced roof collapse or other measures should be employed to address the issue. Sudden roof collapse poses a safety risk, potentially causing wind blasts, equipment failure, and harm to personnel.

10.4.3 Mining equipment

According to the 23 Design and mine operation, a single working face is proposed and permitted at the same time. The mining equipment and their key parameters are presented in Table 10.5.

Table 10.5: Main mining equipment

Equipment	Model and Specification	Unit	Quantity	Key Technical Parameters
Hydraulic Support . .	ZY6800-19/40	Set	68	Supporting height: 1.8~3.8m, working resistance: 6800 kN, supporting width: 1.5 m
Advanced Hydraulic Support	ZQL2*4000/18/35	Set	8	Height: 1.65-2.63m, working resistance: 2 × 2400 kN, initial supporting force: 2 × 1978 kN, support movement step distance: 800 mm
Scraper Conveyor . .	SGZ800/800	Set	1	Rated voltage: 3,300 V, power: 2 × 400 kW, chain speed: 1.1 m/s, transport capacity: 1,500 t/h, motor speed: 1,470 rpm
Longwall Shearer . .	MG550/1380-WD	Set	1	Rated voltage: 3,300 V, power: 2 × 550 kW, drum diameter: 2.0 m, cutting height: 1.8~4.37 m, production capacity: 200 t/h
Beam Stage Loader . .	SZZ830/315	Set	1	Rated voltage: 3,300 V, power: 315 kW, standard length: 60 m, chain speed: 1.54 m/s, transport capacity: 200 t/h
Hydraulic Emulsion Pump Station	BRW400/31.5	Set	2	Rated voltage: 3,300 V, power: 250 kW, flow rate: 400 L/min, unloading pressure: 25 MPa

Equipment	Model and Specification	Unit	Quantity	Key Technical Parameters
Belt Conveyor	DSJ100/2×75	Set	6	Power: 2 × 75 kW, transport capacity: 630 t/h, re-loader junction length: 12 m, storage length: 50 m, belt speed: 2 m/s
Mobile Substation . .	KBSGZY1600/6	Set	2	Rated capacity: 2 × 1,600 kVA, low-voltage output: 3 300 V, high-voltage vacuum circuit breaker fuse current: 500 A
Control Console . . .	KCT2	Set	1	Rated capacity: 800 kVA, low-voltage output: 1,140 V, high-voltage vacuum circuit breaker fuse current: 250 A
Mobile Substation . .	KBSGZY800/6	Set	1	Rated capacity: 800 kVA, low-voltage output: 1,140 V, high-voltage vacuum circuit breaker fuse current: 250 A

Source: 23 Design, 2023

10.5 Service system

10.5.1 Hoisting and transportation

The main shaft has a net diameter of $\phi 4.5$ m and ore hoisting tasks for the entire mining area are primarily undertaken at the main shaft. The main shaft is equipped with a 2JK3×1.5-11.5E single-rope winding hoist, using twin skip buckets with a load capacity of 5 t each, acting as counterweights to each other. The hoisting system is powered by the JTDK-ZN-O1SP AC hoist control system, with a main motor power of 800 kW and a rotational speed of 593 rpm. A buffer ore bin is installed at the bottom of the shaft, and an automatic ore tipper is used on the surface for unloading.

During the kaolin mining period, the auxiliary shaft is primarily used for the transportation of personnel, equipment and materials. Its hoisting capacity and safety facilities meet the required standards. The auxiliary shaft is equipped with a 2JK3×1.5G-11.5E single-rope winding hoist, using GLG1/6/1/2 cages as counterweights to each other. The hoisting system is powered by the JTDK-ZN-O1SP AC hoist control system, with a main motor power of 630 kW and a rotational speed of 593 rpm.

Currently, the -200 m level roadway primarily uses a rail transport system, with 30 kg/m tracks laid at a 600 mm gauge. Accumulator electric locomotives are used for transporting personnel, waste rock and materials.

This hoisting and underground transportation facility has been in operation for many years and remains reliable.

10.5.2 Ventilation

The recovery of kaolin resources uses the existing coal mine system, and each mining area therefore has a well-developed ventilation system. Based on the distribution of kaolin resources, the Mine adopts a central parallel ventilation system.

Currently, the mine has one AGF606-1.92-1.12-2 fan installed in the fan house at the portal #3 West ventilation shaft. The parameters of the main ventilation fan are shown in Table 10.6. The required airflow as studied in 23 Design is 57.15 m³/s, and the maximum fan pressure is 1,950 Pa.

Table 10.6: Key parameters of Main Fan at #3 West ventilation shaft

Item	Unit	Key Parameter
Fan model		AGF606-1.92-1.12-2
Airflow volume	m ³ /s	48~73
Fan pressure	Pa	400~2608
Motor		YBF450M-8
Motor power	kW	450
Blade angle	°	17.5

Source: 23 Design, 2023

Based on the performance curve of the fan device, the current ventilation shaft can meet the production requirements, with the fan operating at an efficiency of approximately 52.1%.

For the initial mining area in the South-II mining district, a diagonal exhaust ventilation system is used: fresh air flows from the auxiliary shaft into the -200 m main roadway, then through the South Wing Main Roadway and the South Belt Drive to the South-II mining district. After ventilating the working face, the exhaust air is drawn out through the #3 West ventilation shaft.

For the North mining district, fresh air flows from the auxiliary shaft into the -200 m main roadway, then through the North Wing Main Roadway to the North mining district. After ventilating the working face, the exhaust air passes through the North Return Airway, descends to the West Wing Main Roadway, and is finally drawn out through the #62 Return Airway, the -60 m crosscut to the #3 West ventilation shaft.

10.5.3 Power supply

The Mine is equipped with a 35 kV main step-down substation, housing two SF9-8000/35 transformers. Each transformer alone can meet the power demands of the entire Mine. The power supply system consists of two circuits supplying power simultaneously, with the two main transformers operating independently.

Under normal conditions, the Project is powered by the primary power supply circuit. In the event of a power outage or failure in the primary circuit, all loads are supplied by the backup power circuit.

The 35 kV substation at the Mine site is powered by two circuits connected to different bus segments of the 220 kV regional substation at Zonglou. The circuits have no intermediate loads.

The details of the circuits are:

- Circuit 512: Line type LGJ-120, length 6.8 km
- Circuit 517: Line type LGJ-120, length 6.8 km.

The surface facilities include:

- Main shaft hoist substation
- Auxiliary shaft hoist substation
- Compressor station substation
- #3 West ventilation shaft substation.

These substations supply power to respective facilities for hoisting, compression, ventilation and machinery maintenance.

Underground power is supplied by two 6 kV cables from the 35 kV substation at the industrial site through the auxiliary shaft (Figure 10.5).

The cables are:

- MYJV42-3×120 mm²: Mining uses cross-linked polyethylene insulated, steel-wire armoured, PVC-sheathed cable.
- MYJV42-3×240 mm²: Mining uses cross-linked polyethylene insulated, steel-wire armoured, PVC-sheathed cable.

The cables feed into the central underground substation, being:

- Central Pump Station Substation (-200 m level): Supplies power for dewatering operations.
- Mining Area Substations: Powers the mining, transportation, and auxiliary facilities.

Power sources for each substation are provided either by the 6 kV high-voltage distribution room at the main substation or the nearest 6 kV distribution room.

The mine is equipped with a comprehensive set of electrical equipment and facilities, all of which is operational. The Mine continues to use the existing infrastructure.

Figure 10.5: Power supply system



Source: Jinyan, 2024

10.5.4 Compressed air supply

Based on the distribution of compressed air demand locations, the main and auxiliary shaft portal air compressor rooms and the #3 West ventilation shaft air compressor room are retained and maintained.

Based on the distribution of air supply locations after production contraction, the main and auxiliary shaft industrial sites' air compressor rooms and the #3 West ventilation shaft air compressor room will be retained.

The industrial site air compressor room is equipped with three sets of screw air compressors manufactured by Shanghai Ingersoll Rand (model MM200-2S).

The specifications per unit are:

- air discharge volume: 38.8 m³/min
- air discharge pressure: 0.8-0.85 MPa
- rated power: 200 kW.

The #3 West ventilation shaft industrial site air compressor room contains three air compressors:

- Two sets mobile air compressors by Ingersoll Rand, model MLGF20/7.5-110G:
 - air discharge volume per unit: 20 m³/min
 - air discharge pressure: 0.75 MPa
 - rated power: 110 kW
- One set of screw air compressor by Ingersoll Rand (model R110U-A8):
 - volumetric flow rate: 19.2 m³/min
 - air discharge pressure: 0.8-0.85 MPa
 - rated power: 110 kW.

The main compressed air pipeline uses Φ219×8 welded pipes, connected from each air compressor station and routed to the underground via the auxiliary shaft or #3 West ventilation shaft.

The compressed air system, based on the Mine's air consumption requirements and the existing air compressor setup, is sufficient to meet the demands of kaolin mining and production. This system serves as the air source for self-rescue during underground emergency.

10.5.5 Mine drainage

The Mine has a normal inflow of 116 m³/h and a maximum inflow of 143 m³/h.

The current mining system for the kaolin mine adopts a two-stage relay drainage system at the mining area level.

The #62 pump station serves the declined mining area, where water inflow is pumped from the #62 pump house (-363 m level) to the -200 m level (Figure 10.6). From there, it flows through the main roadway drainage ditch to the auxiliary shaft sump at the -200 m level, and then the auxiliary shaft pumps concentrate to the drainage and discharges it to the surface.

Figure 10.6: Pump station



Source: Jinyan, 2024

For the other mining areas, water inflow flows naturally through the main roadway drainage ditch to the auxiliary shaft sump at the -200 m level, from where it is also pumped to the surface by the auxiliary shaft pumps.

The -200 m level auxiliary shaft main drainage pump house is equipped with a total of 5 pumps: 4 × MD280-43×6 multistage centrifugal pumps with a head of 258 m, a flow rate of 280 m³/h, and each driven by a 315 kW motor, and 1 × MD200-43×7 multistage centrifugal pump with a head of 301 m, a flow rate of 280 m³/h, and driven by a 450 kW motor.

Three DN250 pipelines are installed, all of which are routed along the auxiliary shaft. The total capacity of the sump at the shaft bottom is 2,800 m³.

10.5.6 Mine monitoring and emergency refuge system

The Mine has implemented and perfected the following underground monitoring and emergency refuge system in accordance with the local regulations:

- Monitoring and Surveillance
- Personnel Positioning
- Compressed Air Self-Rescue
- Emergency Water Supply
- Communication and Liaison
- Emergency Refuge.

10.6 Mine and production plan

The Mine was originally designed for a ROM capacity of 0.5 Mtpa. However, due to the market demand, it operates below this capacity. It is projected that the Mine will achieve an output of 0.4 Mtpa from 2025 until the end of its mine life.

The Mine is designed to operate 330 working days per year, with three 8-hour shifts per day. The net hoisting time, considering availability and utilisation, is estimated at 16 hours. During SRK's site visit, it was observed that only two 8-hour shifts are currently in operation. This includes one 8-hour shift dedicated to maintenance. The processing plant is being supplied at a rate of approximately 26,000 t of ore per month.

As described previously, SRK has re-estimated the Mineral Resources in accordance with the JORC Code and developed a mine plan based on the revised Mineral Resource model (MRM), including only the defined Measured and Indicated Mineral Resources. The mining sequence follows the 23 Design plan, with the Northern section scheduled for mining after the Southern section is completed.

10.6.1 Mine design

The mine plan follows the parameters and design described in the 23 Design. Figure 10.7 shows the mine design plan map, which includes the designed mining blocks. The kaolin resources within each of these mining blocks are listed in Table 10.7, which also provides information on the thickness of the kaolin layer and the cutting range of the shearer. This information enables the kaolin layer extraction and recovery rate to be calculated and serves as a basis for scheduling the block/panel extraction sequence and developing the mine production plan.

Figure 10.7: Plan view of mine design and mining blocks



Source: SRK, 2025

Table 10.7: Key parameters and materials per mining block

Mining Block	Measured and Indicated Resources	Minimum thickness	Maximum thickness	Average thickness	Minimum Cutting	Maximum Cutting	Average Cutting	Dilution	Loss	ROM
	(kt)	(m)	(m)	(m)	(m)	(m)	(m)	(%)	(%)	(kt)
1	615	1.13	4.64	3.06	2.00	4.74	3.16	3.6%	5.0%	605
2	460	2.12	5.14	3.47	2.22	5.24	3.57	2.9%	5.0%	450
3	232	1.15	3.68	2.53	2.00	3.78	2.66	6.4%	5.0%	234
4	384	2.21	4.63	3.69	2.31	4.73	3.79	2.8%	5.0%	375
5	229	1.91	4.05	2.85	2.01	4.15	2.95	3.6%	5.0%	225
6	232	1.72	3.95	3.13	2.00	4.05	3.23	3.3%	5.0%	228
7	174	1.91	3.02	2.38	2.01	3.12	2.48	4.2%	5.0%	173
8	324	1.50	3.49	2.52	2.00	3.59	2.63	4.7%	5.0%	322
9	373	0.85	4.01	2.61	2.00	4.11	2.73	5.3%	5.0%	373
10	204	1.02	2.72	1.89	2.00	2.82	2.13	14.9%	5.0%	223
11	426	1.67	4.19	2.70	2.00	4.29	2.80	3.8%	5.0%	420
12	167	0.94	2.63	1.82	2.00	2.73	2.10	18.4%	5.0%	187
13	177	0.97	4.90	3.10	2.00	5.00	3.22	5.2%	5.0%	177
14	539	0.89	4.90	3.11	2.00	5.00	3.22	3.8%	5.0%	531
15	198	0.94	4.47	2.41	2.00	4.57	2.57	8.3%	5.0%	203
16	118	0.74	2.33	1.43	2.00	2.43	2.02	50.6%	5.0%	169
17	332	1.46	4.12	2.89	2.00	4.22	3.00	3.7%	5.0%	327
18	434	1.06	3.55	2.42	2.00	3.65	2.54	5.8%	5.0%	436
19	402	0.73	4.59	2.85	2.00	4.69	2.98	5.8%	5.0%	404
Total/ average . . .	6,018	1.33	4.16	2.81	2.04	4.26	2.94	6.0%	5.0%	6,062

Source: SRK, 2025

Notes:

- 1 Block numbers are the same as presented in Figure 10.3.
- 2 #2 mining block, located in the South-II mining zone, is currently being mined.

With the exception of mining blocks #2, #5, #6 and #8, the thickness of the kaolin layer in some areas falls below the minimum cutting height of the shearer used. This results in dilution of the kaolin ore as roof rock is also cut. Conversely, in some blocks, the layer thickness exceeds the maximum cutting height of the shearer, leading to ore loss. Contour maps of kaolin layer thickness, derived from the geological model and computer software, can accurately model kaolin ore loss and dilution for the selected equipment configuration.

Mine management has noted that larger longwall equipment, with a shearer capable of cutting up to 8 m, is available at the Mine. For blocks or panels with thicker sections, switching to this equipment could be considered. Normally, a 0.05 m cut of the floor and roof is factored in when estimating ore dilution if the equipment's cutting height is within the maximum and minimum layer thickness range. The estimated average dilution rate is 6.0%. Mine operation management has stated that mining loss using the longwall method is minimal due to the stability of the mineralised layer and prevailing rock conditions, with a 5% mining loss assumed to account for kaolin extraction loss.

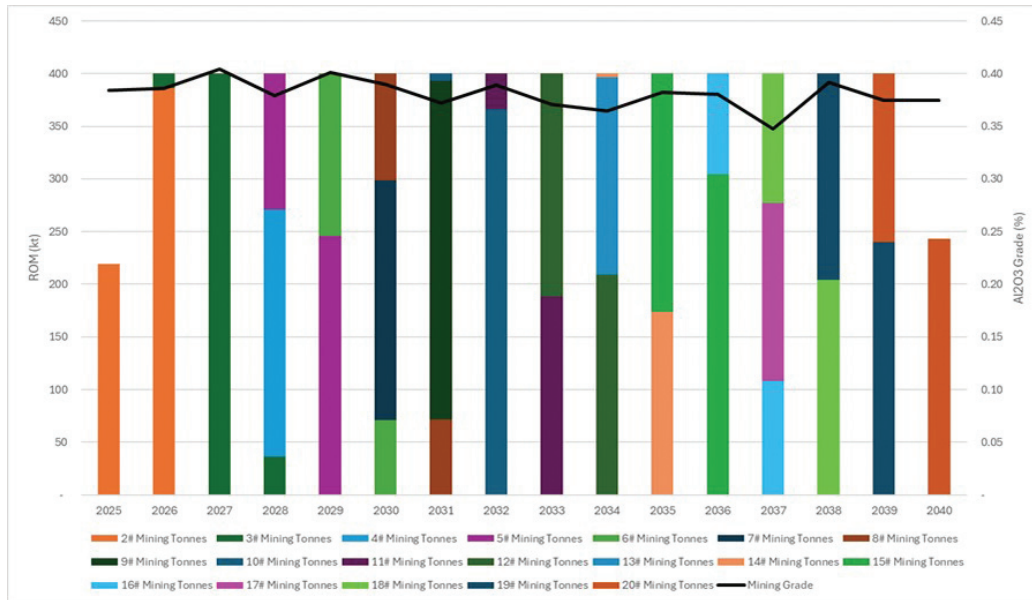
10.6.2 Development, mining and production schedule

The mine plan has been developed based on the following assumptions:

- Mining sections and general mining direction: Mining activities are advancing from the Southern section to the Northern section.
- Panel development: Gate headings for each panel are developed according to the schedule before the actual mining activities begin in the panel.
- Heading development: Only one heading is planned at the same time; the advancing rate is limited to 4 m/day (120 m/month).
- Working face operations: Only one working face is allowed to operate at any given time.
- Roadway development: The main roadways from the previous coal mine operation have been repurposed for the Mine. Additional roadway development will be undertaken as needed to connect new gate roads and panels to the existing roadway system.
- Production rate: The ROM production rate is 0.4 Mtpa.

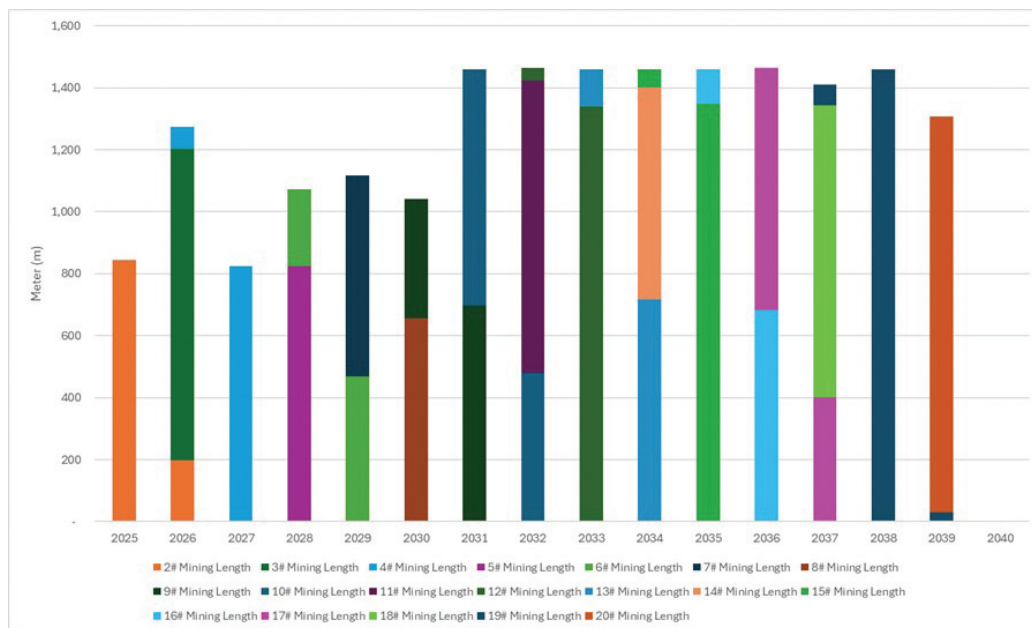
The mining and sequence schedule for each block over LOM is presented in Figure 10.8, and the heading development schedule is shown in Figure 10.9. The integrated mine schedule is detailed tabulated in Table 10.8. The schedule also indicates the ore grade which is achieved on average over the year and the total heading development required. The mining sequencing year by year is presented in Figure 10.10. The remaining LOM is 16 years.

Figure 10.8: ROM mining schedule per block over LOM



Source: SRK, 2025

Figure 10.9: Heading schedule per block over LOM



Source: SRK, 2025

Table 10.8: Summary of Shuoli Kaolin Mine schedule over LOM

Year	ROM	Al ₂ O ₃ Grade	Fe ₂ O ₃ Grade	TiO ₂ Grade	Total Heading
	(kt)	(%)	(%)	(%)	(m)
June-December 2025 . .	219	38.41	0.71	0.51	843
2026	400	38.59	0.59	0.51	1,273
2027	400	40.46	1.03	0.50	823
2028	400	37.93	0.72	0.51	1,073
2029	400	40.09	0.73	0.51	1,117
2030	400	39.00	0.95	0.48	1,040
2031	400	37.21	1.18	0.48	1,460
2032	400	38.89	1.31	0.50	1,464
2033	400	37.08	1.42	0.48	1,460
2034	400	36.43	1.22	0.47	1,460
2035	400	38.24	1.60	0.51	1,460
2036	400	38.02	1.54	0.45	1,464
2037	400	34.77	0.66	0.47	1,410
2038	400	39.15	0.76	0.52	1,460
2039	400	37.49	0.69	0.51	1,307
2040	243	37.45	0.67	0.49	–
LOM Total	6,062	38.08	1.00	0.49	19,115

Source: SRK, 2025

Notes:

- 1 The latest mine survey was conducted on 31 May 2025.
- 2 Approximately 100 kt of kaolin ore is stockpiled on surface, which is excluded from the schedule above.

The map displays the study area with a color-coded legend for the year of the study (2024 to 2040). The legend shows a gradient from blue (2024) to red (2040). The map includes a scale bar (0m to 1km) and a north arrow. The TDP is marked with a red dot and labeled 'TDP'. The mined-out area is marked with a red dot and labeled 'Mined Out'.

10.7 Conclusion and recommendations

The Mine has demonstrated strong operational performance with a well-documented record of kaolin ore production. SRK considers that the management team has the necessary project implementation and operational capabilities to successfully continue mining operations and develop other sections of the Mine.

The mine infrastructure, including both underground and surface service facilities, is well maintained and capable of supporting current and future operations.

- VI-113 -

11 ORE RESERVE ESTIMATION

11.1 Introduction

The definition of Ore Reserves in accordance with the JORC Code (2012) is as follows:

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

11.2 Ore Reserve estimation procedures

The Ore Reserve estimate is derived from the latest Mineral Resource estimate by SRK (Section 7) and the ore block model outlined in the mining plan. SRK has also reviewed and incorporated data from the Project’s technical studies and the current mine design provided by Jinyan. The block design was refined into a panel design for enhanced accuracy and grade control, and this was superimposed on the Mineral Resource model for Ore Reserve using the Deswik.CAD & SCHED software package. The estimated result is further evaluated by the Modifying Factors in accordance with the JORC Code.

The Ore Reserve evaluation involved the following steps:

- Conduct site inspections.
- Process Mineral Resources Models (MRMs) and import the data required.
- Review the operation, previous studies and designs for the Project.
- Define the ore/waste cut-off.
- Assess, modify and apply the mining factors to the estimation.
- Consider Modifying Factors of other disciplines and resulting limits.
- Review technical economic analysis for the Project.
- Prepare the Ore Reserve Statement.
- Conduct an internal peer review.

11.3 Technical studies

SRK has reviewed the following two technical studies undertaken for the Mine, supporting the current underground operation, for which the current approved production capacity is 0.5 Mtpa (within the mining licence boundaries):

- The Preliminary Mine Design of the Mining Engineering at 0.5 Mtpa Capacity for the Shuoli Kaolin Mine; December 2019, Huaibei Industrial and Architectural Design Institute Co., Ltd. (19 Design)
- The Mineral Resources Development and Utilisation Plan Study at 0.5 Mtpa Capacity for the Shuoli Kaolin Mine; January 2023, Anhui Jinyan Kaolin New Materials Co., Ltd. (23 Design).

These two mining study reports were complemented by the current mining plan and actual operational data. These data, collected by SRK during the site visit in October 2024, have been reviewed to support and validate the findings of the project mining studies. The Project's technical studies are considered by SRK to be at a pre-feasibility study (PFS) level and are sufficient to support for an Ore Reserve estimate in accordance with the JORC Code (2012). SRK has developed the mine design and production schedule based on the technical studies reviewed, operational data and the latest Mineral Resource estimate prepared by SRK.

11.4 Ore definition

The definition of the Ore Reserve is based on the natural composition of the kaolin Mineral Resource, accounting for mining dilution, and aligned with the processing plant's minimum requirements for kaolin feed. The cut-off criteria consider the following impurities and limits for the kaolin Ore Reserve:

- $\text{Al}_2\text{O}_3 \geq 30\%$
- $\text{Fe}_2\text{O}_3 \leq 2\%$
- $\text{TiO}_2 \leq 0.6\%$

11.5 Modifying Factors

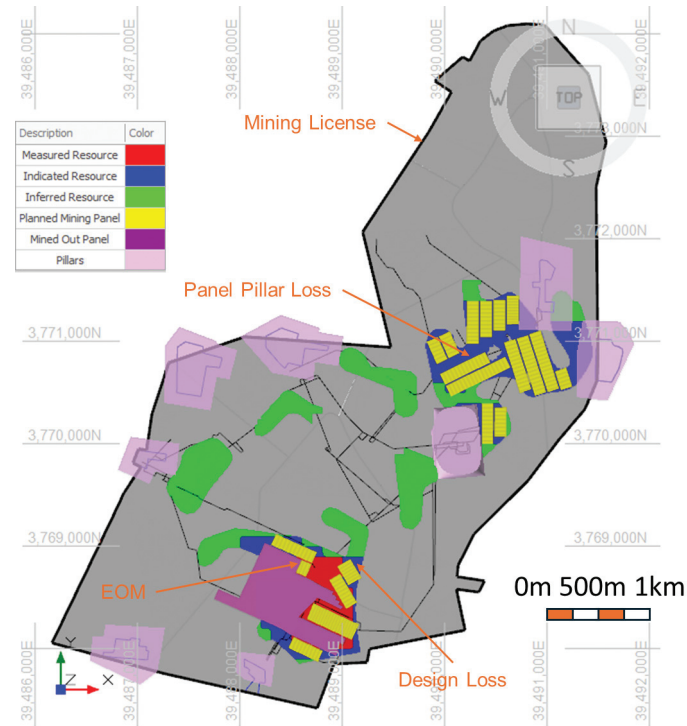
The conversion of Mineral Resource to Ore Reserve (ROM) is achieved by estimating the quantity and applying Modifying Factors. The primary factors considered are mining losses and dilution. Additional considerations include the quality of the Mineral Resource, as well as any environmental, legal or processing constraints, and other factors that could impact the Ore Reserve.

The mining factors applied to the Ore Reserve estimates are:

- Mining panel design (as shown in Figure 11.2):
 - The Ore Reserve is confined within the mining licence boundaries.
 - Only Measured and Indicated Mineral Resources are considered for conversion.
 - The end of month (EOM) underground survey dated 31 May 2025 was used to delineate the Ore Reserve.
- Design loss:
 - Safety pillars are maintained for shafts, surface buildings and other structures.
 - Pannel pillars for the main drive are maintained.
 - Resources in corners that the longwall mining shearers can barely reach are considered.
 - Kaolin layers steeper than 17°, where the longwall mining equipment cannot operate effectively, are considered.
- Mining dilution:
 - The minimum mining width (cutting height) is set at 2 m, considering the width of the longwall shearer used.
 - A 0.05 m dilution applied to both roof and bottom of the kaolin layer if the layer exceeds 1.9 m in height.
 - Additional dilution is considered if the height of the kaolin layer is less than 1.9 m, with an average dilution rate of 5.9% for all designed panels.
 - The quality of the block resource (cut-off grades) is also checked to determine dilution and ore/waste grades.
- Mining loss:
 - The current operation reports the mining loss is minimal due to the stability of the kaolin layer and rock condition; however, a 5% loss is applied to account for overall mining loss.

Figure 11.1 presents a simplified mining map that highlights the areas of the kaolin layer containing classified Mineral Resources. It also shows the designed mining panels (in yellow), which delineate the mineable area with kaolin Ore Reserves.

Figure 11.1: Plan view of Ore Reserve estimate areas



Source: SRK, 2025

11.6 Ore Reserve estimates

The estimated Ore Reserve is based on Mineral Resource estimates and Modifying Factors as summarised in Table 11.1 and shown in waterfall charts in Figure 11.2.

Table 11.1: Ore Reserve estimation sequential table

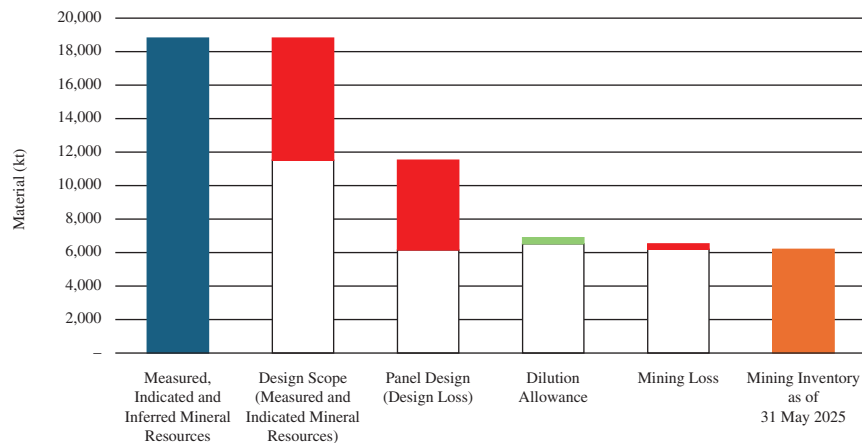
Description	Tonne (kt)
Measured, Indicated and Inferred Mineral Resources	18,649
Within design scope Measured and Indicated Mineral Resources	11,357
Within panel design (design loss considered).	5,338
Allowance for dilution.	363
Mining ore loss	-319
Kaolin Ore Reserve as at 31 May 2025	6,062

Source: SRK, 2025

Note:

- Any differences between totals and sum of components are due to rounding.

Figure 11.2: Ore Reserve waterfall chart



Source: SRK, 2025

11.7 Ore Reserve Statement

According to the JORC Code, an Ore Reserve is the economically mineable part of a Measured and/or Indicated Mineral Resource and includes losses and dilution, which may occur by mine design and during the mining operation. Besides that, Ore Reserves are usually defined at a reference point. For this Report, the reference point is the ROM material as received at the processing plant.

As at 31 May 2025, SRK estimated Ore Reserves of 6.06 Mt within the mining licence boundaries, reported in accordance with the JORC Code (2012) guidelines. This estimate includes 1.09 Mt of Proved Ore Reserves and 4.97 Mt of Probable Ore Reserves. The overall results of the Ore Reserve estimate is tabulated in Table 11.2.

Table 11.2: Shuoli Kaolin Mine Ore Reserve Statement as at 31 May 2025

Category	Ore Reserve	Al ₂ O ₃	Fe ₂ O ₃	TiO ₂
	(kt)	(%)	(%)	(%)
Proved	1,093	38.9	0.66	0.51
Probable	4,969	37.9	1.08	0.49
Total	6,062	38.1	1.00	0.49

Source: SRK, 2025

Notes:

- Any differences between totals and sum of components are due to rounding.
- Cut-off quality of ROM is Al₂O₃ ≥30%, Fe₂O₃ ≤2%, and TiO₂ ≤0.6% to define ore/waste.
- The minimum mining cutting height is 2 m.
- The Ore Reserves are reported on a metric dry tonnes basis.
- The reference point for reporting of the Ore Reserves is ore as received at the mine surface processing plant.
- The Ore Reserves are reported inclusive of Mineral Resources.
- The Mineral Resources are effective as at 31 May 2025.

JORC Code Statement: The information in this Report which relates to the Ore Reserve is compiled by Falong Hu. Mr Hu is a full-time employee of SRK Consulting (China) Limited. He is a Fellow of the AusIMM. Mr Hu has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration, and the activity which he is undertaking to qualify as Competent Person as defined in the JORC Code (2012).

12 PROCESSING

12.1 Kaolin

Kaolin is an industrial ore mainly composed of kaolinite and containing a small amount of other clay minerals and non-clay minerals. Clay minerals generally include halloysite, montmorillonite, hydromica and chlorite, while non-clay minerals generally include quartz, feldspar, mica, aluminium oxide and hydroxide, iron minerals, titanium oxides, organic peat and coal, etc. The chemical formula of kaolinite is $\text{Al}_4(\text{Si}_4\text{O}_{10})(\text{OH})_8$, and the theoretical chemical composition is Al_2O_3 39.50%, SiO_2 46.54%, H_2O 13.96%, $\text{Al}_2\text{O}_3/\text{SiO}_2(\text{A/S})=0.85$.

Kaolin contains impurities such as carbon, iron and titanium. Calcination is commonly used to remove organic carbon and other impurities. When kaolinite is calcined at low temperatures, it exhibits high whiteness, low bulk density, large specific surface area and pore volume, high oil absorption capacity, excellent covering power, high wear resistance, and superior insulation and thermal stability. When kaolinite is calcined at high temperatures, it features high bulk density, high refractoriness, good stability, high strength, and strong resistance to acids and alkalis. The high-temperature calcined product of kaolinite, which includes mullite, cristobalite, and a small amount of glass, serves as a high-quality refractory and precision casting material.

The calcination process of kaolinite is as follows:

- Absorbed water and interlayer water is lost at 110~400°C. At 450~750°C, it loses constitution water and transforms into metakaolinite:
 - $\text{Al}_2\text{O}_3 \cdot 2\text{SiO}_2 \cdot 2\text{H}_2\text{O}$ (kaolinite) \rightarrow $\text{Al}_2\text{O}_3 \cdot 2\text{SiO}_2$ (metakaolinite) + $2\text{H}_2\text{O}$
- At 925~980°C, metakaolinite shows spinel structure, and cristobalite is formed:
 - $2(\text{Al}_2\text{O}_3 \cdot 2\text{SiO}_2)$ (metakaolinite) \rightarrow $2\text{Al}_2\text{O}_3 \cdot 3\text{SiO}_2$ (silicon and aluminium spinel) + SiO_2 (cristobalite)
- At 1050~1,500°C, metakaolinite shows mullitisation, first transforming into mullite-like structure, and then transforming into mullite:
 - $3(2\text{Al}_2\text{O}_3 \cdot 3\text{SiO}_2)$ (silicon and aluminium spinel) \rightarrow $2(3\text{Al}_2\text{O}_3 \cdot 2\text{SiO}_2)$ (mullite) + 5SiO_2 (cristobalite).

Kaolin has different physical and chemical properties and qualities according to the different origins and producing areas of the component minerals. Different applications or uses have diverse quality requirements for kaolin. In terms of chemical composition, industries such as papermaking coatings, high-voltage porcelain, refractory crucibles, and petrochemical carriers demand that the Al_2O_3 and SiO_2 contents in kaolin are closely matched to the theoretical values of kaolinite. For domestic ceramics, construction sanitary ceramics, white

cement, and rubber and plastic fillers, the Al_2O_3 content requirements can be slightly lowered. Cable fillers not only require high-purity kaolin, but also have stringent requirements for volume resistivity. There are also specific requirements for deleterious oxides like Fe_2O_3 , TiO_2 and SO_3 , and the permissible content levels of CaO , MgO , K_2O and Na_2O vary based on the intended use.

Regarding physical properties, there are specific requirements for each application or use. Papermaking coatings and pigments primarily demand high whiteness, low viscosity, and fine particle size. The ceramic industry requires good plasticity, formability, and firing whiteness. The enamel industry needs good suspension properties, while refractory materials require high refractoriness.

12.2 Shuoli kaolin and its products

The Shouli kaolin resource is stable, with an alumina-silica ratio close to the theoretical value and over 95% kaolinite content and good crystal orderliness. When used for precision casting shell moulds, its calcined kaolin exhibits high refractoriness, low expansion, excellent thermal and chemical stability, and high collapsibility. These properties facilitate the casting process, allowing for easy demoulding, minimal deformation, low shrinkage, a high-quality finish, and a high yield of finished products. As refractory materials, Jinyan's calcined kaolin products provide high strength, purity and excellent thermal shock resistance.

Jinyan began developing Shuoli kaolin in the late 1980s. Initially, ultrafine kaolin powder for industrial fillers was the primary product but due to high production costs and lack of competitiveness, production ceased in 2013. Over the years, Jinyan has built technical expertise and market recognition in producing various products, including crushed and screened kaolin ores, which are commercially referred to as raw coke and powder, as well as calcined kaolin ores. The calcined kaolin ore is further processed into precision casting mullite sand and powder, and refractory mullite, commercially known as chamotte. Jinyan, formerly the Huaibei Kaolin Shuoli Mining Co., Ltd., assisted in drafting the Chinese industry standard 'Calcined Kaolin Sand and Powder for Precision Casting' (JB/T 11733-2013). Jinyan recently developed a new ceramic fibre product, with commercial production expected to commence in the first quarter of 2025. In addition to all the products, waste generated during processing is used to produce non-fired bricks.

The Chamotte Plant (Figure 12.1) includes a calcined kaolin workshop, a kaolin ceramic fibre workshop and a non-fired brick workshop. The calcined kaolin workshop comprises four rotary kiln production lines and two shaft kiln production lines, with a total production volume of 0.34 Mtpa. Kaolin ores are calcined at high temperatures, with the rotary kilns producing precision mullite products and the shaft kiln producing refractory mullite products (chamotte).

In the ceramic fibre workshop, calcined kaolin is further processed into fibre products, which are characterised by their good thermal insulation properties. These fibres are used as insulation materials for industrial furnaces and pipelines, as well as fillers for desulfurisation and denitrification equipment.

In the Mullite Precision Casting Sand and Powder Plant at the Longhu Industrial Park, calcined kaolin from the rotary kilns is further processed into different precision casting sand and powder products (Figure 12.2).

Waste generated during these processes is used as material for making non-fired bricks.

Figure 12.1: Chamotte Plant



Source: SRK site visit, October 2024

Figure 12.2: Mullite Precision Casting Sand and Powder Plant



Sources: Jinyan, 2024

12.3 Ore properties

12.3.1 Mineral composition

The ore has microscale-like structure under the microscope, and part of it has pelitic texture. It is dominated by kaolinite, followed by boehmite ($\text{AlO}(\text{OH})$). There are also small amounts of zoblitzite, siderite, montmorillonite, chlorite, halloysite, sulfate and phosphate.

12.3.2 Physical properties

The ore primarily exhibits a light grey to black-grey colour, with some appearing piebald and dark red-yellow-green. It has a gelatinous, dense, massive structure and is characterised by being fine, hard and brittle.

The ore's Mohs hardness ranges from 3 to 4, and its specific gravity is between 2.56 and 2.74 g/cm^3 , with an average of 2.62 g/cm^3 . It has a dull, greasy lustre and a natural whiteness ranging from 50.5% to 64.6%, averaging 53.98%. The coloration of the ore is mainly attributed to the presence of organic carbon, which ranges from 0.024% to 0.069%, with an average content of 0.041%.

12.3.3 Chemical composition

The results of the chemical analysis of Jinyan kaolin are shown in Table 12.1.

Table 12.1: Kaolin chemical composition

Chemical Composition	Content	Remarks
	(%)	
SiO_2	37.62-45.13	Generally 43.5%
Al_2O_3	37-44	Generally about 40%
Fe_2O_3	0.4-1.0	Generally $\leq 0.71\%$
TiO_2	0.49-0.69	Generally $\leq 0.64\%$
CaO	0.10-0.38	Averaging 0.20%
MgO	0.04-0.40	Averaging 0.10%
K_2O	0.03-0.12	Averaging 0.06%
Na_2O	0.08-0.24	Averaging 0.13%
SO_3	0.03	
P_2O_5	0.25	
MnO	0.002	
Organic Carbon Content	0.041	
Ignition Loss	14.5	
pH Value	6~8	

Source: Anhui Jinyan Kaolin Technology Co., Ltd., Feasibility Study Report on the Expansion Project of 62,000 tpa Calcined Kaolin Raw Material Base, March 2014

The chemical composition of the ore has the following characteristics:

- The kaolinite content is high, greater than 95%.
- For high-temperature calcined products, the composition includes more than 55% mullite phase, 10% to 20% cristobalite phase, with the remainder being glass phase. The presence of cristobalite phase contributes to the material's high refractoriness and makes the shell easy to collapse, making it an excellent casting material.
- The content of beneficial component Al_2O_3 is high, ranging from 37.62% to 45.13%, with an average of 40%. This is higher than the theoretical value of kaolinite, which is 39.5%. It is classified as high-aluminium ore due to the presence of a small amount of boehmite.
- The content of SiO_2 is low, ranging from 37.62% to 45.13%, with an average of 42.9%.
- The content of TiO_2 is 0.49% to 0.69%, averaging 0.60%. It is the feature of sedimentary deposit.
- The content of H_2O is approximately 14%, which is close to the theoretical value of 13.9%.
- The content of organic carbon is low, generally 0.024% to 0.06%, with an average of 0.041%. It is an important feature of sedimentary kaolin deposits associated with coal measures. Its colour is generally grey-black.
- There is an inverse relationship between Al_2O_3 and Fe_2O_3 .

12.4 Kaolin calcination

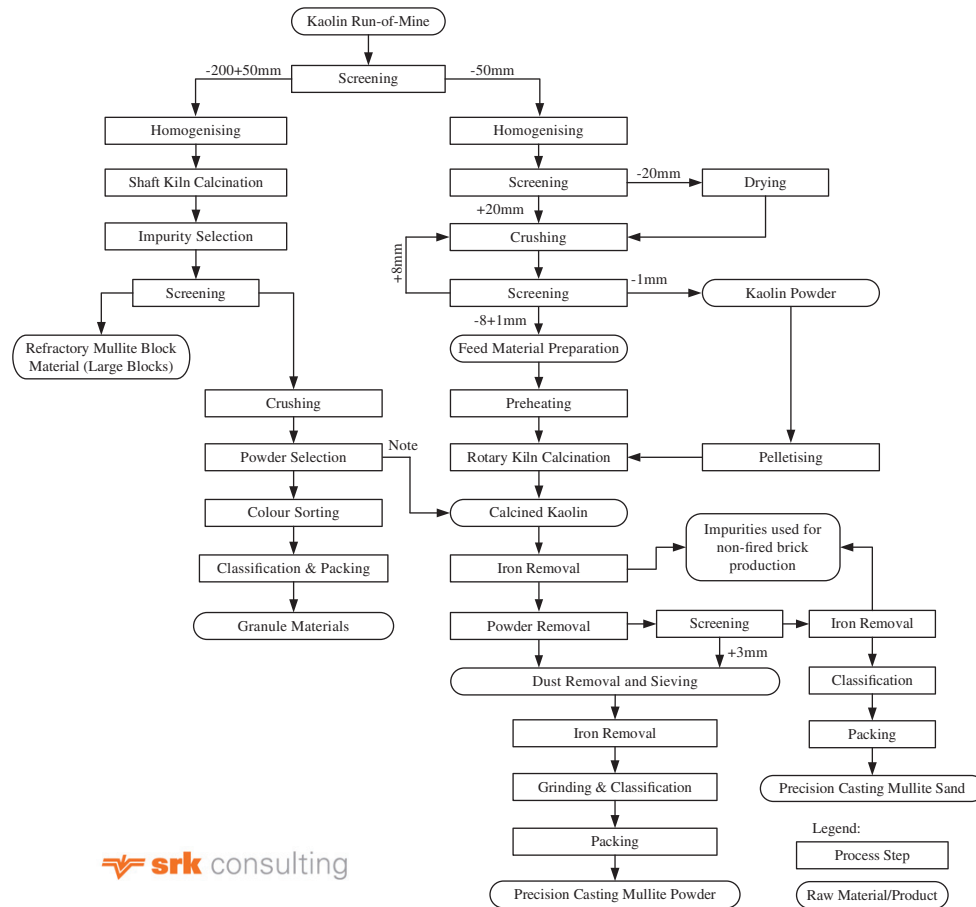
12.4.1 Production process

Calcination is one of the important processing techniques of kaolin. Through calcination, constituent water, carbon and other volatile substances are removed and calcined kaolin is produced.

Jinyan employs two types of high-temperature calcination equipment — rotary kilns and shaft kilns — to calcine kaolin ore of varying particle sizes, achieving mullitisation. The calcined material is then further processed into mullite products for different applications. The products for refractory use are known as refractory mullite block and granule materials. The products for precision casting are referred to as precision casting mullite sand and powder. These are Jinyan's main products.

Figure 12.3 shows the production flow of calcined kaolin at the Jinyan processing plant, which includes three circuits: material preparation, calcination and post-treatment.

Figure 12.3: Calcined kaolin processing flowsheet



Source: SRK, 2025

Note: Adjust process steps as needed.

Material preparation

The material preparation circuit includes crushing, classification and homogenising.

Kaolin ore is lifted from the underground mine to the surface stock bin, which has a maximum block size of 200 mm. It is then conveyed to the processing plant via a belt conveyor. In the screening workshop, the ore is sorted into two categories: particles larger than 50 mm and those smaller than 50 mm. Blocks larger than 50 mm are conveyed to a bulk material storage bin for homogenisation and used as feed for the shaft kiln. Materials sized 0-50 mm are transported to the cobbing storage bin and further separated by a vibrating screen into materials larger than 20 mm and those smaller than 20 mm. The materials smaller than 20 mm are preheated and dried using rotary kiln tail gas, then mixed with the larger materials. This mixture is crushed to a size of less than 8 mm and sent to a powder storage warehouse for homogenisation, serving as feed for the rotary kiln.

Homogenisation is the mixing process involved in calcination. Its purpose is to maintain consistent particle size and chemical composition of the materials fed into the furnace, ensuring the stability of the calcination process and the quality of the final product. The homogenisation process consists of two steps. First, materials are evenly unloaded into a rectangular warehouse using a belt discharging carrier. Second, the materials are fed from the discharge outlets at the bottom of the warehouse into the calcining furnace, which includes both shaft kilns and rotary kilns.

Calcination by shaft kiln

Bulk materials larger than 50 mm are fed into the shaft kiln via a belt conveyor for calcination, using natural gas as the heat source. The materials move continuously downward from the preheating zone at the top of the shaft kiln, passing through various temperature zones, and complete mullitisation at the bottom of the furnace. The calcined kaolin is then cooled in the cooling zone and transported to the post-treatment workshop (refractory mullite processing workshop) by a belt conveyor after passing through the discharging machine.

Chamotte classification, impurity removal and crushing

The calcined kaolin products from the shaft kiln are primarily used as refractory mullite, commercially known as chamotte. Over-calcined and under-calcined products are manually removed. The remaining material is sorted into large and small pieces using a vibrating screen. Large pieces, sized 50-200 mm, are stored as the final product for sale. Small pieces, with a particle size of 0-50 mm, are processed further. Under-calcined, over-calcined products and impurities are separated using a colour sorter and used as waste materials for brickmaking. The pure products, after colour sorting, are sent to a clinker bin and crushed to less than 8 mm in a closed circuit. Impurities are further removed using an iron remover and colour sorter. The material is then classified into different particle sizes (0-1 mm, 1-3 mm, 3-5 mm, 5-8 mm) using a multi-layer linear vibrating screen, resulting in the final granule product of chamotte. These are sent to the product storage warehouse, packaged, and stored for sale.

Calcination by rotary kiln

Materials stored in the powder homogenisation warehouse of the material preparation workshop are delivered to the buffer bin at the kiln's tail via a belt conveyor. They are measured by an electronic belt scale and then sent to the rotary kiln's preheater using a bucket elevator. The waste heat from the kiln's tail is used for preheating. The materials are then fed into the rotary kiln for calcination. As the rotary kiln rotates, the materials move from the kiln tail to the kiln head, passing through various temperature zones, gradually completing mullitisation. Finally, the qualified calcined kaolin is cooled — Lines 1, 2 and 3 use cooling rotary kilns, while Line 4 uses a grate cooler — and then transported to the clinker bin by belt conveyor and bucket elevator for further processing.

At the processing plant, four rotary kiln lines have been constructed. Lines 1, 2 and 3 are powered by pulverised coal, with production volumes of 30,000 tpa, 30,000 tpa and 60,000 tpa, respectively. Line 4 is powered by natural gas and has a production volume of 200,000 tpa.

The calcined kaolin is transported to the Mullite Precision Casting Sand and Powder Plant. In the milling workshop, iron is initially removed from fine-grained calcined products using a roll-type high-intensity magnetic separator. The products are then sent to a cleaning and blowing machine, where strong airflow separates fine powder and fine sand at approximately 120 mesh. The fine sand undergoes a second iron removal process using a dry-type high-intensity magnetic separator. It is then classified by a high-efficiency air classifier into products with different particle sizes ranging from 120 mesh to 16 mesh. These products are transported to storage tanks and the packaging workshop via pneumatic transmission. After packaging, they are stored and sold as precision casting mullite sand.

‘The Production Method of Coal Kaolin Calcined Mullite Precision Casting Sand Powder’ invented by Jinyan is notable for its approach to processing, as the hardness of mullite is significantly higher than that of kaolin. The production process involves the fine crushing of ore material in advance, feeding fine grains into the kiln, and employing a rapid calcination speed. This technique is energy efficient and conserves materials, reducing energy consumption in subsequent milling stages. This innovative method complements the process of removing iron from fine-grained calcined products, as described earlier, ensuring the production of high-quality mullite sand for precision casting.

12.4.2 Production facilities and equipment

The calcined kaolin production facilities comprise several key components, including an ore belt conveyor corridor, a screening workshop, a bulk material homogenisation silo, a powder preparation workshop, a shaft kiln workshop, a chamotte processing workshop, a rotary kiln workshop with four production lines, a mullite processing workshop, product storage tanks, a packaging workshop, and a product warehouse.

Table 12.2 lists the primary calcination equipment, while Table 12.3 presents the equipment used for finishing and packaging the calcined products. Figure 12.4 is a series of photographs of the calcined kaolin plant.

Table 12.2: Main equipment of kaolin calcination

No	Equipment Type	Equipment	Specification	Power (kW)	Quantity
I . . . Feeding					
Preparation					
1 . . .	Screening Machine	Trommel Screen	HS152035- 1500/2000 ×3500mm	11	2
2 . . .		Linear Screen	WFPS-G-1850	22	2
3 . . .		Vibrating Screen	3WFPS-L-2565	15	1
4 . . .		Vibrating Screen	2WFPS-X-1842	15	1
5 . . .	Dryer	High-Efficiency Energy-Saving Dryer	φ2.4*18.3m	56.15	1
6 . . .	Crusher	Impact Crusher	PF1214	320	2
7 . . .		Vertical Impact Crusher	VSI1150	500	1
8 . . .		Hammer Crusher	PCX	45	1
9 . . .		Crusher	PCZ	30	1
10 . .		Reversible Hammer Crusher	PFCK1212	200	1
11 . .		Impact Crusher	PFCK1208	132	1
12 . .		Jaw Crusher	PE900×600	75	1
13 . .		Jaw Crusher	PE500	45	2
14 . .	Fan	Fan	Y4-73 No14D	200	1
15 . .		Centrifugal Induced Draft Fan	Y5-48-10	45	1
16 . .		Centrifugal Induced Draft Fan	Y9-38-9D	55	1
17 . .	Bucket Elevator	Bucket Elevator	NE150-28.3m	30	1
18 . .		Bucket Elevator	NE300-28.3m	50.5	1
19 . .		Bucket Elevator	NE50-22m	11	1
20 . .		Bucket Elevator	NE30-22.7m	5.5	1
21 . .		Bucket Elevator	NE30-21.3m	5.5	2
22 . .		Bucket Elevator	NE30-18.5M	7.5	1
23 . .		Bucket Elevator	NE50-23.5M	11	1
24 . .	Powder Separator	Powder Separator	ZFX1200	18.5	1
25 . .		Powder Separator	NHX-500	11	1
26 . .		Powder Separator	NHX-400	7.5	1

No	Equipment Type	Equipment	Specification	Power (kW)	Quantity
27 ..	Screw Conveyor	Screw Conveyor	LSS315×7755	7.5	2
28 ..		Screw Conveyor	LSS315×3045	5.5	1
29 ..		Screw Conveyor	LS-250	3	11
30 ..	Belt Conveyor	Belt Conveyor	B650		9
31 ..		Belt Conveyor	B500	5.5	1
32 ..		Belt Conveyor	B800		9
33 ..		Belt Conveyor	B1000		5
34 ..		Belt Conveyor	TD75-5050	2.2	8
35 ..		Belt Conveyor	TDY75 Type	2.2	2
36 ..		Inclined Belt Conveyor	TDY	2.2	2
II. . . Calcination					
37 ..	Rotary Kiln	Rotary Kiln (Shuoli)	φ2.2*44m	45	1
38 ..		Rotary Kiln (with Cooling Kiln)	φ2.2*44m	45	1
39 ..		Rotary Kiln Equipment for Sintering and Coal Grinding Workshop	φ3*60m	132	1
40 ..		4th Rotary Kiln	φ4.2*82m	325	1
41 ..	Cooling Kiln	1# Kiln Cooling Kiln	φ2.2*19.5m	30	1
42 ..		Cooling Kiln Equipment for Sintering and Coal Grinding Workshop	φ2.8*28m	75	1
43 ..	Grate Cooler	Grate Cooler	RC2121-SM	220	1
44 ..	Shaft Kiln	Shaft Kiln	50m ³		2

Source: Jinyan, 2025

Table 12.3: Mullite sand powder processing and product packaging equipment

No	Equipment Type	Equipment	Specification	Power (kW)	Quantity
1 . . .	Iron Remover	Three-Roll Dry Magnetic Separator	CTG-40-120III	5.2	2
2 . . .		Three-Roll Dry Magnetic Separator	CTG20-120III	4	8
3 . . .		Double-Roll Dry Magnetic Separator	CTG-40-120II-00	3	12
4 . . .		Dry Magnetic Separator (Iron Remover)	RCT120	1.5	4
5 . . .		Three Magnetic Roll Iron Remover	TY-3-1000	0.37	2
6 . . .		High Gradient Magnetic Separator	ZL025	0.5	3
7 . . .		Magnetic Separator	GYC-2×60	1.1	7
8 . . .		Iron Remover			6
9 . . .	Crusher	Vertical Impact Crusher	PL-700	75	1
10 . .		Crusher	PC4012-75	75	1
11 . .		Crusher	PE250*400	45	1
12 . .		Hydraulic Double- Roll Crusher	750*500 Type	2*22	1
13 . .	Ball Mill	Dry Ball Mill	φ3.6*10m	1000	2
14 . .		Ball Mill	Φ2.4*7M	300	2
15 . .	Powder Separator	Powder Separator	TAS1600	45	2
16 . .		Powder Separator	FLS400	18.5	1
17 . .		Powder Separator	TS-CX	15	2

No	Equipment Type	Equipment	Specification	Power (kW)	Quantity
18 . .	Bucket Elevator	Bucket Elevator	NE50-41.5M	22	1
19 . .		Bucket Elevator	NE50-22.5m- 40m3-h-Left Load	15	1
20 . .		Bucket Elevator	NE30-16.5m- 22m3-h-Left Load	7.5	1
21 . .		Bucket Elevator	NE30-30m-22m3- h-Left Load	11	1
22 . .		Bucket Elevator	NE50	11	1
23 . .		Bucket Elevator	NE15	5.5	5
24 . .		Bucket Elevator	HL250	4	3
25 . .		Plate Chain Bucket Elevator	NE30	4	2
26 . .		Chain Plate Elevator	NE50	15	1
27 . .		Chain Plate Elevator	NE30	7.5	2
28 . .		Chain Plate Elevator	NE15	5.5	10
29 . .		Bucket Elevator	Model: NE50- 41M	22	1
30 . .		Bucket Elevator (Including Civil Installation)	NE30	4	3
31 . .		Bucket Elevator	NE30-21.5m-30t- Right Load	11	1
32 . .		Bucket Elevator	NE30		12

No	Equipment Type	Equipment	Specification	Power (kW)	Quantity
36 ..	Screening Machine	Swing Screen	YX-2000-1S	4	1
3 ...		Circular Vibrating Screen	2YAH1848	1.5	2
38 ..		Four-Layer Rotary Vibrating Screen	S49-1600	3	4
39 ..		Sieve		1.8	1
40 ..		Direct Screen	SZF-1050	1.8	7
			S49-1600	3	1
			S49-1600	3	3
			SZF-1030	3.6	2
			Type-3S		
41 ..		Drum Screen	Φ1000×2500	7.5	2
42 ..		Circular Vibrating Screen	S49-1600	3	1
43 ..		Roller Screen	Φ1500×2500 HS40	3	1
44 ..		Roller Screen	Φ1000×2500	7.5	1
33 ..		Probability Screen	GLS2040	22	2
34 ..		Square Swing Screen	FY-2040-2×5S	7.5	3
37 ..		Linear Screening Machine	ZXS-1020-1	2	1
35 ..		Linear Screening Machine	ZXS-1540-2	2	1
46 ..		Linear Screen	ZXS-1530-2	5.5	3
47 ..	Air Slide	Air Slide	B650×17.394M	3	2
48 ..		Bottom Air Slide	Specification: XZ200-19.7m	7.5	1
49 ..	Belt Conveyor	Belt Conveyor	B650		26
50 ..		Belt Conveyor	B650		10
51 ..	Conveyor	Chain Conveyor	Conveying Speed=12m/min	0.75	75
52 ..		Roller Conveyor	Conveying Speed=12m/min	0.55	45

No	Equipment Type	Equipment	Specification	Power (kW)	Quantity
53 . .	Fan	Dust Collection Fan	9-28 No7.5D	18.5	3
54 . .		Centrifugal Induced Draft Fan	9-26-9D	45	1
55 . .		Dust Removal Fan	4-68-8C	45	2
56 . .		Fan	9-26-10	55	1
57 . .		Fan	9-26-10D	75	1
58 . .		Fan	9-38-9C	45	2
59 . .	Wrapping Machine	Wrapping Machine		1.84	2
60 . .		Wrapping Machine	Little Bee	3.75	2
61 . .	Packaging Line	Packaging Line		58.8	3
62 . .	Packaging Machine	Single Nozzle Packaging Machine	DGYQ		2
63 . .		Automatic Packaging Machine	H3CM-5		1
		Packaging Machine			6
64 . .		Packaging Machine	Zhengyuan Automatic Packaging Machine		2
65 . .	Pelletising Machine	Robot Packaging Pelletising Production Line	DCS50P CBT-90		1
66 . .		Intelligent Pelletising Equipment	ABB		2
67 . .		Manipulator	ABB	15.9	3
68 . .	Loading System	Loading System	Processing Capacity; 150t/h (Total)	43.2	

Source: Jinyan, 2025

Figure 12.4: Jinyan calcination kaolin plant



Source: SRK site visit, 2024

12.4.3 Product quality

The chemical test results for precision casting mullite sand and powder products are detailed in Table 12.4. When compared to the standards set by the China Foundry Association, the product quality satisfies the requirements for Grade II calcined kaolin for casting. The Huaibei Shuoli Mining Co., Ltd. drafted the industry standard ‘Calcined Kaolin Sand and Powder for Investment Casting’ (JB/T 11733-2013) and the group standard (T/CFA 0202044-2021) was drafted by Anhui Jinyan Kaolin Technology Co., Ltd., both of which are predecessors of Jinyan.

Table 12.4 lists the relevant quality standards for calcined kaolin sand and powder for precision casting as specified in T/CFA 0202044-2021.

Table 12.4: Test results of precision casting mullite sand and power

Item	16-30 mesh ²	30-60 mesh ¹	200 mesh ¹	200 mesh ²	Sand/ Powder ¹	Sand/ Powder ¹	T/CFA ³
Al ₂ O ₃	46.88	47.56	47.05	47.47	45.40	46.90	45.0~51.0
SiO ₂	51.2	49.82	50.19	50.09	51.63	50.92	47.0~52.0
Fe ₂ O ₃	0.61	0.70	0.85	0.76	0.95	0.66	≤1.0
TiO ₂	0.60	0.66	0.63	0.59	0.66	0.60	≤0.7
CaO	0.14	0.26	0.27	0.29	0.31	0.17	≤0.6
MgO	<0.01	0.15	0.15	0.03	0.16	<0.01	
K ₂ O	0.14	0.14	0.13	0.14	0.14	0.13	≤0.4
Na ₂ O	0.18	0.21	0.23	0.17	0.21	0.17	
LOI (1,025°C) .	<0.05			<0.05		<0.05	≤0.3
Report Date . . .	2024/9/10	2024/5/29	2024/6/24	2024/9/10	2024/5/30	2024/9/2	

Source: Jinyan, 2024

Notes:

- 1 National Quality Supervision & Inspection Center for Refractories
- 2 Foshan Ceramics Research Institute Co., Ltd.
- 3 Foshan Ceramic Research Institute Testing Co., Ltd.
- 4 Group standard (T/CFA 0202044-2021) of China Foundry Association
- 5 Grade I calcined kaolin sand and powder for investment casting

The phase test results are presented in Table 12.5, and the density test results are shown in Table 12.6.

Table 12.5: Phase test results of Jinyan calcined kaolin products

Sample ID	Samples	XRD Analysis Results (Phase %)		
		Mullite Phase	Cristobalite Phase	Glass Phase
2023-3707#	2# chamotte particles	55~60	10~20	The rest
2023-3708#	3# chamotte particles	55~60	10~20	The rest
	Precision casting			
2024-0012#	mullite sand	~60	10~20	The rest
	Precision casting			
2024-0013#	mullite sand	~60	10~20	The rest

Source: Jinyan, 2024

Note: Test unit and date: Sinosteel Luoyang Institute of Refractories Research Co., Ltd, May 2023 and January 2024

Table 12.6: Density test results of calcined kaolin products

Sample	1	2	Average
	(g/cm ³)	(g/cm ³)	(g/cm ³)
Precision Casting Mullite Sand	2.52	2.53	2.52
Precision Casting Mullite Sand	2.52	2.52	2.52

Source: Jinyan, 2024

Note: Testing Unit and Date: National Refractory Material Quality Inspection and Testing Center, January 2024

Particle size composition is processed in accordance with industry standards or tailored to customer-specific requirements. Testing is typically conducted as part of the internal quality control process and is not conducted at an external laboratory. Table 12.7 presents the particle size test results for a batch of products.

Table 12.7: Particle size test results of precision casting mullite sand and powder

Product	Batch Number	Physical Properties	
		Sieve Residue	Whiteness
		(%)	(%)
200 Mesh Precision Casting Mullite Powder	D0707A152	12.5	62.3
		Mesh	Content (%)
10-16 Mesh Precision Casting Mullite Sand	D0707B33	+10	4.2
		-10+16	94.95
		-16+100	0.8
		-100	0.05
10-16 Mesh Precision Casting Mullite Sand	D0707B32	+12	1
		-12+14	18.4
		-14+25	78.45
		-25+100	2.1
		-100	0.05

Source: Jinyan, 2024

Chamotte Blocks: These blocks have physical properties characterised by a mullite phase exceeding 55%, a bulk density of at least 2.55 g/cm³, water absorption of 3% or less, and apparent porosity of 6% or less. They have a clean appearance, free from visible impurities or black spots.

Chamotte Regular Blocks: These blocks are produced by selecting high-grade blocks and removing impurities from general calcined bauxite material. They also achieve a mullite phase greater than 55%, a bulk density of at least 2.55 g/cm³, water absorption of 3% or less, and apparent porosity of 6% or less.

12.5 Kaolin ceramic fibre

12.5.1 Overview

Kaolin ceramic fibre products are known for their high whiteness, low fineness, minimal impurities, low slag ball content and exceptional refractoriness, offering properties such as fire resistance, thermal insulation, and heat retention. These fibres are suitable for high-end applications, including engineering ceramic environmental filter tubes and automotive liners, and are used in desulfurisation and denitrification processes across industries such as metallurgy, power generation, thermal kilns, petrochemicals, and construction. They also serve as insulation materials for industrial furnaces and thermal pipelines.

The kaolin fiber production workshop uses calcined kaolin, quartz sand, and alumina powder as raw materials, employing blowing and spinning processes to manufacture engineered ceramic fibers, with a designed annual capacity of 1,000 tpa.

During SRK's site visit in October 2024, the construction of the workshop had been completed, but it was not yet operational. Jinyan plans to commence commercial production in the first quarter of 2025.

12.5.2 Processes

The production process of kaolin ceramic fibre involves: raw materials mixing, melting, fibre formation, collection, slag removal, chopping, and packaging (Figure 12.5).

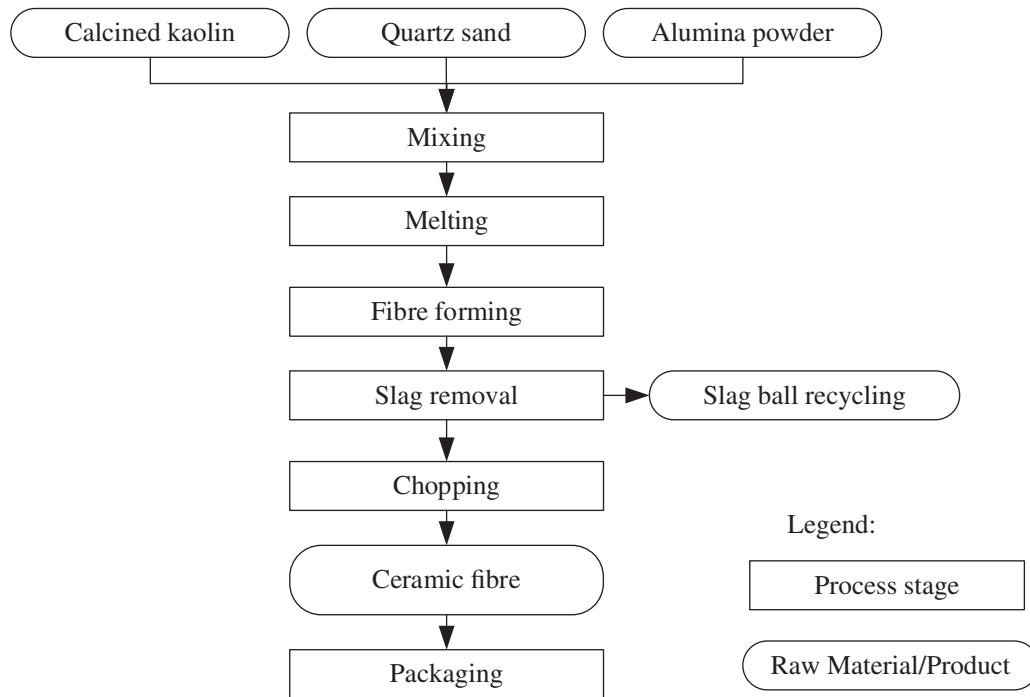
Calcined kaolin, quartz sand, and alumina powder are mixed in specific ratios and stored in a feeding bin. The mixture is fed into an electric melting furnace at a controlled rate, where it is heated and melted. The melt flows continuously from the bottom of the furnace to the fibre-forming equipment.

In the fibre formation process, molten material is transformed into fibres through two primary methods. In the blowing process, the molten material flows through a high-temperature-resistant metal nozzle to form a liquid column, which is then solidified into a mixture of fibres and slag balls using compressed air. Alternatively, in the spinning process, the molten stream is directed onto a high-speed rotating centrifugal roller, where centrifugal force disperses and stretches the material into fibres. Once formed, the fibres are collected in a chamber using a fibre collector. To enhance fibre purity, a dry slag removal system is employed to separate slag balls from the fibres by exploiting differences in density, with airflow aiding

in the separation during collection. The fibre products are fed into adjustable chopping equipment, where they are processed into different lengths and shapes according to various uses or market requirements, and then packaged as saleable commodities.

The design specifies that producing 1 t of finished fibre requires 800 kg of calcined kaolin, 130 kg of alumina powder and 110 kg quartz sand.

Figure 12.5: Ceramic fibre production process



12.5.3 Production equipment

Table 12.8 lists the main production facilities at the kaolin fibre workshop. Figure 12.6 provides images of these production facilities.

Table 12.8: Major equipment for Jinyan kaolin fibre

No.	Equipment	Specifications	Power (kW)	Quantity
1	Mixing systems	ZCHL/20	17.5	1
2	Resistance furnace	ZCDZL-3200	950	1
3	Spinner	ZCSSJ-205	22.5	2
4	Condenser	ZCJMQ/1400	160	1
5	Needling machine	ZCZCJ/2	15	1
6	Curing annealing furnace	ZCHL-30/1600	420	1
7	Skiving	ZCDQ/1500	70	1

Source: Feasibility Study Report for High-Grade Synthetic Ceramic Fiber Project, Anhui Jinyan Kaolin New Materials Co., Ltd., February 2023.

Figure 12.6: Part of the production equipment for the Jinyan kaolin fibre



Source: SRK site visit, 2024

Kaolin fibre is a type of engineering ceramic fibre and a deep-processed product of calcined kaolin. Currently, there are no uniform national or industry quality standards.

The Feasibility Study Report for the High-Grade Synthetic Ceramic Fiber Project did not specify the product technical indicators. It only noted that fibre diameter, fibre length, fibre index, Bickel value and other applicable parameters are important. There are no specific testing standards for fibre length, fibre index and Bickel value. The testing methods vary among different companies.

There are no national standards yet and the proposed technical indicators for ceramic fibre are based on those determined by environmental protection companies.

12.6 Raw coke and powder

Raw coke refers to kaolin ore, while raw powder (less than 1 mm) is the fine kaolin powder obtained from ore through crushing and fine grinding. Both the lumpiness of raw coke and the fineness of raw powder can be adjusted according to market demands.

Raw powder is primarily used in the papermaking, coating, and rubber and plastic industries. Besides whiteness and purity, the fineness and particle size distribution of kaolin are critical quality indicators for kaolin fine powder.

Raw coke products are classified according to particle size and impurity content. Blocks measuring 50 mm or more are categorised as raw coke blocks, those between 30 mm and 50 mm as medium raw coke, and those 30 mm or less as raw coke fragments. Raw coke with an Fe_2O_3 content of 1.5% or less is classified as first grade, 1.5% to 2.0% as second grade, and more than 2.0% as raw coke waste (waste ore). Table 12.9 details the classification of raw coke products based on particle size and Fe_2O_3 content.

The processing technology for raw coke is relatively straightforward. A double-deck vibrating screen (75 kW) is used to screen the ore from the mine, classifying it into three particle size categories: more than 50 mm, 30-50 mm, and less than 30 mm. The quality grade is then determined based on appearance and iron content test results. Within each particle size category, ore with an Fe_2O_3 content greater than 2.5% or significantly more non-kaolin impurities is considered unqualified (raw coke waste). These ores are mixed together to form the raw coke mixture, which is used as the raw material for manufacturing non-fired bricks.

Table 12.9: Raw coke product classification

Particle Size	Fe ₂ O ₃ Content	Product Grades
(mm)	(%)	
>50	<1.2	Raw coke primary lumps
	1.2~1.5	Raw coke secondary lumps
	>1.5	Raw coke waste
30~35	<1.2	Raw coke secondary pellets
	1.2~1.5	Raw coke primary pellets
	>1.5	Raw coke waste
<30	<1.2	Raw coke primary crushed
	1.2~1.5	Raw coke secondary crushed
	>1.5	Raw coke waste

Source: Jinyan, 2025

12.7 Non-fired bricks

12.7.1 Raw material sources

Non-fired bricks are solid concrete bricks produced using various waste materials and semi-coke waste (unqualified kaolin ore) generated during the kaolin processing and production process, with cement serving as a binder.

During the production of calcined kaolin, three types of solid waste are generated:

- Dust: Dust generated during operations such as crushing, screening, calcining, fine grinding, classification, transportation, and packaging is collected by dust collectors.
- Flue gas waste: Flue gas denitrification waste residue from kilns is handled by specialised hazardous waste treatment agencies.
- Other waste: Unqualified materials and iron-containing materials selected through hand sorting, colour sorting, and magnetic separation of kaolin are all transported to the comprehensive utilisation workshop.

12.7.2 Production process

The process to produce non-fired bricks comprises:

- **Crushing and preparation:** Materials are crushed using a jaw crusher and a hammer crusher, then screened to achieve a particle size of less than 5 mm.
- **Mixing:** Waste ore (semi-coke waste), calcined kaolin tailings from iron removal and impurity removal and cement are mixed in a 50:35:15 ratio to form brick making material. This mixture is transferred to a mixer, where water is added and thoroughly mixed.
- **Moulding and stacking:** The mixed material is conveyed to the hopper of a brick press, where it is pressed into brick blanks by the main machine. These blanks are then stacked in five layers by a stacker.
- **Curing and hardening:** The stacked brick blanks are sprayed with water for curing after 24 hours and allowed to cure for 28 days. Once fully hardened, they are ready for sale or used internally as construction bricks.

12.7.3 Production equipment

Table 12.10 lists the main equipment of the non-fired brick factory. Figure 12.7 is a series of photographs showing the various equipment.

Table 12.10: Main equipment of non-fired brick factory

No.	Equipment Name	Specification/Model	Power (kW)	Quantity
1 . . .	Raw Material Silo	Φ3.6×2.7m		1
2 . . .	Feeder	K-2	4	1
3 . . .	Jaw Crusher	PE250×400	30	1
4 . . .	Hammer Crusher	30t/h	132	1
5 . . .	Bucket Elevator	NE30, h6000	5.5	1
6 . . .	Rotary Screen	Φ2.2×3	15	1
7 . . .	Three-bin Batching Machine	1.2m ³	12	1
8 . . .	Mixer		28.1	1
9 . . .	Brickmaking Machine		31.5	1
10 . .	High-level Stacker		4	1

Source: Jinyan, 2025

Figure 12.7: Non-fired brick production equipment



Source: Jinyan, 2024

12.7.4 Product quality

In February 2023, Jinyan commissioned Huaibei Jinfang Construction Engineering Testing Co., Ltd. to test a batch of non-fired samples. The results are shown in Table 12.11. The compressive strength of the samples met the requirements specified in the strength grade MU25 of the Chinese national standard GB/T21144-2023 ‘Concrete Solid Bricks’ (Table 12.11).

Table 12.11: Compressive strength test results of Jinyan non-fired bricks

MU25 Standard Requirement	Test Result
Average ≥ 25 MPa	26.4 MPa
Minimum of a single block ≥ 21 MPa	23.8 MPa

Source: Jinyan, 2025

Note: Testing Unit: Huaibei Jinfang Construction Engineering Testing Co., Ltd., Standard Executed: GB/T21144-2007 ‘Concrete Solid Bricks’ Report Date: February 2023

Other important quality specifications for concrete solid bricks, such as water absorption rate, drying shrinkage rate, relative moisture content, frost resistance, carbonation coefficient, softening coefficient, and limits of radioactive nuclides, were unavailable for SRK’s review. It is recommended that Jinyan conduct additional testing to assess these parameters.

12.8 Historical and planned production

Table 12.12 presents the historical and planned production figures for various products.

Table 12.12: Historical and planned production volume

Ore and products	Unit	History				Plan			
		2022	2023	Jan- Sept 2024	Oct- Dec 2024	2025	2026	2027	2028
ROM	kt	171	296	264	96	400	400	400	400
Precision casting mullite products . . .	kt	119	109	92	37	229	230	230	230
Refractory mullite products	kt	5	20	39	13	54	49	49	49
Raw coke and raw powder	kt	–	39	41	46	52	62	62	62
Ceramic fibre	t	–	–	–	300	700	800	800	800

Source: Jinyan, 2025

Qualified kaolin ore will experience an LOI of 13.5% after calcination, accounting for constitution water, organic matter, and other components in the ore. The loss during the iron removal and impurity selection of calcined material is approximately 4.5%, resulting in an 82% yield of qualified calcined kaolin products. About 30% of the qualified chamotte products from the shaft kiln production line are high-grade chamotte blocks, while the remainder are regular chamotte blocks. Both high-grade and regular blocks can be crushed and processed into granular products. All qualified calcined kaolin products from the rotary kiln are processed into precision casting mullite sand and powder products, with the sand-to-powder ratio adjustable based on market demand.

Producing 1 million non-fired bricks consumes approximately 2,723 t of waste kaolin ore, 1,915 t of calcined kaolin waste, and 819 t of cement. The typical size of non-fired bricks is 240 × 120 × 50 mm, resulting in a total volume of 1,440 m³ for 1 million bricks. These bricks can also be manufactured in different sizes according to user requirements.

12.9 Processing plant service facilities

12.9.1 Laboratory

The processing plant has a laboratory that conducts daily tests on the following items to manage the production process and ensure stable product quality:

1. Iron content, moisture, LOI, calcination point, bulk density, and chemical composition of the ore
2. Volume density, whiteness, and iron content of 1–8 mm material from several rotary kilns
3. Iron content, volume density, bulk density, volume density, and water absorption rate of chamotte blocks
4. Particle size, whiteness, iron content, impurity content, volume density, water absorption rate, and porosity of chamotte sands
5. Particle size, whiteness, iron content, impurity content, and moisture of precision casting mullite sand
6. Particle size, sieve residue, whiteness, and iron content of precision casting mullite powder.

12.9.2 Mechanical maintenance

The processing plant has a mechanical maintenance workshop equipped with cutting machines, electric welding machines, and other equipment and tools. There are currently 10 maintenance personnel responsible for the daily maintenance and periodic inspection of all plant equipment, including cleaning, lubrication, adjustment, and troubleshooting. They are also responsible for major repairs and modifications of all plant equipment.

12.9.3 Water supply

All water used at the processing plant is derived from mine drainage and is primarily used for equipment cooling, plant area greening, and the production and curing of non-fired bricks, with no wastewater discharge.

Jinyan has built a water treatment plant that uses aeration, flocculation sedimentation, and sand filtration processes to specifically treat mine water for kaolin processing and compliant discharge.

The Mullite Precision Casting Sand and Powder Plant at the Longhu Industrial Park is connected to the urban water supply system.

12.9.4 Natural gas supply

Rotary kilns #1 and #2 use coal and gas as energy sources and #3 use coal power as an energy source, with sufficient supply. Rotary kiln #4 and the shaft kiln use natural gas as an energy source, with consumption of approximately 23 million m³/year. The natural gas used is supplied from the 'West-East Gas Pipeline' project, providing ample supply and security of supply in future.

12.9.5 Electricity

Replacing the old 35 kV substation, the newly constructed 35 kV substation became fully operational by the end of June 2024, supplying sufficient power to the Chamotte Plant and underground operations. It is equipped with two SZ11-10000/35/6.3 type main transformers. Once the voltage is reduced, power is distributed through 48 KYN28-12(Z) type 6 kV high-voltage switchgear units.

12.10 Conclusions and recommendations

Jinyan uses its kaolin resources to produce a series of kaolin products. High-quality kaolin ore ($\text{Fe}_2\text{O}_3 < 1.0\%$) is used to produce mullite sand powder for precision casting mullite and refractory chamotte. Medium-grade kaolin ore ($\text{Fe}_2\text{O}_3 < 2.0\%$) is directly sold as raw coke, while low-grade ore ($\text{Fe}_2\text{O}_3 > 2.0\%$) is combined with calcined kaolin waste to manufacture non-fired bricks, ensuring the comprehensive use of the mined kaolin ore. Apart from a small amount of solid waste from kiln flue gas denitrification, there is no other solid waste.

Mullite sand powder for precision casting is Jinyan's flagship product, recognised by the market for its stable quality. The kaolin ceramic fibre workshop has been built but production has not yet started and its product quality and market competitiveness therefore remain to be tested by the market. Non-fired bricks are produced to comprehensively use the general solid waste generated during kaolin processing.

The production processes for chamotte and precision casting mullite sand and powder are relatively straightforward and present very low technical risks. Quality control is essential in the comprehensive processing of kaolin.

SRK recommends maintaining its feed ore quality through appropriate grade control and mining processes, managing ore homogenisation during the pre-calcination preparation stage, maintaining precise temperature control during calcination, and implementing effective impurity removal processes in the post-calcination treatment stage. These measures are crucial to producing high-quality, stable, calcined kaolin products.

13 KAOLIN QUALITY AND MARKET

The review of product and market is based on a market report prepared by Frost & Sullivan (March 2025) and commissioned by the Company. Additional material was sourced from relevant chapters in *Verification report on the reserves of the symbiotic hard kaolin mine in Shuoli kaolin mine, Huaibei City, Anhui Province* (Henan Nieyuan Geological Exploration Co., Ltd, 2024). SRK completed further checks using publicly available data.

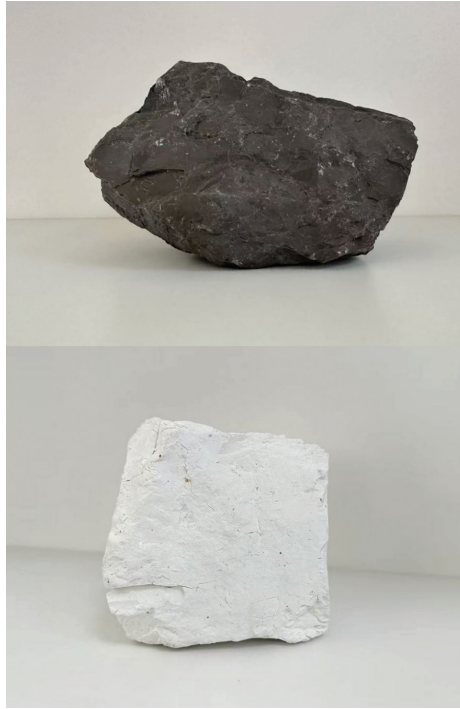
13.1 Product

Clay rock dominated by the mineral kaolinite is called kaolin, with an ideal composition $\text{Al}_2\text{Si}_2\text{O}_5(\text{OH})_4$. Kaolin typically contains small amounts of other clays and iron (Fe), magnesium (Mg), potassium (K) titanium (Ti) and calcium (Ca) and some other elements. Traditionally, soft kaolin clay has been used in the paper, paint, filler and ceramic industries, but heat treatment of hard kaolin to produce calcined kaolin further increases its usability and creates an engineered product that can target specific end uses. Traditional markets for kaolin are undergoing change and calcined kaolin is now widely used in various high-technology industries.

The kaolin ore (Figure 13.1) is crushed and heat-treated to $1,300^\circ\text{C}$ to produce the mullite ($3\text{Al}_2\text{O}_3 \cdot 2\text{SiO}_2$). The heating process burns off any impurities and produces a white refractory product (Figure 13.1) that can be further crushed and sized to client specification. Mullite materials can withstand temperatures exceeding $1,800^\circ\text{C}$, which is critical for high-temperature casting processes and other qualities include thermal shock resistance, low thermal expansion, chemical stability and wear resistance (Figure 13.2 and Figure 13.3). The main products of the Project are calcined kaolin producing a mullite product. This is used in precision casting of metallic components for various industries, including high-technology industries.

Refractory products are used in high-temperature kilns. An example is a lightweight ceramic fibre made by streaming molten kaolin through an air jet (Figure 13.4).

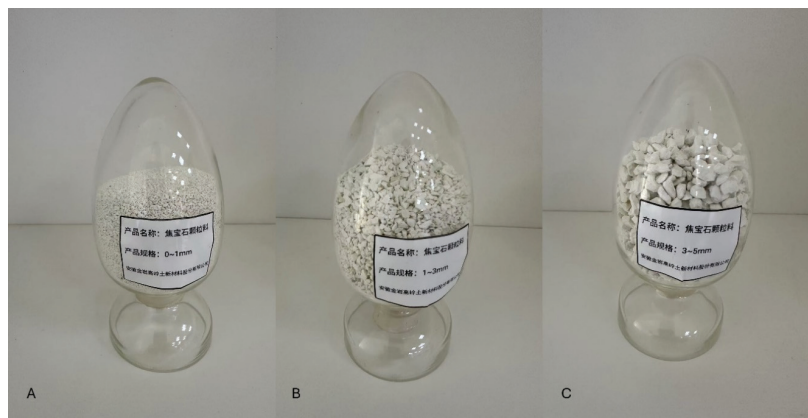
Figure 13.1: Kaolin ore and calcined kaolin ore



Source: Jinyan

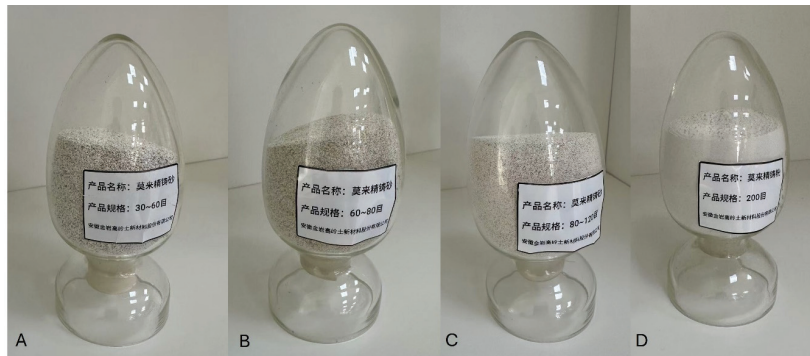
Note: Above: kaolin ore and below: calcined kaolin.

Figure 13.2: Refractory mullite (chamotte) products



Source: Jinyan

Note: A: 0-1 mm, B: 1-3 mm and C: 3-5 mm

Figure 13.3: Precision casting mullite products

Source: Jinyan

Note: Precision casting mullite sand A: 30-40 mesh, B: 60-80 mesh, C: 80-120 mesh and D: Precision casting mullite powder, 200 mesh

Figure 13.4: Ceramic fibre

Source: Jinyan

Note: A: ceramic fibre and B: ceramic tube

These uses of calcined kaolin are relatively new product categories in the broader kaolin market and specialised materials generally achieve a higher price than the traditional soft clay kaolin market materials.

13.2 China's kaolin markets

China is a globally significant producer of kaolin, with 2020 production estimated at 6.5 Mt, increasing to 8.0 Mt in 2024 (Frost & Sullivan, 2025). Production is estimated to increase to 10.4 Mt by 2029, based on a compound annual growth rate (CAGR) of 5.4% from 2024 to 2029 (Frost & Sullivan, 2025). China holds approximately 11% of the world kaolin reserves and is currently responsible for approximately 15% of the world's total production. China consumes a portion of its production, with imports of kaolin relied on for specific high-volume production industries. In the past 8 years, overall export quantities have exceeded the quantity of imported kaolin (Frost & Sullivan, 2025).

The Company produces a calcined kaolin product from hard-rock kaolin (a mudstone) associated with coal deposits, a relatively new source of kaolin that commenced production in the 1990s (Henan Nieyuan Geological Exploration Co., Ltd, 2024). Within the Company's market area, general kaolin demand is forecast to increase in 2024-2029 with a CAGR of 7.1%. This is based on a predicted increase in demand for kaolin products suitable for high-end manufacturing and refractory uses, as well as continuing demand for tradition kaolin uses (Frost & Sullivan, 2025).

As reported by Frost & Sullivan (2025), in 2024 the ceramics industry was the largest single user of kaolin in China, comprising approximately 56% of the total market. Other traditional uses (paper, coatings, filler for plastics and rubber and refractory uses, etc.) comprise 33% of the total market. Precision casting is one of the emerging and developing uses of kaolin/mullite and accounts for approximately half of the 16% of the calcined kaolin/mullite market share. This specialised market is forecast to increase as the calcined kaolin/mullite is used in applications in developing high-technology industries and manufacturing. Calcined kaolin products such as those produced by the Company are predicted to have a CAGR of 6.6% in 2024-2029.

Current markets

The Company is reported to be the largest producer of calcined kaolin mullite in Anhui Province, China. Current sales include of a range of products predominantly in the precision casting and refractory industries. Sales target direct users of the product or traders. Most sales have targeted direct users.

Sales records demonstrate the Company showed resilience in maintaining sales value and volume in 2020-2024, despite increasing competition.

Competition

The geology and formation of commercial kaolin deposits has led to clusters of commercial deposits in nearby coal mining areas. In these areas, similar hard kaolin resources are not uncommon, although they may not be currently extracted. This geological setting leads to a generally competitive market: hard-rock kaolin deposits are known elsewhere in China, such as in Datong, Shanxi Province, Jungar, Inner Mongolia Province and Shaanxi Province.

The southern Anhui area, where the Project is located, is well known for its existing kaolin resources. In contrast, the Inner Mongolia deposits have similar geological characteristics and host the nearest main group of competing producers outside Anhui.

Within regions producing hard kaolin, competition for market share is acute. The kaolin industry in China is highly competitive with ore transportation being a major component of costs (nearly 60%). Like most other industrial minerals, transportation cost is a major limiting factor.

The Chinese government is concerned about the proliferation of smaller inefficient mining enterprises and is therefore imposing stricter conditions on new mining enterprises and encouraging mergers and acquisitions (M&A) among mining enterprises. These policies favour the larger established producers, including Jinyan.

Jinyan is typical of most kaolin producers in China in that it has a local or regional in outlook. Jinyan has potential to expand its markets by maintaining market share in an increasing market for its specialty high-end products, and some potential to increase market share by strong competition on price and quality, but this may not be easy. The Company has potential to export its products to developing countries in South East Asia, Japan and Korea, which may extend the viable distribution area.

Jinyan may grow by acquisition and development of similar kaolin assets held by other coal mining companies.

13.3 Market outlook*Resource quality*

Jinyan has demonstrated its ability to produce products that meet or exceed market expectations. The operation is currently market limited rather than resource limited, as Ore Reserves defined at the site are considered to be adequate for over 16 years' LOM production at current rates of up to 400,000 tpa.

SRK has not found evidence of any significant change in quality parameters across the Ore Reserves areas and anticipates that the Shuoli kaolin deposit will continue to be a reliable source of calcined kaolin/mullite and refractory products.

Sales volumes

The Company's kaolin product is used in sophisticated industries, and Frost & Sullivan (2025) forecasts growth in these markets to increase steadily over the coming years to 2029. A CAGR 7.0% increase in sales revenue for 2024-2029 is forecast due to increased demand for precision casting mullite products.

The Company currently has opportunities to increase its sales of the precision casting grade mullite products and is likely to be able to maintain its market share as a minimum.

Prices

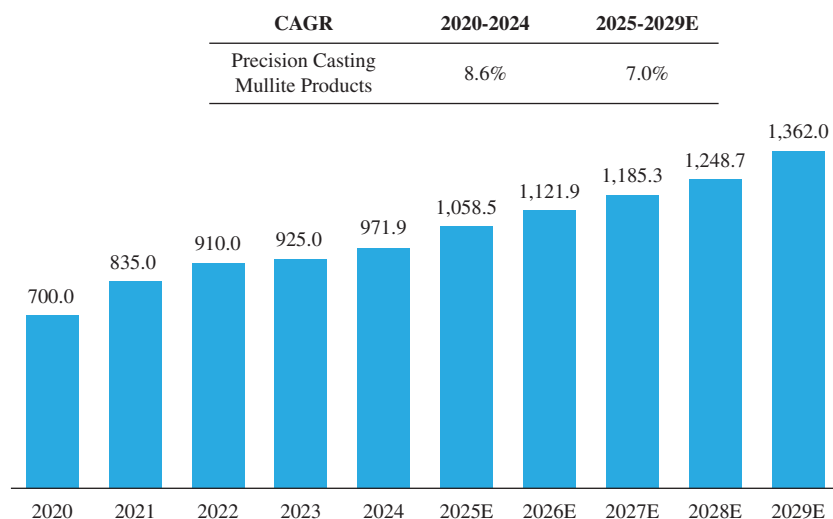
World traded kaolin prices are dependent on the end-product usage, which ranges from basic ceramics to high-end technology manufacturing. The traditional markets for high quality kaolin were in paper, fillers and high-end ceramics. The kaolin paper market is generally declining due to use of cheaper calcium carbonate products and declining demand for paper. The average price for general hard kaolin ore is RMB/t 320 for the 5-year period from 2020 to 2024 (Frost & Sullivan, 2025).

This represents a 6% to 7% fluctuation in prices for mullite product over the 5 years. In general, there is no evidence of significant changes in world trade prices of kaolin ores over the last 5 years (Frost & Sullivan, 2025), but the fragmented and opaque markets make this difficult to determine in detail, so some grades of kaolin may have experienced price variation. Conservatively, the average price increase estimated to 2029 is approximately 7%.

For the precision casting mullite market, a CAGR of 7.0% is predicted for the years 2025-2029 (Figure 13.5). A summary of average prices achieved for Company products and sales record is presented in Table 13.1. In general, these prices reflect 'at gate' prices where the client is responsible for transport costs.

Publicly available free-on-board (FOB) prices range from RMB/t 1,000 to over RMB/t 3,000 for Chinese-sourced high-specification precision casting mullite product. These price estimates are only broadly indicative of market prices, as no contract information was presented. However, based on its review of prices achieved by Jinyan, SRK notes that these fall within this range.

Figure 13.5: China's market size for mullite for precision casting, by sales revenue, to 2029



Source: Frost & Sullivan (2025)

Table 13.1: Company sales record summary

	2022		2023		2024		January-May 2025	
	Sales volume	Average Price	Sales volume	Average Price	Sales volume	Average Price	Sales volume	Average Price
	(kt)	(RMB/t)	(kt)	(RMB/t)	(kt)	(RMB/t)	(kt)	(RMB/t)
Precision Casting Mullite Sand products	118.5	1,554	109.0	1,522	133.1	1,394	52.1	1,307
Refractory mullite products	5.2	1,187	19.6	1,200	52.2	997	24.9	992
Raw coke and powder	—	—	39.4	387	86.9	306	37.9	246
Ceramic fiber	—	—	—	—	0.3	9,910	0.3	9,190

Source: Jinyan, 2025

The Company provided SRK with a price forecast based on current prices and the rate of increase for various products, as researched by Frost & Sullivan (2025) (Table 13.2). All prices are VAT-exclusive and given in nominal terms. The weighted average of precision casting mullite sand and powder products is expected to remain stable in 2025-2026. Between 2027 and 2029, the rate of increase will span 1.9-2.0%. For refractory mullite products (chamotte), the weighted average price is forecast to rise steadily of 1.9-2.0% in 2027-2029. The weighted average price for raw coke and powder are projected to increase 1.5% annually from 2026 to 2029. As it is a relatively new product from the Company, the Company anticipates that the

market will pay RMB/t 9,912 in 2025 and 2026. Frost & Sullivan anticipates the price of ceramic fibre will increase 2.5% in 2027, 2.1% in 2028 and 2.5% in 2029. SRK considers this forecast reasonable and consistent with China's macroeconomic forecast. The forecast does not include long-term pricing, and SRK has assumed that prices will remain stable from 2029 onwards.

Table 13.2: Forecast prices

	2025	2026	2027	2028	2029	Long Term Price
Precision Casting Mullite Sand and Powder	1,304	1,304	1,328	1,355	1,381	1,381
Refractory mullite (Chamotte) . . .	1,048	1,127	1,149	1,172	1,196	1,196
Raw coke and powder	336	346	352	357	362	362
Ceramic Fibre . .	9,912	9,912	10,160	10,373	10,632	10,632

Source: Jinyan, 2025

Note: VAT exclusive, nominal prices

Market outlook

The market outlook to 2029 for the typical precision casting mullite product is optimistic but the actual market depends on ongoing development of high-technology industries and manufacturing within China.

Frost & Sullivan (2025) also forecast the demand for calcined kaolin products to grow, apart from the foundry industry usage, which is likely to remain steady or only slowly increase. Jinyan notes that the bulk of foundry industry calcined kaolin is at a relatively stable price and considers it a good target market for the calcined kaolin (after the precision casting mullite product).

The high-technology market sections are forecast to grow significantly. The Company may have the opportunity to continue to expand into these product lines as part of its general active product development.

Broad-scale industry developments that have may a positive effect on volumes and sales price for the main mullite products include:

- automotive industry developing precision cast light weight and high strength components
- biomedical industry movement towards development and precision casting of compatible implants and surgical instruments
- use of mullite in high temperature (>1,800°C) casting of components for the aerospace industry
- 3D printing innovation resulting in rapid precision casting using mullite materials.

Mullite has low thermal conductivity and is thermally stable, so energy costs are potentially minimised. Development in East Asian manufacturing is increasingly looking to use refractory materials with mullite properties.

Frost & Sullivan (2025) identified the following factors that the industry is particularly sensitive to:

- raw material supply
- energy costs due to the high temperatures required for calcining
- production costs.

Of the three outlined, energy costs are the most likely to impact the Project in the near term, as the ore resource has been quantified, the production processes were recently developed and upgraded, and production costs (other than energy) are considered likely to remain stable.

14 ENVIRONMENTAL STUDIES, PERMITTING, AND SOCIAL OR COMMUNITY IMPACT

14.1 Environmental, permitting, and social or community review objective

The objective of this review is to identify and/or verify the existing and potential environmental, permitting, and social or community liabilities and risks, and assess any associated proposed remediation measures for the Project. The Project comprises the Shuoli Kaolin Mine, Chamotte Plant, and Mullite Precision Casting Sand and Powder Plant.

14.2 Environmental, permitting, and social or community review process, scope, and standards

The process for verifying the environmental permitting and licensing compliance and operational conformance for the Project comprised a review and inspection of the Project’s environmental management performance against:

- Chinese national environmental regulatory requirements
- World Bank/International Finance Corporation (IFC) environmental standards and guidelines, and internationally recognised environmental management practices.

The methodology applied for this environmental review of the Project consisted of documentation review, site visit, and interviews with Company technical representatives. The site visit was undertaken on 24-25 October 2024.

14.3 Permitting

According to relevant Chinese laws and regulations, additional environment-related operating permits are required for project construction and production. These primarily include a Safety Production Permit, Water Extraction Permit and Pollutant Discharge Permit.

14.3.1 Safety Production Permit

According to the Production Safety Law of the People’s Republic of China, the State implements a safety production permit system for mining enterprises. Before a mine can commence production, the enterprise must apply to the relevant authority for a Safety Production Permit. This involves the facilities being inspected and approved as being safe.

Details of the Safety Production Permit for the Project are presented in Table 14.1.

Table 14.1: Details of the Safety Production Permit for the Project

Areas	Kaolin Mine
Safety Production Permit No. . . .	2023 G039
Issued To	Anhui Jinyan Kaolin New Materials Co., Ltd.
Issued By	Anhui Province Emergency Management Bureau
Licensed Activity	Kaolin Underground Mining
Issue Date.	8 November 2023
Expiry Date	29 March 2026

Source: Jinyan, 2025

14.3.2 Water Extraction Permit

As per the Water Law of the PRC and the Regulations on Water Extraction Permits, any unit directly drawing water resources from rivers, lakes, or underground must apply to the water administration department or the relevant river basin management agency for a Water Extraction Permit and pay fees to obtain the rights to extract water. For construction projects requiring water extraction, the applicant should commission a qualified agency to prepare a Water Resource Augmentation Report for the Project.

Details of the Water Extraction Permit for the Project are presented in Table 14.2.

Table 14.2: Details of the Water Extraction Permit for the Project

Water Extraction Permit No. . . .	C340602G2022-0001
Issued To	Anhui Jinyan Kaolin New Materials Co., Ltd.
Issued By	Huaibei City Water Resources Bureau
Issue Date	29 April 2022
Expiry Date	31 December 2025
Water Supply Source	Groundwater
Water Use Allocation	1,088,400 m ³ /year

Source: Jinyan, 2025

14.3.3 Pollutant Discharge Permit

According to the Regulations on the Administration of Pollutant Discharge Permits and the Measures for the Administration of Pollutant Discharge Permits, operators must apply for a Pollutant Discharge Permit from the approval authority before starting production facilities or engaging in actual pollutant discharge activities. Applications for the Pollutant Discharge Permit can be submitted through the National Pollutant Discharge Permit Management Information Platform or by mail. The Pollutant Discharge Permit is valid for 5 years.

The Project's Pollutant Discharge Permit number is 91340600057006980K002Q, issued by the Huaibei Municipal Bureau of Ecology and Environment on 9 May 2024 and valid until 8 May 2029. The primary permitted pollutant categories covered by this permit are waste gas and wastewater. The main atmospheric pollutants include particulate matter, sulfur dioxide, nitrogen oxides, Ringelmann blackness, and ammonia (NH₃). The main wastewater pollutants include chemical oxygen demand (COD), ammonia nitrogen (NH₃-N), pH, suspended solids, five-day biochemical oxygen demand (BOD₅), total phosphorus (measured as P), and total nitrogen (measured as N).

Additionally, the Project has applied for a fixed pollution source emission registration with registration number 91340600057006980K001X, valid from 9 June 2020 to 8 June 2025. The permitted emissions include exhaust gases, wastewater, and industrial solid waste.

14.4 Status of environmental approvals

The basis of environmental policy in China is contained in the 2018 Constitution of the People's Republic of China. Pursuant to Article 26 of the Constitution, the State protects and improves the environment in which people live and the ecological environment. It prevents and controls pollution and other public hazards. The State organises and encourages afforestation and the protection of forests.

In order of priority, other Chinese laws that provide environmental legislative support to the Mineral Resources Law of the People's Republic of China (2019) and the Environmental Protection Law of the People's Republic of China (2014) comprise:

- Environmental Impact Assessment (EIA) Law (2018)
- Law on Prevention & Control of Atmospheric Pollution (2018)
- Law on Prevention & Control of Noise Pollution (2021)
- Law on Prevention & Control of Water Pollution (2017)
- Law on Prevention & Control Environmental Pollution by Solid Waste (2020)
- Forestry Law (2021)
- Water Law (2016)
- Land Administration Law (2019)
- Protection of Wildlife Law (2023)
- Regulations on the Administration of Construction Project Environmental Protection (2017).

The Environmental Impact Assessment Law of the People's Republic of China and the Regulations on the Administration of Environmental Protection for Construction Projects require that an Environmental Impact Report be prepared for any project with potentially significant environmental impacts, which must comprehensively evaluate the pollution generated by that project and its impact on the environment.

Before construction begins, the construction team must submit the Environmental Impact Report or Environmental Impact Statement to the relevant environmental protection authority for approval. The Company provided SRK with the environmental impact assessment (EIA) reports and approvals for the Project. Details of the EIA reports and approvals relating to the Project are outlined in Table 14.3.

Table 14.3: Details of the EIA reports and approvals for the Project

Project	Produced by	Production date	Approved by	Approval date
Kaolin Mining Project (0.5 Mtpa)	Sinosteel Ma'anshan Institute of Mining Research Co., Ltd.	October 2019	Huaibei City Ecology and Environment Bureau	31 October 2019
Deep Processing Production Line of Calcined Kaolin Project (0.062 Mtpa)	Huaibei Institute of Environmental Science	December 2014	Huaibei City Environmental Protection Bureau	21 May 2015
Calcined Kaolin Raw Material Base Renovation and Expansion Project (0.062 Mtpa)	Huaibei Institute of Environmental Science	December 2014	Huaibei City Environmental Protection Bureau	21 May 2015
Calcined Kaolin Project (0.03 Mtpa)	Ningxia Zhicheng Anhuan Technology Consulting Co., Ltd.	October 2018	Huaibei City Duji District Environmental Protection Bureau	25 December 2018
High-Quality and Diversified Comprehensive Utilisation Project for Coal-Series Associated Kaolinite	Anhui Huacheng Environmental Technology Limited	May 2022	Huaibei City Duji District Ecology and Environment Bureau	18 May 2022
Construction Project of Silicon-Aluminum New Materials Engineering Technology Research Center.	Anhui Bisheng Environmental Protection Technology Co., Ltd.	December 2023	Huaibei City Duji District Ecology and Environment Bureau	26 January 2024
Mullite-based Aluminum- Silicon Materials Deep Processing Project . . .	Anhui Bisheng Environmental Protection Technology Co., Ltd.	January 2024	Huaibei City Duji District Ecology and Environment Bureau	26 January 2024
High-End Synthetic Ceramic Fiber Project . .	Anhui Lvzhiling Environmental Technology Co., Ltd.	May 2023	Huaibei City Ecology and Environment Bureau	15 August 2023

Source: Jinyan, 2025

Under the Soil and Water Conservation Law of the People's Republic of China, owners of construction projects in mountainous areas, hilly areas, desert areas, and other regions prone to soil erosion, as identified in soil and water conservation planning, must prepare a Water and Soil Conservation Plan (WSCP).

The Company provided SRK with its WSCP reports and approvals for the Project. Details are outlined in Table 14.4.

Table 14.4: Details of the WSCP reports and approvals for the Project

Project	Produced by	Production date	Approved by	Approval date
High-Quality and Diversified Comprehensive Utilisation Project for Coal-Series Associated Kaolinite	Zhejiang Zhongye Survey and Design Co., Ltd.	December 2022	Huaibei City Water Bureau	29 December 2022
Kaolin Mining Project (0.5 Mtpa)	Sinosteel Ma'anshan Institute of Mining Research Engineering Survey and design Co., Ltd.	October 2019	Huaibei City Water Bureau	23 December 2019

Source: Jinyan, 2025

SRK has reviewed the EIA reports and WSCP reports and concluded that the EIA and WSCP cover the main production facilities, including mine site and plants.

SRK considers that Jinyan has prepared the EIA reports and WSCP reports in accordance with relevant Chinese legal requirements and obtained corresponding government approvals.

14.5 Environmental and social aspects

14.5.1 Flora and fauna

The city of Huaibei falls within the Huaibei Plain vegetation zone, characterised by the warm temperate deciduous forest belt. The main vegetation includes willow, pine, poplar, camphor, horsetail, cogon grass and reeds. The main crops grown are dryland crops, such as wheat, corn and soybeans.

The Project area and its surroundings primarily contain common local plant species; no ecologically sensitive species have been identified.

Previous coal mining at the Project site resulted in large collapsed waterlogged areas due to mining subsidence, which has severely damaged the original ecosystem. Vast tracts of fertile farmland have turned into subsidence basins and mudflats, with destruction to surface features. In recent years, Jinyan has made efforts to restore and rebuild the subsided areas, promoting aquaculture and tourism based on the local subsidence characteristics.

The Project is located within a developed area. Most of the land is already designated for industrial and mining purposes, with surface vegetation long since destroyed.

The Project's surrounding area mainly consists of farmland, ponds and residential zones, with little natural vegetation or wildlife remaining. Most plants are artificially cultivated.

On this basis, it is considered the Project will not cause serious harm to surface vegetation or biodiversity in the area.

According to Huaibei's ecological protection red line zoning, the Project is located outside the ecological red line protection area, and its construction complies with the requirements of the ecological red line protection plan. There are no nature reserves, forest parks, or other environmentally sensitive sites in the Project area that require special protection.

14.5.2 Water management

The surface water system within the Project mining area includes the Long River to the east and the Zengchan River to the north, as well as numerous artificial ditches and ponds. Subsidence areas are prominent following the completion of previous coal seam mining, with most of these areas reclaimed for land use, while others retain standing water year-round.

The Shuoxi Lake Scenic Area, which formed as a result of subsidence, lies to the west of the Project's industrial site. Water levels in the channels and surface water within the mine vary seasonally, with higher levels during the flood season and lower or even dry conditions during the dry season.

The Project's production water and non-drinking domestic water requirements are sourced from purified mine dewatering water. The discharge of production and domestic wastewater without treatment may have negative impacts on surface water and groundwater; in addition, mining activities may lead to changes in the groundwater table.

According to the feasibility study on the Shuoli Mine dated September 2019, a uniform 35 m-thick clay aquitard layer is widely developed under the surface water and Quaternary pore aquifers, effectively isolating surface water from the bedrock aquifers. Currently, the mine dewatering water is approximately 1,800-2,400 tpd, all of which is directed to the wastewater treatment station for processing. The treatment station has a capacity of 5,000 tpd and uses a coagulation sedimentation treatment process. Jinyan has informed SRK that the treated mine dewatering water is re-used for underground mining and industrial production on the surface.

The Project's industrial site implements a rainwater-sewage separation system. The Company has two rainwater discharge outlets: rainwater from the eastern workers' village discharges through the east outlet into the Long River, while rainwater from the western workers' village discharges through the west outlet into Shuoxi Lake. Industrial and domestic sewage from the Shuoli Kaolin Mine and Chamotte Plant is treated through septic tanks and then discharged via the mine and plant sewage outlets into the workers' village urban sewage network, which ultimately leads to the Longhu Industrial Park wastewater treatment plant for centralised treatment.

A third-party testing agency is contracted quarterly to sample and test the mine water and sewage outlets from the mine and plant. Jinyan provided the wastewater monitoring reports for the first and second quarters in 2024, showing that the concentrations of heavy metals such as manganese, lead and cadmium in the treated mine inflow comply with the Class I discharge standards of the Integrated Wastewater Discharge Standard (GB8978-1996).

14.5.3 Waste rock and solid waste management

Currently, kaolin extraction is conducted using the existing production system of the former coal mine. According to the requirements in the EIA approval for the Kaolin Mining Project (0.5 Mtpa), waste rock from mining operations is used for underground backfill and is not brought to the surface.

During the site visit, SRK learned that the underground mining process currently generates almost no waste rock. Other major industrial solid wastes from the Project include iron removal residues from the Chamotte Plant, dust collected by baghouse filters, ash from furnace exhaust treatment, and slag waste from desulfurisation towers.

All of these wastes are either comprehensively used or recycled into production.

14.5.4 Air emissions

The primary air pollutants from kaolin mining consist of dust from underground ventilation during mining, and transportation dust. The Project uses wet underground operations, including water spraying and other dust suppression measures to control underground dust. Surface dust control measures include enclosing the conveyor belt corridors for ore transport, fully enclosing transfer and discharge points with spray systems, and regularly spraying water on storage yards and roads in the plant area to suppress dust.

The main air pollutants currently produced by the plant include particulate matter, sulfur dioxide (SO₂) and nitrogen oxides (NO_x), originating from production processes such as kilns, rotary kilns, feeding, crushing and screening. Jinyan has six kilns, with exhaust from four kilns treated individually by an integrated CFB (circulating fluidised bed) desulfurisation ceramic fibre filter tube for removal of dust, sulfur and nitrogen, which are then discharged through kiln exhaust stacks. Exhaust from the existing kilns is treated with SCR (selective catalytic reduction) denitrification bag filter equipment and discharged through kiln exhaust stacks. Online monitoring systems are installed on all kiln exhaust stacks, monitoring SO₂, NO_x and particulate matter. Dust control measures such as bag filters and enclosed belt conveyors are implemented in the primary crushing, secondary crushing, powder production, sand production, raw material workshops, and finished product warehouses to suppress dust.

The emission of particulate matter, SO₂ and NO_x from the industrial kilns must comply with the standards set by the Huaibei City Bureau of Ecology and Environment, specified in the document Huaihuanhan (2020) No. 45, which limits particulate matter, SO₂ and NO_x to 30 mg/m³, 50 mg/m³ and 100 mg/m³, respectively. Jinyan provided SRK with several monitoring reports from the first and second quarters of 2024, showing that emissions of particulate matter, SO₂ and NO_x from the vertical and rotary kilns met the specified standards.

Jinyan recognises that reducing greenhouse gas emissions is an important measure to mitigate climate change, and has planned several mitigation measures which remain to be implemented. These include actively promoting the use of clean energy, constructing solar power generation facilities on Company premises to reduce fossil fuel consumption, enhancing technical upgrades to improve equipment efficiency and reduce energy consumption, and promoting tree planting and greening to increase carbon sequestration.

14.5.5 Noise emissions

Noise-generating equipment used in the mining process, such as loading machinery, water pumps, and underground transport vehicles, operates below ground, resulting in minimal impact on the surface. Surface noise sources include air compressors, fans, crushers, screening equipment, ball mills, hoists, and vehicles used for mining and processing.

Noise control measures include prioritising low-noise, environmentally friendly equipment. For standard production equipment like water pumps, noise reduction is achieved primarily through vibration damping and sound insulation. Sound-proof enclosures are used for equipment motors, and silencers are installed on pneumatic noise-generating devices such as air compressors and dust collector fans. Noise-generating equipment is housed indoors, and horn sounding, braking, and other occasional noises from vehicles are regulated, with transportation times carefully scheduled.

According to the noise monitoring report provided by Jinyan for the second quarter of 2024, the boundary noise levels of the plants meet the Class 2 standard limits of the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008).

14.5.6 Hazardous substances 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 hydrocarbons (i.e. fuels, waste oils, and lubricants) and oil containers, batteries and reagents. The leaks, spills or other types of accidental releases of hazardous materials may have a negative impact on soils, surface water and groundwater resources.

The main hazardous wastes generated by the Project include waste denitrification catalysts, waste oil, and waste oil drums. These hazardous wastes are temporarily stored in the hazardous waste storage facility and are regularly disposed of by qualified contractors.

The hazardous waste storage area covers approximately 50 m², with an effective storage capacity of 45 m³. It complies with the relevant requirements set out in the Standards for Pollution Control on Hazardous Waste Storage (GB 18597-2023), with measures in place for wind, rain and sun protection, as well as seepage prevention, and is equipped with drainage channels and liquid collection troughs.

During the site inspection, SRK also noted that the ammonia storage tank is housed in a secondary containment facility, which is well maintained.

14.5.7 Occupational health and safety

A well-developed and comprehensive safety management system comprises site inductions, site policies, safe work procedures, training, risk/hazard management (including signage), use of personal protective equipment (PPE), emergency response process, incident/accident reporting, an on-site first aid/medical centre, designated safety responsibilities for site personnel, regular safety meetings and a work permit/tagging system.

Jinyan stated that there has not been a fatal accident in the last 3 years.

SRK reviewed the Shuoli Kaolin Mine's safety production procedure and emergency response plan for the safety incidents, and concluded that the development of these plans complies with relevant Chinese requirements.

14.5.8 Mine closure and rehabilitation

The Chinese national requirements for mine closure are covered under Article 21 of the Mineral Resources Law of People's Republic of China (2023), the Rules for Implementation of the Mineral Resources Law of the People's Republic of China, the Mine Site Geological Environment Protection Regulations (2019), and the Land Rehabilitation Regulation (2011) issued by the State Council. In summary, these legislative requirements cover the need to

conduct land rehabilitation, and to prepare and submit a Geological Environmental Protection and Land Reclamation Plan for assessment and approval. In addition, Jinyan must establish a mine geological environment treatment and restoration fund account for the Shuoli Kaolin Mine.

SRK has sighted the Geological Environmental Protection and Land Reclamation Plan for the Shuoli Kaolin Mine, which was prepared in January 2024.

Huaibei Shuoli Mining Co., Ltd. and Anhui Jinyan Kaolin New Materials Co., Ltd. have reasonably divided the reclamation obligations stipulated in the Mine's Geological Environmental Protection and Land Reclamation Plan, and both parties have signed a relevant agreement with Huaibei Mining Group Co., Ltd. According to this agreement, the reclamation obligations originally undertaken by the Shuoli Coal Mine (excluding the overlapping areas with the kaolin subsidence zones) shall be fulfilled by Huaibei Shuoli Mining Co., Ltd. The reclamation obligations related to kaolin mining (including areas overlapping with coal mining subsidence zones) shall be fulfilled by Jinyan.

The reclamation area for the Shuoli Kaolin Mine includes all land damaged by kaolin mining activities, covering a total area of 411.0319 hectares, which consists of 364.1620 hectares of subsidence-damaged land and 46.8699 hectares of land damaged by surface construction (industrial sites and the #3 West ventilation shaft). The reclamation responsibility area is determined by subtracting areas that are exempt from reclamation obligations from the total reclamation area. These exempted areas include:

- 46.8699 hectares of permanent construction land
- 0.0372 hectares of overlapping areas affected by adjacent mining rights
- 138.3260 hectares of land already restored through completed reclamation projects.

Thus, the reclamation responsibility area for the Shuoli Kaolin Mine amounts to 225.7988 hectares.

The static total investment¹ for the Geological Environmental Protection and Land Reclamation Plan of the Shuoli Kaolin Mine is RMB32.53 million, while the dynamic total investment² is RMB44.34 million.

1 The static investment consists of construction and installation costs, equipment and tool procurement costs, other engineering construction fees, and basic contingency fees.

2 The dynamic investment refers to the increase in construction investment during the construction period due to construction period interest and changes in newly approved taxes, fees, exchange rates, interest rates by the state, as well as price changes during the construction period. It includes price difference contingency fees, construction period interest, etc.

Specifically:

- The static investment for mine geological environment management projects is estimated at RMB5.04 million, and the dynamic total investment is RMB6.09 million.
- The static investment for land reclamation projects is estimated at RMB27.49 million, and the dynamic total investment is RMB38.25 million.

14.5.9 Social considerations

The Mine and Chamotte Plant are located in Shuoli Town, 16 km northeast of Huaibei City, within the jurisdiction of Shuoli Township, Duji District, Huaibei City. The Mullite Precision Casting Sand and Powder Plant is constructed within the Longhu Industrial Park, which is located 11 km south of the Chamotte Plant. The Project does not involve any environmentally sensitive areas requiring special protection, such as nature reserves or cultural heritage sites.

The local population living near the mining area primarily engages in agriculture, with a few residents involved in commerce and transportation, achieving self-sufficiency in income. The agricultural economy includes the cultivation of wheat, rapeseed, sesame, soybeans, and other crops. To the east and south of the mine site are residential areas, including Xingfu village, Shuoli mine low-rent housing, and Shuoli mine workers' village. The construction and operation of this Project do not impact any historical or cultural relics or sites.

The EIA report for the Calcined Kaolin Raw Material Base Renovation and Expansion Project (0.062 Mtpa) includes statements of public participation. The result of public participation is that 98% of the respondents support the construction of the Project and no survey respondents opposed the construction of the Project. Jinyan stated that the responsibility of the management of nearby community has been handed over to the local government.

15 CAPITAL AND OPERATING COSTS

15.1 Capital cost

Table 15.1 presents the actual and forecast capital costs of the Project from 2022 to 2040. The Project has been operational for some time, requiring regular replacement and refurbishment of certain property, plant, and equipment as well as the addition of new production lines and facilities to support the Company's growth. Between 2022 and May 2025, Jinyan spent RMB441.9 million on these activities.

These expenditures comprised upgrading and renovating various facilities within the underground mining operations, construction of new buildings and structures, as well as the replacement of machinery and equipment. On the surface, the Company constructed a new comprehensive kaolin processing plant system, a new non-fired brick plant, and a ceramic fibre workshop. Additionally, the vertical shaft kiln and burner system were renovated. Some equipment was replaced, and a new rotary kiln desulfurisation and denitrification system, along with a 35 kV substation was established.

Jinyan has forecast that the fan and substation systems as well as the ventilation fan of the ventilation shaft will require upgrades and renovations in 2025 for a total cost of approximately RMB3.8 million. In the same year, a resource upgrade drilling program will be initiated to increase the quantity and improve the resource classification for resources located between Domain 1 and Domain 5. This program is expected to incur costs of approximately RMB9.6 million. For the surface processing plant operations, a budget of RMB4.0 million has been allocated for equipment replacement and RMB1.5 million has been allocated to upgrade the vertical shaft dust control system.

In addition to the planned capital expenditure program, an annual allocation of RMB8.0 million has been designated for ongoing replacement and refurbishment. SRK considers the proposed capital cost budget to be reasonable.

A capital expenditure program for the construction of a comprehensive processing system for mullite aluminium-silicon materials and an aluminium-silicon new material engineering technology research centre. The total budget for these two projects amounts to RMB103.5 million.

Table 15.1: Actual and forecast capital cost (RMB million)

Cost Centre	2022	2023	2024	Jan-May 2025	Jun-Dec 2025	2026	2027	2028	2029	2030	2031- 2040
Underground operation											
Buildings	15.4	–	–	–	–	–	–	–	–	–	–
Machinery and equipment . .	13.0	0.3	4.1	–	–	–	–	–	–	–	–
Ventilation shaft fan											
renovation	–	–	–	–	1.0	–	–	–	–	–	–
Ventilation shaft substation											
upgrade	–	–	–	–	0.9	–	–	–	–	–	–
Main shaft gate control											
system upgrade	–	–	–	–	1.9	–	–	–	–	–	–
Resource upgrade drilling											
program	–	–	–	–	9.6	–	–	–	–	–	–
Roadway construction . . .	–	–	–	–	0.1	0.1	0.0	0.1	0.1	0.1	1.6

Cost Centre	2022	2023	2024	Jan-May 2025	Jun-Dec 2025	2026	2027	2028	2029	2030	2031- 2040
Surface processing plant operation											
Kaolin processing plant system	20.5	183.0	113.8	–	–	–	–	–	–	–	–
Non-fired brick system . . .	5.7	1.5	–	–	–	–	–	–	–	–	–
Vertical shaft renovation . .	0.8	–	–	–	–	–	–	–	–	–	–
Burner system renovation . .	0.8	–	–	–	–	–	–	–	–	–	–
Equipment replacement . . .	3.0	4.0	4.8	0.7	3.3	–	–	–	–	–	–
Rotary kiln desulfurisation and denitrification	–	19.6	9.0	–	–	–	–	–	–	–	–
35 kV substation	–	6.4	1.1	–	–	–	–	–	–	–	–
Ceramic fibre plant	–	13.3	7.4	–	–	–	–	–	–	–	–
Mullite aluminium-silicon material comprehensive processing	–	–	0.3	4.9	12.4	62.9	–	–	–	–	–
Silicon-aluminium new material engineering technology research centre	–	–	0.1	–	–	9.3	14.0	–	–	–	–
Raw materials warehouse . .	–	–	8.3	–	–	–	–	–	–	–	–
Vertical shaft dust control system upgrade	–	–	–	–	1.5	–	–	–	–	–	–
Sustaining	–	–	–	–	–	8.0	8.0	8.0	8.0	8.0	40.0
Total	59.3	228.1	148.9	5.6	30.7	80.3	22.0	8.1	8.0	8.2	41.6

Source: Jinyan

15.2 Operating cost

Table 15.2 outlines the historical operating cash cost profile from 2022 to May 2025. During this timeframe, the annual cash operating costs were RMB151.2 million in 2022, RMB152.5 million in 2023, RMB179.0 million in 2024 and RMB81.5 million in the period of January-May 2025.

The primary cost components are fuel, electricity, water, and other services. These are followed by expenses for consumables, workforce employment, and both on-site and off-site administration. Employment costs cover salaries and benefits for workers at the mining and processing plants. Government royalty charges encompass resource tax, city maintenance and construction levy, education levy, stamp duty, environmental tax, and property tax. Additional costs are attributed to research and development, as well as other maintenance expenses.

Table 15.2: 2022 to May 2025 operating cost

Operating Cash Cost by Activities		2022	2023	2024	Jan-May 2025
Workforce employment	RMB million	50.2	54.9	60.1	23.3
Consumables	RMB million	25.4	19.6	27.5	8.7
Fuel electricity, water and other services	RMB million	51.3	55.1	51.1	37.1
On-site and off-site administration	RMB million	14.2	9.3	25.3	6.0
Environmental protection and monitoring	RMB million	0.8	2.0	2.9	1.4
Transportation of workforce	RMB million	–	–	–	–
Product marketing and transport	RMB million	8.0	10.3	10.9	4.3
Non-income taxes, royalties and other governmental charges	RMB million	3.0	3.3	3.7	0.7
Total	RMB million	152.9	154.5	181.5	81.5

Source: Jinyan, 2025

Table 15.3 presents the forecast operating cash costs from June 2025 to 2040. The Company's forecast is based on actual operating costs and plant performance from 2022 to May 2025, existing contracts with suppliers, royalty and government charges, and the technical studies referred to in this Report.

The processing plant produces various products, including precision casting mullite products, refractory mullite products, and raw coke and raw powder. Starting in 2025, ceramic fibre has been produced. The annual operating cash cost is expected to be RMB185.8 million in the period of June-December 2025 and RMB260.7 million in 2026, as the target annual mining capacity reaches 0.4 Mt and various products, including ceramic fibre, are produced. Similar to historical operating costs, the major cost components are fuel and electricity, followed by consumables and workforce employment.

Regarding operating cash costs by product, precision casting mullite products are projected to reach RMB208.4 million per year, while refractory mullite products are expected to account for RMB38.3 million in 2026. The unit cash operating cost over the LOM is RMB/t 979 for precision casting mullite products and RMB/t 847 for refractory mullite products. The unit cash operating costs are RMB/t 156 for raw coke and raw powder and RMB/t 7,124 for ceramic fibre.

In SRK's opinion, the Project has a proven track record of production, and the forecast operating costs used in the LOM model are reasonable and supported by historical data. The operating cost of ceramic fibre is expected to stabilise once commercial production is reached.

Table 15.3: Forecast operating cost (nominal)

Production Profile	Unit	Total LoM	Jun- Dec 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Mining																		
Kaolin ore	kt	5,985	219	400	400	400	400	400	400	400	400	400	400	400	400	400	400	166
Loss on Ignition	%	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18
Products																		
Precision casting mullite	kt	3,518	164	230	230	230	230	230	230	230	230	230	230	230	230	230	230	131
products																		
Refractory mullite	kt	750	36	49	49	49	49	49	49	49	49	49	49	49	49	49	49	28
products																		
Raw coke and raw	kt	946	52	62	62	62	62	62	62	62	62	62	62	62	62	62	62	36
powder.																		
Ceramic fibre.	t	11,639	390	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750
Operating Cash Cost by Activities																		
Workforce employment . . .	RMB million	794.2	34.3	48.3	49.0	49.6	50.1	50.7	51.2	51.8	52.3	52.9	53.5	54.1	54.7	55.3	55.9	30.6
Consumables	RMB million	888.5	38.3	54.0	54.8	55.4	56.1	56.7	57.3	57.9	58.6	59.2	59.9	60.5	61.2	61.9	62.5	34.2
Fuel electricity, water and	RMB million	1,781.6	76.9	108.3	110.0	111.2	112.4	113.6	114.9	116.2	117.4	118.7	120.0	121.4	122.7	124.0	125.4	68.6
other services																		
On-site and off-site	RMB million	429.4	18.5	26.1	26.5	26.8	27.1	27.4	27.7	28.0	28.3	28.6	28.9	29.2	29.6	29.9	30.2	16.5
administration																		
Environmental protection	RMB million	60.0	2.6	3.6	3.7	3.7	3.8	3.8	3.9	3.9	4.0	4.0	4.0	4.1	4.1	4.2	4.2	2.3
and monitoring																		
Transportation of	RMB million	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
workforce																		
Product marketing and	RMB million	285.9	12.5	17.6	17.9	18.1	18.3	18.5	18.7	18.9	19.1	19.3	19.5	19.7	20.0	20.2	20.4	11.1
transport																		

Production Profile	Unit	Total LoM	Jun- Dec 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Non-income taxes, royalties and other governmental charges . . .	RMB million	66.3	2.7	2.9	4.0	4.3	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.6	4.6	4.6	4.6	2.5
Contingency allowances . . .	RMB million	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	RMB million	4,309.4	185.8	260.7	265.9	269.1	272.2	275.1	278.1	281.1	284.2	287.3	290.4	293.6	296.8	300.0	303.3	165.7
Operating Cash Cost by Products																		
Precision casting mullite products	RMB million	3,443.4	147.6	208.4	212.5	215.1	217.6	219.9	222.3	224.7	227.1	229.6	232.1	234.7	237.2	239.8	242.4	132.5
Refractory mullite products	RMB million	635.6	29.6	38.3	39.1	39.6	40.0	40.4	40.9	41.3	41.8	42.2	42.7	43.1	43.6	44.1	44.6	24.4
Raw coke and raw powder	RMB million	147.4	5.4	9.0	9.2	9.3	9.4	9.5	9.6	9.7	9.8	9.9	10.0	10.1	10.2	10.3	10.4	5.7
Ceramic fibre	RMB million	82.9	3.2	5.0	5.1	5.2	5.3	5.3	5.4	5.4	5.5	5.6	5.6	5.7	5.7	5.8	5.9	3.2
Total	RMB million	4,309.4	185.8	260.7	265.9	269.1	272.2	275.1	278.1	281.1	284.2	287.3	290.4	293.6	296.8	300.0	303.3	165.7
Operating Cash Unit Cost by Products																		
Precision casting mullite products	RMB/t	979	900	905	923	934	945	955	966	976	987	997	1,008	1,019	1,030	1,042	1,053	1,013
Refractory mullite products	RMB/t	847	819	782	797	807	816	825	834	843	852	861	871	881	890	900	909	873
Raw coke and raw powder	RMB/t	156	103	145	148	150	151	153	155	156	158	160	161	163	165	167	168	221
Ceramic fibre	RMB/t	7,124	8,114	6,724	6,857	6,941	7,020	7,096	7,173	7,250	7,329	7,408	7,488	7,572	7,654	7,737	7,821	4,274

Sources: Jinyan and SRK analysis

Notes:

1. All projected costs are in nominal terms.
2. Stockpiles of 78,500 t of raw ore and 64,500 t of calcined ore have been included in the production schedule.

15.3 Economic analysis

An analysis of the Project's economic viability has been conducted, taking into account capital and operating costs, the production schedule (as detailed in Table 15.1 and Table 15.3) and the price forecast presented in this Report. SRK developed a base case scenario for the Project, from 31 May 2025 to the end of the LOM. It is important to note that the purpose of the analysis is only to demonstrate the Project's economic viability. The calculated net present values (NPVs) do not reflect the fair market values or profitability of the Project. In the base case analysis, a discount rate of 10% was used. The discount rate was based on considerations of the real, risk-free, long-term interest rate (1.69% for the 10-year PRC Government Bond Rate), mining project risk (2% to 4%) and country risk (2% to 4%).

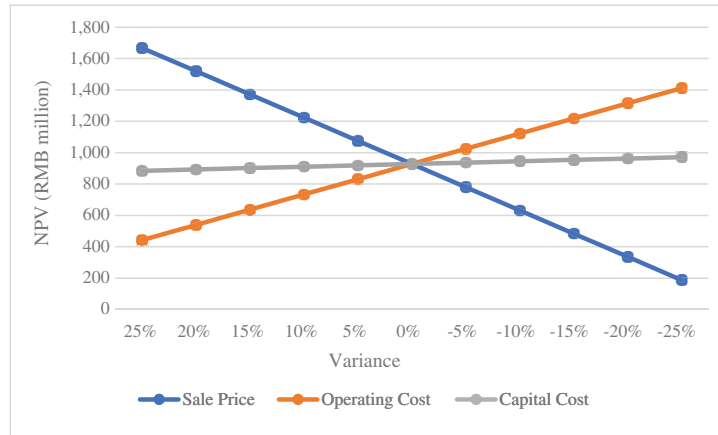
The analysis indicates that, as of 31 May 2025, the after-tax NPV, calculated with a 15% corporate income tax and a 10% discount rate, is positive. This analysis does not consider any finance costs or company debt. The breakeven analysis reveals that the NPV will reach zero if the weighted average sales price of all products decreases by 30%.

A post-tax sensitivity analysis has also been undertaken with respect to the capital and operating costs and sales revenue (Figure 15.1 and Table 15.5). The analysis shows that:

- A 1% increase in operating cost will result in a negative 2.17% change in NPV.
- A 1% increase in capital cost will result in a negative 0.22% change in NPV.
- A 1% increase in sales price will result in a positive 3.29% change in NPV.

The post-tax NPVs at various discount rates are tabulated in Table 15.5.

The economic analysis of the Project, together with the sensitivity analysis, have demonstrated that the Project is economically viable and justified the reporting of Ore Reserves determined in Section 11. At the forecast production rates, it will take approximately 17 years to exhaust the Ore Reserves.

Figure 15.1: Post-tax NPV sensitivity analysis

Source: SRK, 2025

Table 15.4: Post tax NPV sensitivity analysis (RMB million)

	Sale Price	Operating Cost	Capital Cost
25%	1,328	333	687
20%	1,208	412	696
15%	1,088	491	704
10%	968	570	712
5%	848	649	720
0%	728	728	728
-5%	608	807	736
-10%	488	886	744
-15%	368	964	752
-20%	248	1,043	761
-25%	129	1,121	769

Source: SRK, 2025

Table 15.5: Post-tax NPV sensitivity analysis at different discount rates (RMB million)

6%	8%	10%	12%	14%
928	819	728	652	589

Source: SRK, 2025

16 CONCLUSION

Since 1997, the Jinyan Kaolin Project has been in continuous operation, selling precision casting calcined kaolin (mullite) products to various high-technology industries. It has positioned itself in the market as a leading supplier of these materials and is actively developing new products and building market share. Other calcined products include refractory mullite (chamotte). A new product is a ceramic fibre with good thermal insulation properties that can also be used as a filter material. This new product is scheduled to begin commercial production in 2025 and has not previously been tested in the market. Other lower-value products able to be produced from Shuoli include crushed and screened kaolin ores, which are commercially referred to as raw coke and raw powder. Waste ore and other waste materials are used for concrete bricks, minimising the amount of unused mined ore.

The Jinyan Kaolin Project currently consists of the mining operation and existing processing plants (Chamotte Plant and Mullite Precision Casting Sand and Powder Plant). The Project inherited the infrastructure and equipment from the former Shuoli Coal Mine and is using the same longwall mining method and equipment to extract the kaolin ore. The kaolin mining operation has a design mining capacity of 0.5 Mtpa, but only approximately 0.3 Mt was achieved in 2023, reflecting the market demand. The Chamotte Plant has been undergoing upgrading and now consists of four rotary kiln production lines and two shaft kiln production lines, with a total annual production volume of 0.34 Mt.

The Project team has developed a good understanding of the distribution and physical and chemical characteristics of the K2 mudstone, and the kaolin ore contained within it. Although the K2 mudstone is continuous throughout the Project area, the kaolin ore is divided into five domains. The domains are based on impurity contents, specifically $\text{Fe}_2\text{O}_3 < 2\%$, $\text{TiO}_2 < 0.6\%$ and minimum Al_2O_3 content $> 30\%$. High-quality kaolin ore ($\text{Fe}_2\text{O}_3 < 1.0\%$) is used to produce the mullite sand powder for precision casting mullite and refractory chamotte. Medium-grade kaolin ore ($\text{Fe}_2\text{O}_3 < 2.0\%$) is directly sold as raw coke, while low-grade ore ($\text{Fe}_2\text{O}_3 > 2.0\%$) is combined with calcined kaolin tailings to manufacture non-fired bricks, ensuring the comprehensive use of the mined kaolin ore. Current kaolin mining operations have focused on Domain 5, located in the southern part of the mining licence area.

Geological modelling was undertaken using Leapfrog software to define the five domains based on the impurities and Al_2O_3 content. The block model grade estimation was interpolated using the Ordinary Kriging (OK) method. This resulted in the definition of 18.6 Mt of Mineral Resources at an average grade of 40.30% Al_2O_3 , including 11.4 Mt Measured and Indicated Mineral Resources at an average grade of 40.29% Al_2O_3 in accordance with the JORC Code (2012).

The Project hosts 6.1 Mt of Proved and Probable Ore Reserves at an average grade of 38.10% Al_2O_3 in accordance with the JORC Code (2012) and has a 16-year LOM at a production rate of 400,000 tpa.

SRK has reviewed the Safety Assessment Reports and Safety Operation Procedure provided by the Company, and considers the documentation covers items that are generally in line with the relevant industry practices and safety regulations.

Risks associated with the Project are generally considered unlikely in terms of likelihood but may be of low or high consequence and therefore rated *Low* overall. No *High* risk issues have been identified. Hydrogeology issues are assigned a *Medium* rating with a range of mitigation measures recommended to reduce the possible consequences. Overall, the legacy experience and equipment from the Shuoli Coal Mine are considered to reduce the risks associated with the Project compared to those typically faced by a start-up mine.

17 RISK ASSESSMENT

This section presents risks that were identified and described in sections above. Risks have been classified from major to minor, defined as follows:

- **Major risk:** The factor poses an immediate danger of a failure which, if uncorrected, will have a material effect (>15% to 20%) on the project cashflow and performance and could potentially lead to project failure.
- **Moderate risk:** The factor, if uncorrected, could have a significant effect (10% to 15-20%) on the project cashflow and performance unless mitigated by some corrective action.
- **Minor risk:** The factor, if uncorrected, will have little or no effect (<10%) on project cashflow and performance.

In addition to the risk factor, the likelihood of risk must also be considered. Likelihood of occurrence within a 7-year timeframe can be considered as:

- likely: will probably occur
- possible: may occur
- unlikely: unlikely to occur.

Table 17.1: Risk assessment matrix

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

The results of the risk assessment rating are presented in Table 17.2. The rating of the risks is presented before implementation of control recommendations.

Table 17.2: Risk assessment on the Project

# Risk	Description	Control Recommendations	Likelihood	Consequence	Rating
Mineral Resource and Ore Reserve					
Locally high Fe ₂ O ₃ content occurs in certain bedding of the estimated domains . . .	The 2D estimation method requires one composite for each complete intersection through the mineralised zone. Fe ₂ O ₃ was assessed based on the average grade of the entire intersection of the mineralised zone.	Impose a more intensive grade control protocol to better identify Fe ₂ O ₃ content and mix the low Fe ₂ O ₃ ore with high Fe ₂ O ₃ ore.	Possible	Minor	Low
Mining					
Production plan	Failure to meet production targets due to delay or failure of underground development and mining block preparation development; low operating time and equipment utilisation.	Ensure that short-term planning is capable of identifying and resolving issues that could cause production delays, improve operation planning and equipment maintenance, and ensure sufficient capacity of equipment and system.	Unlikely	Moderate	Low
Equipment shortage or shutdown	Insufficient quantity or inefficient mining equipment; low equipment capacity due to unexpected conditions; equipment failure due to overload.	Ensure the maintenance schedule is implemented.	Possible	Moderate	Medium
Adverse micro-geological conditions (faults and disturbances)	Conditions changed significantly, leading to mine plan failure.	Impose practical mapping procedures to study changes in the mining conditions during drilling and heading development; change of equipment from longwall to shortwall.	Unlikely	Moderate	Low
Spontaneous combustion/mine fire/dust explosion . . .	Safety hazards caused by the previously mined and remaining coal seams.	Implement monitoring and set alarms in the mined-out area, and block the gates to the coal seam area.	Unlikely	Moderate	Low
Coal gas explosion/seam gas outbursts	Safety hazards caused by methane from the previously mined and remaining coal seams.	Implement monitoring and set alarms to the seam gas level, and block the gates to the coal seam area. Install an efficient ventilation system.	Unlikely	Moderate	Low

# Risk	Description	Control Recommendations	Likelihood	Consequence	Rating
Lack of skilled labour and operation management .	Lack of labour leading to mine plan failure.	Provide training for local employees and maintain the skilled labour and operation management.	Unlikely	Minor	Low
Processing					
Compatibility of equipment and processes.	If the equipment and processes are not compatible, the result will be lower product quality and higher production costs.	Regularly conduct process inspections to evaluate the tasks and adaptability of each piece of equipment, and update them as necessary.	Possible	Moderate	Medium
Ceramic fibre workshop production plant	Failure to meet the annual production target of 750 tpa.	The production plan for the ceramic fibre workshop may be conservatively reduced to 75% of the target.	Unlikely	Moderate	Low
Geotechnical					
No. 5 coal seam mined-out area may increase the difficulty of roof management during kaolin mining.	The No. 5 coal seam above certain working faces of the kaolin mine has already been mined, compromising the stability of the roof. This may increase the difficulty of roof management during kaolin mining and could potentially lead to roof fall accidents.	First, use φ200 mm × 2,000 mm semicircular wood beams for roof management in fractured roof sections, strictly prohibiting unsupported sides, unsupported roofs, and rib spalling roof falls. Second, if rib spalling roof falls occur on the working face, employ advance support by erecting advance supports and using wooden stacks to secure the roof.	Unlikely	Moderate	Low

# Risk	Description	Control Recommendations	Likelihood	Consequence	Rating
Roadway deformation caused by upper and lower coal seams depletion	Due to the mining of the upper and lower coal seams, some sections of the surrounding rock have been damaged, leading to roadway deformation and damage, making support challenging.	First, change the design concept and optimise the roadway layout level. Second, for fractured, easily weathered, water-bearing rock, implement targeted sealing and reinforcement measures. Third, promote mutual reinforcement between primary and secondary support to enhance the load-bearing function of the surrounding rock. Fourth, focus on the later maintenance and reinforcement of the roadway by taking targeted reinforcement measures based on dynamic monitoring of the deformation and strength weakening process of the surrounding rock.	Unlikely	Moderate	Low
Rib spalling and floor heave	The mine may have stress concentration areas where mining activities could lead to rib spalling and floor heave, posing safety risks.	Based on the layout of the working face and geological structure conditions, analyse and delineate the stress concentration range, and formulate special technical measures for mining in stress concentration areas.	Unlikely	Moderate	Low
Hydrology					
Undrained water in historical voids, leading to groundwater accidents	If management is inadequate, there may be risk of accidentally penetrating historical voids, roadways, chambers, or encountering undrained water in historical voids, leading to groundwater accidents.	Mitigation measures include further clarifying the location, size and water accumulation in historical voids, and strictly adhering to national and Anhui Province technical regulations, standards and measures for preventing water ingress from historical voids.	Possible	Moderate	Medium

# Risk	Description	Control Recommendations	Likelihood	Consequence	Rating
Residual water inflow from the four closed adjacent mines	Once residual water from the four closed mines around the Shuoli Kaolin Mine enters, the existing sump volume will not meet the <i>Coal Mine Water Prevention and Control Regulations</i> , posing a significant risk.	The mitigation measure is to complete the underground drainage system upgrade by the end of December 2025.	Unlikely	Major	Medium
Seepage on the mine field boundary coal pillars and artificial partition walls	After the closure of the four surrounding mines, the residual water will raise the water level, exerting pressure on the mine field boundary coal pillars and artificial partition walls, posing a risk of seepage.	Conduct monitoring and control, and reinforce protection of the artificial partition walls.	Possible	Moderate	Medium
Environment and Social					
Water pollution to the environment.	The potential risks of the project to surface water and groundwater are due to the indiscriminate discharge of untreated production and domestic wastewater.	Dispose the mine dewatering water and domestic wastewater properly. Conduct regular surface and groundwater monitoring.	Unlikely	Moderate	Low
Air emissions management.	Air pollutants come from production processes such as vertical kilns, rotary kilns, feeding, crushing, and screening. Particulate matter, sulfur dioxide and nitrogen oxides are the main air pollutants of the Project.	Undertake maintenance of the desulfurisation and denitrification facilities. Conduct regular air monitoring.	Possible	Moderate	Medium
Stakeholder engagement and social aspects.	No stakeholder engagement plan has been developed for the Project.	Develop and implement a stakeholder engagement plan. A grievance mechanism is also recommended to mitigate social risks.	Unlikely	Moderate	Low
Market					
Product price	Price reduction due to decline in demand or increased competition.	Active marketing and promotion; active ongoing product development focusing on high-value and innovative products.	Possible	Moderate	Medium

# Risk	Description	Control Recommendations	Likelihood	Consequence	Rating
Product specifications . . .	Clients request new specifications for products.	Incorporate flexible processing lines in the plant that can respond to change.	Unlikely	Low	Low
Client loss	Established clients purchase product from competitors.	Actively seek new clients and maintain good relations with existing clients.	Possible	Moderate	Medium
Insufficient product . . .	Production is capped below quantity required to maintain or expand market share.	Investigate possible increase in production licence quantity if warranted by increased demand.	Unlikely	Low	Low
Restricted/limited market .	Sales currently only in China may be subject to local fluctuations in high-technology industry.	Broaden client base and consider overseas clients.	Unlikely	Low	Low

Source: SRK

CLOSURE

This report, Independent Technical Report on the Jinyan Kaolin Project, was prepared by

(Gavin) Heung Ngai Chan
Principal Consultant

and reviewed by

Jeames McKibben
Principal Consultant

All data used as source material plus the text, tables, figures, and attachments of this document have been reviewed and prepared in accordance with generally accepted professional engineering and environmental practices.

REFERENCES

- Anhui Jinyan Kaolin Technology Co., Ltd. Mining License (copy) of Shuoli Kaolin Mine.
- Anhui Jinyan Kaolin Technology Co., Ltd., 2023. The Mineral Resources Development and Utilisation Plan Study at 0.5 Mtpa Capacity for the Shuoli Kaolin Mine, January 2023.
- Frost & Sullivan, 2025. Kaolin and its deep processing products industry Market Research.
- Gu, C, Zhai, X, Wu, J, Li, G, Wang, X, Tan, P and Hao, H, 2023. Structures, deformation history and dynamic background of the Qianyingzi Coal Mine in the Huaibei Coalfield, eastern China, *Frontiers in Earth Science*, 10, p.1014918.
- Henan Nieyuan Geological Exploration Co., Ltd., 2024. Verification Report on the reserves of the symbiotic hard kaolin mine in Shuoli kaolin mine, Huaibei City, Anhui Province.
- Huaibei Industrial and Architectural Design Institute Co., Ltd., 2011. The Preliminary Mine Design of the Mining Engineering at 0.5 Mtpa Capacity for the Shuoli Kaolin Mine, December 2011.
- Li, S, Jahn, B M, Zhao, S, Dai, L, Li, X, Suo, Y, Guo, L, Wang, Y, Liu, X, Lan, H and Zhou, Z, 2017. Triassic southeastward subduction of North China Block to South China Block: Insights from new geological, geophysical and geochemical data, *Earth-Science Reviews*, 166: 270-285.
- Mine Survey map dated 24 October 2024, Shuoli Kaolin Mine.
- USGS, 2019. Clays Statistics and Information. Retrieved November 25, 2024, from USGS: <https://www.usgs.gov/centers/national-minerals-information-center/clays-statistics-and-information>.
- USGS, 2022. Clays Statistics and Information 2022 tables — only release. Retrieved November 20, 2024, from <https://www.usgs.gov/centers/national-minerals-information-center/clays-statistics-and-information>.

TABLE 1 — JORC CODE 2012

Section 1 Sampling Techniques and Data

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

Criteria	JORC Code explanation	Commentary
Sampling techniques . .	<ul style="list-style-type: none"> Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where ‘industry standard’ work has been done, this would be relatively simple (e.g. ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. 	<p>The analytical results used to derive the Mineral Resource estimate at the Shuoli Kaolin Mine were collected from various exploration phases: the historical exploration (1957-1966 phase, 1970-1986 phase and 1991-2006 phase), and the 2024 validation.</p> <ul style="list-style-type: none"> In the 1957-1966 and 1970-1986 phases: All drill holes were completed from the surface for coal resource exploration. Kaolin core samples were collected as associated deposits. Unfortunately, the types of drill rigs and core diameters were not recorded. Sample intervals were generally 0.5 m. In the 1991-2006 phase: Underground diamond core drilling and channel sampling was carried out. Mineralised drill core intervals were entirely sampled. Core samples were extracted at 75 mm diameters. The type of drill rigs used was not documented. Sample intervals were generally 0.5 m. In the 1991-2006 phase and 2024 validation: Channel samples collected in drives were all continuous channel intervals of consistent width, depth and length of approximately 10 cm × 5 cm × 3 m, channelled either by chisels or saws. In 2024 validation: Surface drill holes were drilled using XY-4 drill rigs. Core samples were extracted at PQ and HQ size. Diamond core samples were collected by sawing in half, lengthwise, and were considered representative. Sample intervals were generally 0.5 m.
Drilling techniques . .	<ul style="list-style-type: none"> Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.). 	<ul style="list-style-type: none"> In the 1957-1966 and 1970-1986 phases: Details of drilling techniques were not recorded. In the 1991-2006 phase: Core samples were extracted at 75 mm diameters. Core was not oriented. In the 2024 validation: Drilling was conducted by PQ and HQ standard tube diamond core. Core was not oriented. Core boxes were marked.

Criteria	JORC Code explanation	Commentary
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<ul style="list-style-type: none"> In the 1957-1966 phase: The kaolin core recovery from drilling ranged from 60% to 98%, with an average recovery of 81%. In the 1970-1986 phase: The kaolin core recovery during these phases varied between 35% and 92.5%, averaging 74%. In the 1991-2006 phase: The kaolin core recovery from the underground drilling ranged from 75% to 100%, with an average of 82%. In the 2024 validation: The kaolin core recovery from the surface drilling ranged from 68% to 100%, with an average of 91%. 138 drill holes and channels from 1957-2024 explorations were used for resource estimation, with core recoveries exceeding 80%.
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. The total length and percentage of the relevant intersections logged. 	<ul style="list-style-type: none"> In the 1957-1966, 1970-1986 and 1991-2006 phases: The cores were logged with geological information. The lithology and stratigraphy features were interpreted and logged using downhole gamma and acoustic survey. In the 2024 validation: The kaolin cores were logged with geological information and photographed for documentation. The non-cored sections were interpreted and logged using downhole gamma and acoustic survey.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<p>In the 1957-1966, 1970-1986 and 1991-2006 phases:</p> <ul style="list-style-type: none"> The cores were sampled entirely without cutting or sawing. In the 1957-1966 and 1970-1986 phases: Samples were sent to the laboratory of Anhui Province Geology Bureau 325 Brigade (Anhui 325 Brigade); the 1991-2006 samples were sent to the laboratory of Anhui Third Exploration Team (Anhui Third Team). Historical samples were prepared according to Chinese standard protocol using a Qeqott formula ($Q=Kd^2$, K was designated to 0.2) as a reference for sample splitting weight. Prepared pulp samples were analysed to determine the SiO_2, Al_2O_3, Fe_2O_3 and TiO_2 contents, and Loss on Ignition (LOI). Some aliquots were further tested for CaO, MgO, K_2O and Na_2O content. SiO_2 and LOI were determined by gravimetric methods, Al_2O_3 by volumetric methods, Fe_2O_3 by the o-phenanthroline colorimetric method, and TiO_2 by the dianipyrylmethane photometric method. CaO, MgO, K_2O, and Na_2O were analysed using atomic absorption spectroscopy.

Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> Approximately 8.99% of pulp duplicates were inserted as internal quality control measures; approximately 6.46% duplicates were sent for inter-laboratory checks. <p>In the 2024 validation:</p> <ul style="list-style-type: none"> The primary drill samples were half-core cut by diamond saw, along the longitudinal axis. Field duplicates were inserted at a rate of 1 in 40 samples; roughly crushed duplicates were inserted at a rate of 1 in 40 samples; pulp duplicates, blanks, and certified reference material (CRM) standard samples were inserted at a rate of 1 in 20 samples. Samples were labelled, securely bagged and shipped to the laboratory of Henan Second Geological Exploration Institution (Henan Second Institution) for sample preparation. Samples were prepared in accordance with the Chinese GBT 14563-2020 protocol at the laboratory of the Henan Second Geological Exploration Institution (Henan Second Institution). Initially, the samples were crushed into pebbles measuring 30 mm in size and then split using riffle dividers. The split samples were further crushed to a maximum size of 10 mm and thoroughly mixed. A 0.25 kg portion was then ground into a 0.25 mm powder using a disc pulveriser and subsequently split to obtain a 50 g aliquot. This aliquot was further ground in an agate mortar to produce pulps with a size of 150 µm. The prepared pulp samples were analysed to determine the SiO₂, Al₂O₃, Fe₂O₃, and TiO₂ contents, and LOI. SiO₂ and LOI were determined by gravimetric methods, Al₂O₃ by volumetric methods, Fe₂O₃ and TiO₂ by the colorimetric method.

Criteria	JORC Code explanation	Commentary
Quality of assay data and laboratory tests .	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established. 	<p>In the 1957-1966, 1970-1986 and 1991-2006 phases:</p> <ul style="list-style-type: none"> Samples were analysed for SiO₂, Al₂O₃, Fe₂O₃ and TiO₂ contents, and LOI, in the laboratories of Anhui 325 Brigade and Anhui Third Team; inter-laboratory duplicates checks were sent to the laboratories of Anhui Geological Bureau and Nanjing Central Laboratory. Results from internal duplicates and inter-laboratory checks showed good correlation. <p>In the 2024 validation:</p> <ul style="list-style-type: none"> All samples were analysed for SiO₂, Al₂O₃, Fe₂O₃ and TiO₂ contents, and LOI, at the laboratory of Henan Second Institution; inter-laboratory duplicates were sent to the SGS laboratory in Tianjin. QAQC indicated the data were of high standard.
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<p>For the 1957-1966, 1970-1986 and 1991-2006 phases, no core or pulp sample were retained; for verification of the results from these campaigns, SRK has relied on information from validation hole drilling and channel sampling.</p> <p>In the 2024 validation, samples were assayed with QAQC protocol in Henan Second Institution. Eleven pulp duplicates of 218 samples were sent to SGS laboratory in Tianjin for inter-laboratory checking. Laboratory duplicates and inter-laboratory checks again showed reasonable reproducibility.</p>
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> Unless otherwise specified, all coordinates in this report were in Beijing 1954 zone 39 datum. <p>In the 1957-1966, 1970-1986, and 1991-2006 phases:</p> <ul style="list-style-type: none"> All drill holes and channel samples were surveyed using traditional optical surveying instruments or a total station. Downhole surveys to measure dip and azimuth were conducted at 50 m intervals using JJX 1 or JJX 3 type inclinometers. <p>In 2024 validation:</p> <ul style="list-style-type: none"> Collar positions were established using real-time kinematic (RTK) technology. Downhole surveys to measure dip and azimuth were conducted at 50 m intervals.

Criteria	JORC Code explanation	Commentary
Data spacing and distribution	<ul style="list-style-type: none"> • Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied. 	<ul style="list-style-type: none"> • In 1957-2006 historical exploration: The general drilling spacing of the Project was approximately 300 m × 350-400 m; in the central area of Domain 5 spacing is locally 150 m, and at the margin of Domain 5 spacing widens to 350 m. • The infill drill holes and channel sampling completed in 2024 reduced the Domain 1 drill spacing to a nominal 250 m × 250 m, and reduced the Domain 5 sampling spacing to a nominal 100 m × 100 m, with the central part drilled to 100 m × 50 m. • The combined spacing of the historical and 2024 programs is deemed adequate for the Mineral Resource estimate.
Orientation of data in relation to geological structure.	<ul style="list-style-type: none"> • Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> • Drill core was not oriented, and not required due to essentially low angle of orientation. • Core structural measurement was not performed. • Folds and faults were identified from observations in the underground drives.
Sample security	<ul style="list-style-type: none"> • The measures taken to ensure sample security. 	<ul style="list-style-type: none"> • None of the 1957-2006 historical exploration samples were preserved. • The halved drill cores and pulp rejects in the 2024 program were stored in a warehouse in Jinyan.
Audits or reviews	<ul style="list-style-type: none"> • The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> • SRK undertook an audit of the assays, including standards, blanks and QAQC of laboratory reporting.

Section 2 Reporting of Exploration Results

(Criteria listed in section 1 also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status . .	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> The Shuoli Kaolin Mine mining licence (C3400002019117120148949) was granted to Jinyan on 20 November 2024 and is valid until 20 November 2039. The mining licence covers an area of 17.9955 km² and allows exploitation between -50 m asl and -240 m aasl. The approved production capacity under the mining licence is 0.5 Mtpa.
Exploration done by other parties.	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> An initial coal resource exploration phase was carried out from 1957 to 1966 by the Anhui Province Geology Bureau 325 Brigade (Anhui 325 Brigade).
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> The kaolin deposit is hosted by the aluminous mudstone within the basal unit of the Permian Lower Shihezi Formation known as the K2 index layer. This aluminous mudstone unit is located 12-24 m beneath the No. 5 coal seam. Although the kaolin layer is continuous, it has been divided into five distinct domains based on impurity content, specifically where Fe₂O₃ is less than 2% and TiO₂ is less than 0.6%, as well as a minimum thickness of 0.7 m. The mineralisation layer is buried at depths ranging from -50 m to -240 m, with a thickness ranging from 0.77 m to 4.76 m. The entire layer exhibits a gentle dip angle, ranging from approximately 5° to 13°.

Criteria	JORC Code explanation	Commentary
Drill hole Information .	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole downhole length and interception depth hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<ul style="list-style-type: none"> Details of individual drill holes are not considered Material to the overall Mineral Resource estimation presented in this Report; therefore, a tabulation of drill hole information is omitted. All surface drill holes were drilled vertically, with depths ranging from 40.1 m to 470.3 m, nearly perpendicular to the sub-horizontal kaolin deposits. Underground drill holes were drilled in drives at dip angles between 50° and 90°. Channel samples were collected vertically on the drives walls from top to bottom. All intervals were used in the development of geological models and the interpretation of mineralised domains. However, to avoid potential inaccuracies, intervals with poor core recovery were excluded from variogram modelling and grade estimation. A nominal core recovery threshold of 80% was set for selecting intervals.
Data aggregation methods	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> To define the extents of the kaolinite estimation domain, the conditions Al_2O_3 grade above 30%, impurity Fe_2O_3 less than 2%, and impurity TiO_2 less than 0.6% were applied. No capping was applied.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the downhole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'). 	<ul style="list-style-type: none"> The sub-horizontal mineralised domains have a tabular shape, with gentle dips ranging from approximately 5° to 13°. Consequently, the intersections from drill holes and channels approximately correspond to the true widths of the mineralisation.

Criteria	JORC Code explanation	Commentary
Diagrams	<ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> Appropriate maps and sections were reported in this Report.
Balanced reporting . .	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> Details of individual drill holes are not considered Material to the overall Mineral Resource estimation presented in this Report and are omitted.
Other substantive exploration data . . .	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<ul style="list-style-type: none"> No other exploration activities have been carried out.
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<ul style="list-style-type: none"> No further exploration programs of infill or extension drilling are planned.

Section 3 Estimation and Reporting of Mineral Resources

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

Criteria	JORC Code explanation	Commentary
Database integrity	<ul style="list-style-type: none"> Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. Data validation procedures used. 	<ul style="list-style-type: none"> SRK conducted spot checks of the database against historical exploration program tables and maps, as well as the 2024 program assay certificates, and found no flaws in the data. During the process of uploading the database into Leapfrog software, various checks for internal inconsistencies (such as overlapping intervals and missing collars) are automatically performed. Visual checks of the different generations and types of sampling data against each other also ensure database integrity.
Site visits	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken indicate why this is the case. 	<ul style="list-style-type: none"> SRK consultants and associates visited the Jinyan Kaolin Project on 3-4 October, 11-12 October and 24-25 October 2024.
Geological interpretation	<ul style="list-style-type: none"> Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. Nature of the data used and of any assumptions made. The effect, if any, of alternative interpretations on Mineral Resource estimation. The use of geology in guiding and controlling Mineral Resource estimation. The factors affecting continuity both of grade and geology. 	<ul style="list-style-type: none"> A total of 168 drill holes and underground channels were completed, resulting in the collection of 891 samples. This dataset provides a good definition of the dimensions for resource estimation. SRK has high confidence in the geological interpretation. The overall interpretation of the continuity, extent, and orientation of the kaolinite layer and host sediments, based on the various phases of exploration, has been confirmed by extraction of kaolin since 1997, and additional knowledge of the geology gained from over 50 years of coal mining. For the interpolation of attributes into the Mineral Resource block model, the anisotropies of the variogram models and search neighbourhoods were aligned to follow the approximately flat-lying geology.
Dimensions	<ul style="list-style-type: none"> The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource. 	<ul style="list-style-type: none"> The dimensions of the mineralised domains are presented as length (m) × width (m) × thickness (m) as: <ul style="list-style-type: none"> Domain 1 1,680 × 1,550 × 2.1 Domain 2-1 800 × 300 × 2.3 Domain 2-2 900 × 180 × 2.3 Domain 3 1,100 × 170 × 1.2 Domain 4 740 × 350 × 2.2 Domain 5 1,800 × 940 × 2.5.

Criteria	JORC Code explanation	Commentary
Estimation and modelling techniques	<ul style="list-style-type: none"> The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen, include a description of computer software and parameters used. The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. The assumptions made regarding recovery of by-products. Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation). In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. Any assumptions behind modelling of selective mining units. Any assumptions about correlation between variables. Description of how the geological interpretation was used to control the resource estimates. Discussion of basis for using or not using grade cutting or capping. The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available. 	<ul style="list-style-type: none"> The Anhui Coal Field Geology Institution Third Exploration Team (Anhui Third Team) and Henan Nieyuan Geological Exploration Co., Ltd. reported Mineral Resource estimates using datasets from the 1957-2006 program in 2019 and 2024, respectively. However, neither of these Mineral Resource estimates complied with the reporting standards and definitions of the JORC Code. SRK's 3D block modelling and estimation was undertaken in Leapfrog Edge software (version 2024.1). The estimation domains for the Project were built using kaolin intervals in Leapfrog Edge software. Thresholds of Al_2O_3 grade above 30%, impurity Fe_2O_3 less than 2%, and impurity TiO_2 less than 0.6% were applied for modelling this domain. The 2D estimation approach was applied for the Project's kaolin deposit. For each estimation domain, estimates were made of 'accumulations' (product of grade and true thickness), and true thickness. For the elements of interest, the block grades were then obtained by dividing the corresponding accumulation estimate by the thickness estimate. No capping was applied. No assumptions were made regarding correlation between variables. The block models for all domains with dimensions of 100 m × 100 m × variable Z (East × North × Elevation) and sub-blocking with dimensions of 10 m × 10 m × variable Z (East × North × Elevation) were employed, and no rotation has been allowed. Block accumulation and true thickness values were interpolated using the Ordinary Kriging (OK) method. A discretisation grid of 5 × 5 × 1 has been used within each block during the estimation. SRK conducted visual validation of the longitudinal views and cross section view of the drill holes or channel grades and block model grades, which demonstrated good correlation between local block estimations and nearby samples, without excessive smoothing in the block model. SRK compared recent (last 3 years) production records and historical depletion against the estimated model for reconciliation.

Criteria	JORC Code explanation	Commentary
Moisture	<ul style="list-style-type: none"> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. 	<ul style="list-style-type: none"> Tonnages are estimated on a dry basis.
Cut-off parameters	<ul style="list-style-type: none"> The basis of the adopted cut-off grade(s) or quality parameters applied. 	<ul style="list-style-type: none"> Thresholds of Al_2O_3 grade above 30%, impurity Fe_2O_3 less than 2% and impurity TiO_2 less than 0.6% were applied in accordance with processing requirements. Additionally, a minimum mining thickness was employed to accommodate the limitations of the longwall mining method.
Mining factors or assumptions	<ul style="list-style-type: none"> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made. 	<ul style="list-style-type: none"> The Shuoli Kaolin Mine uses the longwall mining method with fully mechanised mining technology. The development system is a mixed system of three shafts (main shaft, service shaft and ventilation shaft) and a single main roadway level at -200 m. The typical mining block has a length of 600 m, a mining width of 120 m and a cutting height of 2 m to ~3.8 m.
Metallurgical factors or assumptions	<ul style="list-style-type: none"> The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made. 	<ul style="list-style-type: none"> The mineralisation is assumed to be principally kaolin. The ore undergoes calcination, followed by crushing and grinding, to be used as refractory and casting materials. The entire K2 layer horizon is considered ore, allowing for bulk extraction without generating any waste during the mining operation.

Criteria	JORC Code explanation	Commentary
Environmental factors or assumptions	<ul style="list-style-type: none"> Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made. 	<ul style="list-style-type: none"> No specific environmental factors or assumptions are made.
Bulk density	<ul style="list-style-type: none"> Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit. Discuss assumptions for bulk density estimates used in the evaluation process of the different materials. 	<ul style="list-style-type: none"> Bulk density and specific gravity measurements were completed in the historical and 2024 programs and the density of ore rock was determined at 2.60 g/cm³.
Classification	<ul style="list-style-type: none"> The basis for the classification of the Mineral Resources into varying confidence categories. Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). Whether the result appropriately reflects the Competent Person's view of the deposit. 	<ul style="list-style-type: none"> SRK considered the following factors in Mineral Resource classification: <ul style="list-style-type: none"> Geological continuity and reliability of interpretation Density of sample support and exploration workings OK attributes (kriging variance, slope of regression, kriging efficiency). Measured Mineral Resource is classified as the area defined by sampling spacing within 50 m, or slope of regression greater than 0.85. Indicated Mineral Resource is classified as the area defined by sampling spacing within 250 m, or slope of regression greater than 0.4. Inferred Mineral Resource is classified as areas defined only by sampling spacing more than 250 m, or the extension of Indicated Mineral Resources.

Criteria	JORC Code explanation	Commentary
Audits or reviews . . .	<ul style="list-style-type: none"> The results of any audits or reviews of Mineral Resource estimates. 	<ul style="list-style-type: none"> No external audits or reviews of the Mineral Resource have been taken place. SRK carried out an internal peer review on the Mineral Resource estimate.
Discussion of relative accuracy/confidence .	<ul style="list-style-type: none"> Where appropriate, a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<ul style="list-style-type: none"> The relative accuracy of the Mineral Resource estimate is reflected in the Mineral Resource classification categories applied. The Mineral Resource statement reflects the global estimates of in situ tonnes and grade.

Section 4 Estimation and Reporting of Ore Reserves

(Criteria listed in section 1, and where relevant in section 2 and 3, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	<ul style="list-style-type: none"> Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves. 	<ul style="list-style-type: none"> A Mineral Resource estimate was completed by SRK, with an effective date of 14 February 2025. The reported Mineral Resource is inclusive of Ore Reserve.
Site visits	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken, indicate why this is the case. 	<ul style="list-style-type: none"> SRK consultants and associates visited the Jinyan Kaolin Project on 3-4 October, 11-12 October and 24-25 October 2024.
Study status	<ul style="list-style-type: none"> The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves. The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered. 	<p>Two technical studies and operation data are available to review:</p> <ul style="list-style-type: none"> The Preliminary Mine Design of the Mining Engineering at 0.5 Mtpa Capacity for the Shuoli Kaolin Mine; December 2019, Huaibei Industrial and Architectural Design Institute Co., Ltd. The Mineral Resources Development and Utilization Plan Study at 0.5 Mtpa Capacity for the Shuoli Kaolin Mine; January 2023, Anhui Jinyan Kaolin Technology Co., Ltd. SRK considers the level of accuracy of the Modifying Factors described in the abovementioned technical studies in conjunction with the operation data since 2019 to be similar to a pre-feasibility study (PFS), prepared in accordance with the JORC Code (2012) guidelines.

Criteria	JORC Code explanation	Commentary
Mining factors or assumptions	<ul style="list-style-type: none"> The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design). The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc. The assumptions made regarding geotechnical parameters (e.g. pit slopes, stope sizes, etc.), grade control and pre-production drilling. The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate). The mining dilution factors used. The mining recovery factors used. Any minimum mining widths used. The manner in which Inferred Mineral Resources are used in mining studies and the sensitivity of the outcome to their inclusion. The infrastructure requirements of the selected mining methods. 	<ul style="list-style-type: none"> The Shuoli Kaolin Mine uses the longwall mining method with fully mechanised mining technology. The development system is a mixed system of three shafts (main shaft, service shaft and ventilation shaft) and a single main roadway level at -200 m. The typical mining block has a length of 600 m, a mining width of 120 m and a cutting height of 2 to ~3.8 m. Inferred Mineral Resources were not considered during the mine design. Mining panel design scope: <ol style="list-style-type: none"> The design is constrained within the mining licence limit. End-of-month survey data from 31 May 2025 are the last available survey data for as-built consideration. Design loss: <ol style="list-style-type: none"> Safety pillars for the shafts, surface buildings and others are considered loss. Panel pillars for the main drive are left. The corner resources which the longwall mining shearer barely reaches are considered loss. Kaolin layers steeper than 17°, where the longwall mining equipment cannot operate effectively, are considered. Mining dilution: <ol style="list-style-type: none"> The minimum mining width (cutting height) is 2 m. 0.05 m dilution is applied to both roof and bottom of the kaolinite seam, if the seam is more than 1.9 m height. The Mineral Resource is diluted up to 2 m if the seam is less than 1.9 m. Mining loss: <ol style="list-style-type: none"> 5% is applied to cover the loss from workface handover of the stockpile during transportation. The mine design takes into account the use of existing infrastructure, including access, transportation, ventilation, power supply, water supply, and dewatering systems, which were employed during previous operations.

Criteria	JORC Code explanation	Commentary
Metallurgical factors or assumptions	<ul style="list-style-type: none"> The metallurgical process proposed and the appropriateness of that process to the style of mineralisation. Whether the metallurgical process is well-tested technology or novel in nature. The nature, amount and representativeness of metallurgical testwork undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied. Any assumptions or allowances made for deleterious elements. The existence of any bulk sample or pilot scale testwork and the degree to which such samples are considered representative of the orebody as a whole. For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications? 	<ul style="list-style-type: none"> Kaolin ore is classified into three types according to its iron content: $\text{Fe}_2\text{O}_3 < 1.0\%$ is used as raw material for calcined kaolin; ore with $\text{Fe}_2\text{O}_3 = 1.0\sim 2.0\%$ is screened into different particle sizes for sale; and ore with $\text{Fe}_2\text{O}_3 > 2.0\%$ is used as raw material for manufacturing non-fired bricks. During the calcination process, calcined kaolin loses constitution water and volatile substances, resulting in a weight loss of 14.5%. The impurity removal rate of the calcined product is approximately 5%, so the yield of qualified calcined kaolin products relative to the ore fed into the furnace is about 80.5%. The production volume for calcined kaolin is 340,000 t per year. Producing 1 t of kaolin ceramic fibre consumes 0.9 t of calcined kaolin. The kaolin fibre workshop is designed for a production capacity of 1,000 t per year, with a planned production of 750 t per year. Impurities and auxiliary waste generated during the processing of unqualified kaolin ore and calcined products are all used to manufacture non-fired bricks.
Environmental	<ul style="list-style-type: none"> The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported. 	<ul style="list-style-type: none"> The Project has obtained the required environmental protection related permits for operation, including safety production permit, water extraction permit, pollution discharge permit. Environmental impact assessment reports on the key facilities of the Project have also been prepared and approved by the relevant authorities.
Infrastructure	<ul style="list-style-type: none"> The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed. 	<ul style="list-style-type: none"> The mine and processing plant is connected to the grid with sufficient power supply. The rotary kiln and shaft kilns are heated by coal or natural gas. Access to the mine and processing plant is via paved roads.

Criteria	JORC Code explanation	Commentary
Costs	<ul style="list-style-type: none"> The derivation of, or assumptions made, regarding projected capital costs in the study. The methodology used to estimate operating costs. Allowances made for the content of deleterious elements. The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co- products. The source of exchange rates used in the study. Derivation of transportation charges. The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc. The allowances made for royalties payable, both Government and private. 	<ul style="list-style-type: none"> The Project is an existing mine, with the majority of the projected capital expenditure related to equipment refurbishment and replacement as well as facility upgrades. The cost estimate is based on quotations or Company's recent experience. The operating cost is estimate based on actual operating costs and plant performance, existing contracts with suppliers, royalty and government charges, and the technical studies. A resource tax of 2% is applied to the revenue generated from the sales of ore.
Revenue factors	<ul style="list-style-type: none"> The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc. The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products. 	<ul style="list-style-type: none"> 80.5% Loss on Ignition. The commodity price forecast is based on the Company's current sales figures and the projected rate of increase provided by Frost & Sullivan, an independent market research company.
Market assessment	<ul style="list-style-type: none"> The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. A customer and competitor analysis along with the identification of likely market windows for the product. Price and volume forecasts and the basis for these forecasts. For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract. 	<ul style="list-style-type: none"> A number of existing contracts dated 2024 have been sighted, outlining the specifications of the purchased products and prices. Production for 2023 was 300,000 t with an annual extraction limit of 500,000 t. A market assessment report was prepared by Frost & Sullivan (2025), covering the general kaolin market and also the market for calcined kaolin precision casting mullite and refractory uses. Sales volumes have been conservatively forecast to be similar tonnages to recent annual sales.
Economic	<ul style="list-style-type: none"> The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc. NPV ranges and sensitivity to variations in the significant assumptions and inputs. 	<ul style="list-style-type: none"> The actual and forecast capital and operating costs were reviewed by SRK and found to be reasonable. An analysis of economic viability indicates that, after applying a 15% corporate tax and a 10% discount rate, the net present value (NPV) is positive. This suggests that the defined Ore Reserves are economically viable

Criteria	JORC Code explanation	Commentary
Social	<ul style="list-style-type: none"> The status of agreements with key stakeholders and matters leading to social licence to operate. 	<ul style="list-style-type: none"> Residential areas are located to the east and south of the mine site. The EIA report for the Calcined Kaolin Raw Material shows strong public support, with 98% of respondents in favour. The management of the nearby community is the responsibility of the local government.
Other	<ul style="list-style-type: none"> To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves: <ul style="list-style-type: none"> Any identified material naturally occurring risks. The status of material legal agreements and marketing arrangements. The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent. 	<ul style="list-style-type: none"> No material risks have been identified that would materially affect the Ore Reserve estimation. SRK is not aware of outstanding permits or licences that would materially affect the current operation.
Classification	<ul style="list-style-type: none"> The basis for the classification of the Ore Reserves into varying confidence categories. Whether the result appropriately reflects the Competent Person's view of the deposit. The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any). 	<ul style="list-style-type: none"> Measured Mineral Resources in the mine blocks are classified as Proved Ore Reserves. Indicated Mineral Resources in the mine blocks are classified as Probable Ore Reserves. The classification of Ore Reserves appropriately reflects the Competent Person's view of the deposit.
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of Ore Reserve estimates. 	<ul style="list-style-type: none"> An internal peer review was undertaken as part of SRK's internal quality control and quality assurance procedures.

Criteria	JORC Code explanation	Commentary
Discussion of relative accuracy/confidence .	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage. It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<ul style="list-style-type: none"> The Ore Reserves estimates are based on the technical study in 2023 and ongoing operations. All modifying factors have been applied for Ore Reserves estimates at a PFS level of confidence. As is the case for most mining projects, the extent to which the estimate of Ore Reserves may be affected by mining, metallurgical, infrastructure, permitting, market and other factors could vary from major gains to total loss of Ore Reserves. There are no issues known to the Competent Person of this section that are expected to materially affect the Ore Reserve estimates.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, in connection with its valuation as at 30 September 2025 of the selected property interests of the Company.



Asia-Pacific Consulting and Appraisal Limited

Flat/Rm A, 12/F
Kiu Fu Commercial Building
300 Lockhart Road
Wan Chai
Hong Kong
18 November 2025

The Board of Directors

Anhui Jinyan Kaolin New Materials Co., Ltd.

50 meters north of Shuoli Town
Duji District,
Huaibei City
Anhui Province,
The PRC

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions to value selected the property interests held by Anhui Jinyan Kaolin New Materials Co., Ltd. (the “**Company**”) in the People’s Republic of China (the “**PRC**”). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 30 September 2025 (the “**Valuation Date**”).

The selected property interests form part of the Company’s non-property activities that has a carrying amount of 15% or more of the Company’s total assets and therefore the valuation report of this property interests is required to be included in this prospectus.

BASIS OF VALUATION

Our valuation was carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”.

METHODS OF VALUATION

Due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

VALUATION STANDARDS

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

DOCUMENT AND TITLE INVESTIGATION

We have been shown copies of various title documents including Real Estate Title Certificate and other official permits relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser — Anhui Tianhe Law Firm, concerning the validity of the property interests in the PRC.

AREA MEASUREMENT AND INSPECTION

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in October 2024 by Mr. David Cheng who is a member of Royal Institution of Chartered Surveyor and has over 20 years' experience in property valuation in the PRC, and Mr. Eric Wu who has 4 years' experience in property valuation in the PRC.

CURRENCY

All monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited
David G. D. Cheng
MRICS
Executive Director

Note: David G. D. Cheng is a Chartered Surveyor who has over 20 years' experience in the valuation of assets in the Greater China Region, the Asia-Pacific region, the United States and Canada.

SUMMARY OF VALUES

Property interests held and occupied by the Company in the PRC

No.	Property	Market value in existing state as at the Valuation Date
		<i>RMB</i>
1.	A parcel of land, 4 buildings and various structures located in No. 26 Longyan Road, Duji District, Huaibei City, Anhui Province, The PRC	22,469,000
2.	3 parcels of land, 54 buildings and various structures located in Shuobei Road, Duji District, Huaibei City, Anhui Province, The PRC	246,936,000
3.	2 parcels of land, 7 buildings and various structures located in Poli Village Shuoli Town, Duji District, Huaibei City, Anhui Province, The PRC	8,867,000
Total:		<u>278,272,000</u>

VALUATION CERTIFICATE

Property interests held and occupied by the Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date
				RMB
1.	A parcel of land, 4 buildings and various structures located in No. 26 Longyan Road, Duji District, Huaibei City, Anhui Province, The PRC	<p>The property comprises a parcel of land with a site area of approximately 38,548.00 sq.m. and 4 buildings and various ancillary structures erected thereon which were completed in various stages between 2014 and 2019.</p> <p>The 4 buildings have a total gross floor area of approximately 9,995.20 sq.m., include 2 workshops and 2 industrial buildings.</p> <p>The structures mainly include roads and boundary walls.</p> <p>The land use rights of the property have been capital contribution in kind for a term expiring on 25 July 2066 for industry use.</p>	The property is currently occupied by the Company for production and ancillary purposes.	22,469,000

Notes:

- Pursuant to 4 Real Estate Title Certificates — Wan (2022) Huai Bei Shi Bu Dong Chan Quan Di Nos. 0014330, 0014336, 0014338 and 0014344, the land use rights of a parcel of land with a site area of approximately 38,548.00 sq.m. have been capital contribution in kind for a term expiring on 25 July 2066 for industry use, and 4 buildings with a total gross floor area of approximately 9,995.20 sq.m. are owned by the Company. The details are set out as follows:

No.	Certificate No.	Usage	Gross Floor Area
			(sq.m.)
1	No. 0014330	Milling workshop	3,182.40
2	No. 0014336	Powder plant greenhouse	1,947.00
3	No. 0014338	Precision casting sand workshop	4,655.55
4	No. 0014344	Air compressor room	210.25
Total			9,995.20

- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The company has legally acquired and lawfully owns the property ownership certificates. The ownership of the real estate is clear, with no property disputes or potential disputes, and it is not subject to pledges, seizures, freezes, or any other restrictions on ownership. The company has the right to transfer, lease, mortgage, or dispose of the property in any other legal manner.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date
				RMB
2.	3 parcels of land, 54 buildings and various structures located in Shuobei Road, Duji District, Huaibei City, Anhui Province, The PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 426,056.84 sq.m. and 54 buildings and various ancillary structures erected thereon which were completed in various stages between 1969 and 2024.</p> <p>The 54 buildings have a total gross floor area of approximately 72,509.37 sq.m., mainly include office buildings, workshops, industrial buildings and ancillary buildings.</p> <p>The structures mainly include roads, water pools, drainage ditches, transport tunnels, coal bins and boundary walls.</p> <p>The land use rights of the property have been capital contribution in kind for a term expiring on 16 January 2056 for industry use.</p>	The property is currently occupied by the Company for production and ancillary purposes.	246,936,000

Notes:

1. Pursuant to 54 Real Estate Title Certificates, the land use rights of 3 parcels of land with a total site area of approximately 426,056.84 sq.m. have been capital contribution in kind for a term expiring on 16 January 2056 for industry use, and 54 buildings with a total gross floor area of approximately 72,803.72 sq.m. are owned by the Company. The details are set out as follows:

No.	Certificate No.	Usage	Gross Floor Area (sq.m.)
1	No. 0019331	Main Workshop	803.72
2	No. 0019328	Warehouse 2#	1,306.65
3	No. 0019329	Warehouse 3#	229.17
4	No. 0019322	Warehouse 8#	207.16
5	No. 0019321	Production Crushing Workshop	1,310.21
6	No. 0019330	Warehouse 6#	120.47
7	No. 0019325	Equipment Warehouse	1,203.30
8	No. 0019324	Supply Warehouse 2#	680.00
9	No. 0019323	Supply Warehouse 5#	63.54
10	No. 0019320	Warehouse 1#	259.49
11	No. 0010853	Dry Grinding Workshop	1,122.65
12	No. 0010846	Sorting Workshop	904.92
13	No. 0010858	Supply Warehouse 1#	1,645.98
14	No. 0010869	Calcining Workshop	1,279.17
15	No. 0010857	Rotary Kiln Head Control Room	821.89
16	No. 0019327	Supply Warehouse 7#	162.19
17	No. 0019326	Integrated Office Building	590.75
18	No. 0010875	Weighbridge Room	15.01

No.	Certificate No.	Usage	Gross Floor Area (sq.m.)
19	No. 0010870	Winch Room	35.44
20	No. 0010855	Market Department Sales Office	71.16
21	No. 0019303	Substation	382.04
22	No. 0019306	Air Compressor Room	557.10
23	No. 0010860	Auxiliary Shaft Headframe Room	365.86
24	No. 0019309	Mine Lamp Room	797.48
25	No. 0019308	Mine Office Building	3,210.21
26	No. 0019311	Mining and Excavation Office Building	2,488.58
27	No. 0019305	Mechanical and Electrical Office Building	666.16
28	No. 0019317	Electrical Equipment Warehouse	1,280.17
29	No. 0019332	Integrated Mining Equipment Warehouse	1,239.29
30	No. 0021902	Supply Department Warehouse	326.46
31	No. 0021901	Supply Department Warehouse	1,331.71
32	No. 0019304	Integrated Mining Equipment Warehouse	1,205.66
33	No. 0010832	Main Shaft Winch Room	429.08
34	No. 0019307	Auxiliary Shaft Winch Room	335.96
35	No. 0019312	Boiler Room	1,816.43
36	No. 0019310	Welfare Building	1,842.30
37	No. 0019314	Mine Canteen Processing Area	567.86
38	No. 0019315	Mine Canteen New Dining Hall	1,204.60
39	No. 0019319	Mine Excavation Bathhouse	3,901.29
40	No. 0019318	Mine Guest Bathhouse	788.27
41	No. 0019313	Mine Guesthouse	2,389.61
42	No. 0019316	Guesthouse Restaurant	198.88
43	No. 0006602	Packaging and Storage Workshop	10,788.26
		Sand Making Workshop and Dry Grinding and	
44	No. 0006617	Powder Production Workshop	2,775.77
45	No. 0006604	Pump House	305.60
		Central Control Room and Power Distribution	
46	No. 0006610	Room	1,336.50
47	No. 0006607	Air Compressor Room	306.56
48	No. 0006612	Fine Crushing and Drying Workshop	1,763.83
49	No. 0006628	Large Material Homogenization Silo	1,336.50
		Coarse Crushing Workshop and Small	
50	No. 0006613	Material Homogenization Silo	3,556.87
51	No. 0006630	High-end Synthetic Ceramic Fiber Plant	2,499.72
52	No. 0006932	Raw Material Shed	1,080.00
53	No. 0006935	Raw Material Warehouse	5,126.54
54	No. 0006933	35KV Substation	1,475.35
Total			72,509.37

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. The company has legally acquired and lawfully owns the property ownership certificates. The ownership of the real estate is clear, with no property disputes or potential disputes, and it is not subject to pledges, seizures, freezes, or any other restrictions on ownership. The company has the right to transfer, lease, mortgage, or dispose of the property in any other legal manner.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date
				RMB
3.	2 parcels of land, 7 buildings and various structures located in Poli Village Shuoli Town, Duji District, Huaibei City, Anhui Province, The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 30,789.31 sq.m. and 7 buildings and various ancillary structures erected thereon which were completed in various stages between 1971 and 2013.</p> <p>The 7 buildings have a total gross floor area of approximately 1,025.02 sq.m., mainly include industrial buildings and ancillary buildings.</p> <p>The structures mainly include roads, well, drainage ditches and boundary walls.</p> <p>The land use rights of the property have been capital contribution in kind for a term expiring on 16 January 2056 for industry use.</p>	The property is currently occupied by the Company for production and ancillary purposes.	8,867,000

Notes:

1. Pursuant to 7 Real Estate Title Certificates — Wan (2022) Huai Bei Shi Bu Dong Chan Quan Di Nos. 0021893, 0021894, 0021895, 0021896, 0021897, 0021898 and 0021899, the land use rights of 2 parcels of land with a total site area of approximately 30,789.31 sq.m. have been capital contribution in kind for a term expiring on 16 January 2056 for industry use, and 7 buildings with a total gross floor area of approximately 1,025.02 sq.m. are owned by the Company. The details are set out as follows:

No.	Certificate No.	Usage	Gross Floor Area
			(sq.m.)
1	No. 0021893	Fan Room	77.90
2	No. 0021894	Grouting Room	22.07
3	No. 0021895	Substation	136.41
4	No. 0021896	Exhaust Fan Room	216.82
5	No. 0021897	Pump Room	22.33
6	No. 0021898	Compressor Room	281.96
7	No. 0021899	Duty Room	267.53
Total			1,025.02

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. The company has legally acquired and lawfully owns the property ownership certificates. The ownership of the real estate is clear, with no property disputes or potential disputes, and it is not subject to pledges, seizures, freezes, or any other restrictions on ownership. The company has the right to transfer, lease, mortgage, or dispose of the property in any other legal manner.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was established as a limited liability company in the PRC on October 25, 2012 and was converted into a joint stock limited company on June 17, 2022 under the laws of the PRC. As of the Latest Practicable Date, the registered capital of our Company was RMB72,894,316. Immediately upon Listing (assuming the Over-allotment Option is not exercised), our Company will have (i) 72,894,316 Domestic Shares, representing approximately 75% of our total issued Shares upon Listing; and (ii) 24,300,000 H Shares, representing approximately 25% of our total issued Shares upon Listing, which will be held by the public.

Our place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong under the name of Anhui Jinyan Kaolin New Materials Co., Ltd. on November 27, 2024. Ms. Sze Suet Ling (施雪玲) has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong whose address for service of process is 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

As our Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendices IV and V, respectively.

2. Changes in Share Capital

On October 25, 2012, our Company was incorporated with a registered capital of RMB26,000,000.

There has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

3. Resolutions of our Shareholders

At the general meeting of the Shareholders held on October 14, 2024, the following resolutions, among other things, were duly passed:

- (a) the issue by our Company of H Shares with a nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;
- (b) the number of H Shares to be issued shall not be less than 25% of the total issued share capital of our Company as enlarged by the Global Offering (before exercise of the Over-allotment Option), and the grant to the Overall Coordinators of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;
- (c) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the Global Offering, the issue and the listing of H Shares on the Hong Kong Stock Exchange; and
- (d) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Company within the two years preceding the date of this prospectus and are or may be material:

- (a) a cornerstone investment agreement dated November 20, 2025 entered into among our Company, Pingmei Shenma (Hong Kong) International Investment Limited (平煤神馬(香港)國際投資有限公司), Guoyuan Capital (Hong Kong) Limited (國元融資(香港)有限公司), Guoyuan Securities Brokerage (Hong Kong) Limited (國元證券經紀(香港)有限公司), CMBC International Capital Limited (民銀資本有限公司) and CMBC Securities Company Limited (民銀證券有限公司), with respect to a subscription of H Shares at the Offer Price in the aggregate amount of HK\$30 million (inclusive of brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy in respect of such number of H Shares to be subscribed by it);

- (b) a cornerstone investment agreement dated November 20, 2025 entered into among our Company, Hong Kong Chuangli Yingtai Investment Limited (香港創力贏泰投資有限公司), Chuangli (Anhui) Mining Mechanics Manufacturing Co., Ltd. (創力(安徽)礦山機械製造有限公司), Guoyuan Capital (Hong Kong) Limited (國元融資(香港)有限公司), Guoyuan Securities Brokerage (Hong Kong) Limited (國元證券經紀(香港)有限公司), CMBC International Capital Limited (民銀資本有限公司) and CMBC Securities Company Limited (民銀證券有限公司), with respect to a subscription of H Shares at the Offer Price in the aggregate amount of HK\$25 million (inclusive of brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy in respect of such number of H Shares to be subscribed by it);
- (c) a cornerstone investment agreement dated November 20, 2025 entered into among our Company, Hong Kong Jinyuan Industry and Trade Limited (香港金源工貿有限公司), Huaibei Jinyuan Industry and Trade Limited (淮北金源工貿有限責任公司), Guoyuan Capital (Hong Kong) Limited (國元融資(香港)有限公司), Guoyuan Securities Brokerage (Hong Kong) Limited (國元證券經紀(香港)有限公司), CMBC International Capital Limited (民銀資本有限公司) and CMBC Securities Company Limited (民銀證券有限公司), with respect to a subscription of H Shares at the Offer Price in the aggregate amount of HK\$11 million (inclusive of brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy in respect of such number of H Shares to be subscribed by it);
- (d) a cornerstone investment agreement dated November 20, 2025 entered into among our Company, Degao Mining Technology Limited (德高礦山科技有限公司), Anhui Degao Mining Technology Limited (安徽德高礦山科技有限公司), Guoyuan Capital (Hong Kong) Limited (國元融資(香港)有限公司), Guoyuan Securities Brokerage (Hong Kong) Limited (國元證券經紀(香港)有限公司), CMBC International Capital Limited (民銀資本有限公司) and CMBC Securities Company Limited (民銀證券有限公司), with respect to a subscription of H Shares at the Offer Price in the aggregate amount of HK\$11 million (inclusive of brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy in respect of such number of H Shares to be subscribed by it); and
- (e) The Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Rights holder	Class	Registration number	Expiration date
1 . .		PRC	Our Company	1	1624123	August 27, 2031
2 . .		PRC	Our Company	1	13803668	May 20, 2035
3 . . .		Hong Kong	Our Company	1	306678145	September 23, 2034
4 . . .		Hong Kong	Our Company	1	306678154	September 23, 2034
5 . . .		PRC	Our Company	1	79414657	January 13, 2035
6 . . .		PRC	Our Company	1	79417512	January 13, 2035

(b) Copyright

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright owner	Registration number	Date of registration
1 . . .	Molite sand intelligent calcining technology control system V1.0	Our Company	2025SR0637847	April 17, 2025
2 . . .	A kaolin environmental visualization system V1.0	Our Company	2025SR0637858	April 17, 2025
3 . . .	A scorched gemstone automated calcining system V1.0	Our Company	2025SR0637864	April 17, 2025
4 . . .	High-performance ceramic filter fiber analysis platform V1.0	Our Company	2024SR0504281	April 15, 2024
5 . . .	Intelligent Kaolin Purification Technology Control Platform V1.0	Our Company	2024SR0504922	April 15, 2024
6 . . .	Ceramic filter fiber manufacturing process control system V1.0	Our Company	2024SR0503483	April 15, 2024
7 . . .	Kaolin ore Quality Intelligence Control System V1.0	Our Company	2024SR0508210	April 15, 2024
8 . . .	Quality monitoring platform for the production of fine-cast sand powder V1.0	Our Company	2024SR0508200	April 15, 2024
9 . . .	Raw material quality analysis and management platform V1.0	Our Company	2024SR1699872	November 5, 2024
10 . . .	Kiln Temperature Precise Control System V1.0	Our Company	2024SR1699886	November 5, 2024
11 . . .	Finished product quality online inspection system V1.0	Our Company	2024SR1700013	November 5, 2024
12 . . .	Production line automation control system V1.0	Our Company	2024SR1699710	November 5, 2024
13 . . .	Kaolin production process monitoring system V1.0	Our Company	2024SR1699421	November 5, 2024

(c) Patents

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent Name	Patentee	Place of registration	Patent number	Date of registration
1 . . .	Fully closed-hole porous molite ceramic preparation method based on direct solidification injection molding	Our Company	PRC	202010203439X	March 20, 2020
2 . . .	A high strength microporous molite refractory aggregate and its preparation method	Our Company	PRC	2017102507207	April 17, 2017
3 . . .	Seismic screening equipment with adaptive shock amplitude adjustment	Our Company	PRC	2018100095368	January 5, 2018
4 . . .	A burn-free brick unit	Our Company	PRC	202221452597X	June 12, 2022
5 . . .	A burn-free raw material transport device	Our Company	PRC	2022214526169	June 12, 2022
6 . . .	A sintered sampling device in a rotary kiln for natural gas calcination	Our Company	PRC	2022214525984	June 12, 2022
7 . . .	Burn-free brick forming mechanism	Our Company	PRC	2022214539192	June 12, 2022
8 . . .	A blasting-free brick stirring system	Our Company	PRC	2022214526031	June 12, 2022
9 . . .	A vacuum stirring device	Our Company	PRC	2022214526046	June 12, 2022
10 . .	A self-tiled, brick-free package	Our Company	PRC	2022214525999	June 12, 2022
11 . .	A fabric mechanism for use in a brick-free brick	Our Company	PRC	2022214525946	June 12, 2022

No.	Patent Name	Patentee	Place of registration	Patent number	Date of registration
12 . .	A natural gas calcination die burner replacement device in rotary kilns	Our Company	PRC	2022214526120	June 12, 2022
13 . .	A four-sided shaped tray library	Our Company	PRC	2022214455214	June 10, 2022
14 . .	A device for efficient sealing of cooling kilns	Our Company	PRC	2022208129631	April 9, 2022
15 . .	A calcining device for graphite processing	Our Company	PRC	2022208068623	April 9, 2022
16 . .	A dust collection device used in high-temperature calcination kilns	Our Company	PRC	2021217065441	July 26, 2021
17 . .	A type of photoelectric sensor protection in dusty and humid environments	Our Company	PRC	2021217073876	July 26, 2021
18 . .	A selection line for coke gemstones	Our Company	PRC	2020227286179	November 23, 2020
19 . .	A system for vertical grinding with hot air improvement	Our Company	PRC	2020227264697	November 23, 2020
20 . .	A device for collecting dust from the tail of rotary kilns	Our Company	PRC	2020227286959	November 23, 2020
21 . .	A type of belt conveyor for incline conveyance	Our Company	PRC	2020227285922	November 23, 2020
22 . .	A fuel mine sieve water removal device for a fine-cast powder production line	Our Company	PRC	2020227264517	November 23, 2020
23 . .	A collection device for coal grinding dust and soot	Our Company	PRC	2020227286200	November 23, 2020

No.	Patent Name	Patentee	Place of registration	Patent number	Date of registration
24 . .	A device used to remove and install the round screen hold down bolt	Our Company	PRC	2020227264606	November 23, 2020
25 . .	A chain conveyor with automatic pallet offset	Our Company	PRC	2020227264841	November 23, 2020
26 . .	A device used for residual heat utilization in rotary kilns	Our Company	PRC	2018219024726	November 19, 2018
27 . .	A package-back mechanism used for multiple manual packaging machines to transfer bags out of the bag	Our Company	PRC	2018218637041	November 13, 2018
28 . .	An automatic clamping mechanism for brick chimneys	Our Company	PRC	201821863176X	November 13, 2018
29 . .	A fabric device for the iron stripper	Our Company	PRC	2018218632372	November 13, 2018
30 . .	A device used to collect dust from fine-cast powder and cyclone erosion prevention	Our Company	PRC	2018218631914	November 13, 2018
31 . .	A device for collecting dust in the production line of fine-cast powder	Our Company	PRC	2018218636890	November 13, 2018
32 . .	A fabric delivery system for the iron stripper	Our Company	PRC	2018218541848	November 12, 2018
33 . .	A bag exhaust device for automatic packaging machines	Our Company	PRC	2018218546019	November 12, 2018
34 . .	A sorting mechanism used for toner selection machines	Our Company	PRC	2018218541693	November 12, 2018

No.	Patent Name	Patentee	Place of registration	Patent number	Date of registration
35 . .	A buffer protection device for the transfer pipe	Our Company	PRC	2018218546042	November 12, 2018
36 . .	A drive mechanism for iron removal machines	Our Company	PRC	2018218542107	November 12, 2018
37 . .	A device used to seal the vibration screen to clean the clog	Our Company	PRC	2018218429566	November 9, 2018
38 . .	A fixing mechanism for the reinforcement of the rotary kiln barrel	Our Company	PRC	2018218429636	November 9, 2018
39 . .	A device used in grinding machines for the grading of fine-cast sand and powder	Our Company	PRC	2018218429496	November 9, 2018
40 . .	A device for the Raymond grinding drive	Our Company	PRC	2016201592114	March 1, 2016
41 . .	A sealing device that conveys a mixture of sand powder	Our Company	PRC	2016201552117	March 1, 2016
42 . .	An intelligent calcining device with molite sand	Our Company	PRC	2022209001175	April 19, 2022
43 . .	A process of producing molite from coal-based Gaoling rock	Our Company	PRC	2023118579431	December 29, 2023
44 . .	Automatic screening equipment for kaolin raw materials	Our Company	PRC	2024202791016	February 5, 2024
45 . .	A uniform cloth structure used in concentrate screening	Our Company	PRC	2024211275435	May 22, 2024
46 . .	A high-precision concentrate screening device	Our Company	PRC	2024211272634	May 22, 2024

No.	Patent Name	Patentee	Place of registration	Patent number	Date of registration
47 . .	Ceramic filter tube fiber and preparation method thereof	Our Company	PRC	2023118579412	December 29, 2023
48 . .	A calcining atmosphere adjustment device	Our Company	PRC	2024212492720	June 3, 2024
49 . .	An automatic bagging ton bag device	Our Company	PRC	2024213931439	June 18, 2024
50 . .	A sealing structure for the kiln head	Our Company	PRC	2024214175547	June 30, 2024

As of the Latest Practicable Date, we have applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent Name	Patent number	Place of application	Applicant	Application date
1 . . .	A rotary kiln exhaust gas monitoring device	2024107100803	PRC	Our Company	June 3, 2024
2 . . .	Complete processing method of precision casting mullite sand powder	2024104530922	PRC	Our Company	April 16, 2024
3 . . .	Method for determining quality control targets for raw ore produced with kaolin fine casting sand powder	2024102737853	PRC	Our Company	March 11, 2024
4 . . .	A furnace bottom material collection device	2024228200949	PRC	Our Company	November 19, 2024
5 . . .	A type of cooling mechanism for throwing wire	2024228201049	PRC	Our Company	November 19, 2024
6 . . .	A ceramic fiber short-cutting device and its usage method	2024117057123	PRC	Our Company	November 26, 2024

No.	Patent Name	Patent number	Place of application	Applicant	Application date
7 . . .	A ceramic fiber forming blow molding device and its blowing method	2024118219411	PRC	Our Company	December 11, 2024
8 . . .	A method and system for detecting water accumulation in local depressions within mined-out areas	2024119941477	PRC	Our Company	December 31, 2024
9 . . .	A method for predicting and evaluating the danger of water accumulation in mined-out areas to underburden mining activities	2024119942179	PRC	Our Company	December 31, 2024
10 . .	A fiber cotton packaging device	2024233147400	PRC	Our Company	December 31, 2024
11 . .	A return oil filtration device	2024233147398	PRC	Our Company	December 31, 2024
12 . .	An alarm device for mining four-overload vehicles	2024233147379	PRC	Our Company	December 31, 2024
13 . .	A mining conveyor belt overlap buffer device	2024233147326	PRC	Our Company	December 31, 2024
14 . .	A water prevention and control warning device for underground coal mine	202520485249X	PRC	Our Company	March 19, 2025
15 . .	A waterproof monitoring and sampling device in coal mine	2025205342564	PRC	Our Company	March 25, 2025

3. Domain names

As at the Latest Practicable Date, we had one domain name which we consider to be or may be material to our business.

Domain Name	Registered Owner	Registration date
grkaolin.com	Our Company	July 7, 2022

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SENIOR

1. Management Particulars of the Service Contracts

We will enter into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, and (ii) observance of the Articles of Association.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with our Company (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

2. Directors' and Supervisors' Remuneration

For details of the remuneration of Directors and Supervisors, see “Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Senior Management” and Note 8 to “Appendix I — Accountants' Report”.

3. Disclosure of interests

(a) *Interests and/or short positions of our Directors, Supervisors or chief executive in the share capital of our Company and its associated corporations following completion of the Global Offering (assuming the Over-allotment Option is not exercised)*

None of the Directors, Supervisors or the chief executive of our Company has, or, immediately following completion of the Global Offering, will have any interests and/or short positions in the Shares, underlying Shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO

(including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be 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 our Company, see the section headed “Substantial Shareholders”.

4. Disclaimers

- (a) None of the Directors nor any of the experts referred to in “— Other Information — Qualifications and Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by, or leased to our Company, or are proposed to be acquired or disposed of by, or leased to our Company.
- (b) Save in connection with the Underwriting Agreements, none of the Directors nor any of the experts referred to in “— Other Information — Qualifications and Consents of Experts” below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Company.
- (c) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of our Company nor is any such cash securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.
- (d) None of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Company.

D. OTHER INFORMATION**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company.

2. Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against our Company.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue, our Shares to be issued pursuant to the Global Offering.

CMBC International Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. Guoyuan Capital (Hong Kong) Limited is considered as not to be independent under Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between our Company and the Joint Sponsors, we have agreed to pay the Joint Sponsors a fee of RMB4,770,000 to act as the sponsors of our Company in connection with the proposed listing on the Hong Kong Stock Exchange.

4. Qualifications and Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Guoyuan Capital (Hong Kong) Limited . .	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance)
CMBC International Capital Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Name	Qualification
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Anhui Tianhe Law Firm	PRC legal adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
SRK Consulting (Hong Kong) Limited . . .	Independent Technical Consultant
Asia-Pacific Consulting and Appraisal Limited	Independent Property Valuer

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual Document

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Promoters

The promoters of our Company are:

No.	Name
1.	Huaibei Mining Group
2.	Huaibei Jiaotou

Within the two years immediately preceding the date of this prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

8. Joint Compliance Advisors

Our Company has appointed Guoyuan Capital (Hong Kong) Limited and Goldlink Capital (Corporate Finance) Limited as its Joint Compliance Advisors in compliance with Rule 3A.19 of the Listing Rules.

9. Preliminary Expenses

Our Company did not incur material preliminary expenses for the purpose of the Listing Rules.

10. No Material Adverse Change

The Directors confirm that there has been no material change in our financial or trading position since May 31, 2025.

11. Miscellaneous

- (a) Save as disclosed in “Changes in Share Capital” above, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital or debenture of our Company has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
 - (ii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company.
- (b) there are no founder, management or deferred shares nor any debentures in our Company;
- (c) no share or loan capital or debenture of our Company is under option or is agreed conditionally or unconditionally to be put under option; and
- (d) Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company.

- (e) Save as disclosed in the paragraph headed “B. Further Information about our Business — 1. Summary of Material Contracts” in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company. Save as disclosed in this prospectus, no equity or debt securities of our Company is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.
- (f) Our Company has no outstanding convertible debt securities or debentures.
- (g) There is no arrangement under which future dividends are waived or agreed to be waived.
- (h) There has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus.
- (i) We currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) the written consents referred to under the paragraph headed “Statutory and General Information — D. Other Information — 4. Qualifications and Consents of Experts” in Appendix VIII to this prospectus; and
- (ii) copies of the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix VIII to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.grkaolin.com/ during a period of 14 days from the date of this prospectus:

- (i) the Articles of Association;
- (ii) the Accountants’ Report of our Company from Ernst & Young in respect of the financial information of our Company for each of the three years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025, the text of which is set out in Appendix I to this prospectus;
- (iii) the audited financial statements of our Company for each of the three years ended December 31, 2022, 2023 and 2024 and the five months ended May 31, 2025;
- (iv) the report on the unaudited pro forma financial information of our Company from Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (v) the service contracts referred to in “Statutory and General Information — C. Further Information about our Directors, Supervisors and Senior Management — 1. Particulars of the Service Contracts” in Appendix VIII to this prospectus;
- (vi) the material contracts referred to in “Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix VIII to this prospectus;
- (vii) the written consents referred to under the paragraph headed “Statutory and General Information — D. Other Information — 4. Qualifications and Consents of Experts” in Appendix VIII to this prospectus;

- (viii) the PRC legal opinions issued by Anhui Tianhe Law Firm, our legal adviser on PRC law, in respect of certain aspects of our Company;
- (ix) the PRC Company Law;
- (x) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed “Industry Overview” in this prospectus;
- (xi) the Independent Technical Report for the Shuoli Kaolin Project prepared by SRK Consulting (Hong Kong) Limited, the texts of which are set out in Appendix VI to this prospectus; and
- (xii) the property valuation report prepared by Asia-Pacific Consulting and Appraisal Limited, the texts of which are set out in Appendix VII to this prospectus.



安徽金岩高嶺土新材料股份有限公司

ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD.