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

If you have sold or transferred all your shares in Future Bright Mining Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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Future Bright Mining Holdings Limited
高鵬礦業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2212)

**(1) VERY SUBSTANTIAL ACQUISITION
RENEWAL OF THE MINING PERMIT OF THE YIDUOYAN PROJECT
AND THE TRANSFER AGREEMENT; AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Capitalised terms used in this cover page have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 14 of this circular.

A notice convening the EGM to be held at Units 1302-03, 13/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 27 November 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event by 11:00 a.m. on Saturday, 25 November 2023, being not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjourned meeting if you so wish.

7 November 2023

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 18 July 2023 in relation to, among others, the Renewal
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bureau”	The Natural Resources and Planning Bureau of Nanzhang County* (南漳縣自然資源和規劃局)
“Company”	Future Bright Mining Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2212)
“Competent Person”	has the meaning ascribed to it under the Listing Rules
“Competent Person’s Report”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, pass the relevant resolution to approve and ratify the Transaction
“Fee”	RMB98.7314 million, being the resources fee payable by Xiangyang Future Bright to the Bureau under the Transfer Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties independent of the Company and its connected persons (as defined under the Listing Rules)
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) produced by the Australasian Joint Ore Reserves Committee

DEFINITIONS

“Latest Practicable Date”	2 November 2023, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mining Permit”	the mining permit of the Yiduoyan Project previously held by Xiangyang Future Bright, which expired on 30 December 2021
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region, and Taiwan
“PRC Assessment Report”	an assessment report (採礦權出讓收益評估報告) dated 14 July 2022 prepared by the designated valuer engaged by the Bureau to determine (on a non-JORC Code basis) the amount of mining resources and the estimated additional resources fee payable by Xiangyang Future Bright for the mining rights of the Yiduoyan Project
“Renewal”	the renewal of the Mining Permit by Xiangyang Future Bright for a period of 20 years from 12 July 2023 to 12 July 2043
“Renewed Mining Permit”	the renewed mining permit of the Yiduoyan Project held by Xiangyang Future Bright dated 12 July 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Share(s)”	ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Transaction”	the transfer of the mining rights of the Yiduoyan Project pursuant to the terms of the Transfer Agreement
“Transfer Agreement”	the transfer agreement dated 20 June 2023 entered into between Xiangyang Future Bright and the Bureau as part of the Renewal process
“Valuation Date”	30 June 2023
“Valuation Report”	the valuation report on the fair value of the Yiduoyan Project as at the Valuation Date prepared by the Valuer, the full text of which is set out in Appendix III to this circular
“Valuer”	AP Appraisal Limited, an independent valuer engaged by the Company to perform valuation of the fair value of the Yiduoyan Project as required under the Listing Rules
“Xiangyang Future Bright”	Xiangyang Future Bright Mining Limited* (襄陽高鵬礦業有限公司), an indirect wholly-owned subsidiary of the Company
“Yiduoyan Project”	the Yiduoyan mine, an open pit marble mine located in Xiaoyan Town, Nanzhang County, Xiangyang City, Hubei Province of the PRC, of which its mining right is owned by Xiangyang Future Bright
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“km ² ”	square kilometre
“m ³ ”	cubic metre
“%”	per cent.

In this circular, the English translation of an entity’s or a company’s name in Chinese which is marked with “” is for identification purpose only. If there is any inconsistency between the Chinese names of entities or companies established in the PRC and their English translations, the Chinese names shall prevail.*

Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.

LETTER FROM THE BOARD

Future Bright Mining Holdings Limited

高鵬礦業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2212)

Executive Directors:

Ms. Bao Rongrong

Mr. Li Yuguo

Mr. Lyu Bin

Mr. Yang Jiantong

Mr. Yang Xiaoqiang *(vice-chairman)*

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Independent Non-executive Directors:

Prof. Lau Chi Pang *J.P.*

Mr. Wang Xiaolong

Ms. Wong Wan Lung

Mr. Zhang Yijun

Principal Place of Business in Hong Kong:

Unit 8101, Level 81

International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

7 November 2023

To the Shareholders

Dear Sir or Madam

**(1) VERY SUBSTANTIAL ACQUISITION
RENEWAL OF THE MINING PERMIT OF THE YIDUOYAN PROJECT
AND THE TRANSFER AGREEMENT; AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 18 July 2023 and 4 August 2023. As announced, Xiangyang Future Bright has successfully renewed the Mining Permit of the Yiduoyan Project with the Bureau on 12 July 2023, pursuant to which the term of the mining rights is renewed for a period of 20 years.

In connection with and as part of the Renewal process, Xiangyang Future Bright has entered into the Transfer Agreement with the Bureau, pursuant to which the mining rights of the Yiduoyan Project would be transferred to Xiangyang Future Bright, subject to the payment of the Fee of RMB98.7314 million in cash. A duly executed Transfer Agreement was received from the Bureau by Xiangyang Future Bright on 21 June 2023.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Transfer Agreement and the transaction contemplated thereunder; (ii) the Competent Person's Report in respect of the Yiduoyan Project in compliance with Chapter 18 of the Listing Rules; (iii) the financial information of the Group; (iv) the notice of the EGM at which relevant resolution will be proposed to consider, if thought fit, pass such resolution to approve and ratify the Transaction; and (v) such other information as required under the Listing Rules.

THE TRANSFER AGREEMENT

Set out below is a summary of the principal terms of the Transfer Agreement:

Date: 20 June 2023 *(Note)*

Parties: (a) Xiangyang Future Bright as the transferee; and
(b) the Bureau as the transferor

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

Note: The Transfer Agreement was dated 20 June 2023 but it was officially passed by the Bureau to Xiangyang Future Bright on 21 June 2023 as part of the Renewal process.

The Mining Rights

Pursuant to the terms of the Transfer Agreement, the mining rights of the Yiduoyan Project would be transferred to Xiangyang Future Bright, subject to the payment of the Fee of RMB98.7314 million in cash. The mining rights cover a mining area of 0.3973 km² and an annual production capacity of 200,000 m³.

According to the Transfer Agreement, the period of transfer of the mining rights would be subject to the PRC Assessment Report; and the validity of the Renewed Mining Permit would be determined accordingly.

Also, in order to further extend the mining rights of the Yiduoyan Project, Xiangyang Future Bright shall make an application to the Bureau 30 days prior to the expiration date of the Renewed Mining Permit, failing which the right to extend the mining rights shall be deemed to be waived by Xiangyang Future Bright and the mining rights shall be automatically terminated.

LETTER FROM THE BOARD

The Fee

The Fee is RMB98.7314 million, which shall be settled in cash and paid by Xiangyang Future Bright to the Bureau in four instalments:

- (i) the first instalment in the amount of RMB60 million shall be paid prior to the issue of the Renewed Mining Permit;
- (ii) the second instalment in the amount of RMB8.7314 million shall be paid before 1 October 2027;
- (iii) the third instalment in the amount of RMB15 million shall be paid before 1 October 2028; and
- (iv) the last instalment in the amount of RMB15 million shall be paid before 1 October 2029.

As disclosed in the Announcement, the first instalment of the Fee in the amount of RMB60 million had been paid by the Group in July 2023, of which RMB20 million was funded by internal resources of the Group and RMB40 million was funded by interest-bearing, unsecured loans provided by Independent Third Parties. The remaining amount of the Fee of RMB38.7314 million would be funded by internal resources of and banking facilities or other third party financing available to the Group.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, in determining the Fee, the Bureau has made reference to the key assessment indicators as stated in the PRC Assessment Report, which includes a mining area of 0.3973 km², a total estimated resources of limestone for decoration use of 16.687 million m³ and limestone for construction use of 14.205 million m³ as at 30 June 2022 and an annual production capacity of 200,000 m³. Reference has also been made to the estimated amount of fixed assets investment, operating costs and depreciation rate. In respect of the payment terms, Xiangyang Future Bright has used its best endeavors to arrange with the Bureau for a payment by instalments instead of a one-off payment, such that the potential impact of the payment of the Fee on the Group's cash flow may be minimised.

Under the process of the Renewal, Xiangyang Future Bright has no mechanism to comment on the terms of the Transfer Agreement, including the level of the Fee. Also, in the view of the Company, the Renewal (including the entering into of the Transfer Agreement) was, by nature, solely administrative procedures regulated by the Bureau for the purpose of renewing the Mining Permit pursuant to applicable rules and regulations of the PRC, and the Fee was solely determined by the Bureau.

LETTER FROM THE BOARD

Save for the PRC Assessment Report, which was commissioned to be issued by the Bureau, no separate valuation report has been prepared by the Group for the purpose of the Renewal process with the Bureau. Nevertheless, Company had assisted the preparation of the PRC Assessment Report by the qualified professionals in the PRC (the “**Qualified Professionals**”) by providing information necessary for the purpose of determining the amount of mining resources and the estimated additional resources fee payable for Renewal, and had engaged in various discussions with the Qualified Professionals to understand the assessment outcomes of the PRC Assessment Report, such as the feasibility study and estimation of reserves and resources of the Yiduoyan Project.

Internally, when reviewing the PRC Assessment Report prepared by the Qualified Professionals and assessed based by the applicable standards in the PRC, the Directors have taken into consideration certain key factors in assessing whether the Fee was fair and reasonable, including (i) the level of reserves and resources available; (ii) the validity period of the Renewed Mining Permit; (iii) the right to further extend the mining rights of the Yiduoyan Project after the expiry of the validity period; and (iv) the increased production capacity of the Yiduoyan Project. While Xiangyang Future Bright has no mechanism to comment on the terms of the Transfer Agreement during the process of the Renewal, it was given to understand that in determining the Fee, the Bureau has also made reference to relevant national guidelines in assessing the value of the Yiduoyan Project.

Having considered the above, the Directors are of the view that it is fair and reasonable to enter into the Transfer Agreement and pay the Fee accordingly, bearing in mind that failure to enter into the Transfer Agreement or failure to pay the Fee may render the Group mining without a valid mining permit and adversely affect the business of the Group significantly.

Valuation of the Yiduoyan Project

The Company has engaged AP Appraisal Limited, an independent valuer, to prepare a valuation on the fair value of the Yiduoyan Project as at 30 June 2023 as required under the Listing Rules. Based on the valuation methodology adopted by the Valuer, the Valuer is of the opinion that the fair value of the Yiduoyan Project as at 30 June 2023 is RMB120 million. Please refer to Appendix III to this circular for the full text of the Valuation Report.

Since the discounted cash flow method of the income approach was adopted by the Valuer in the Valuation Report, such valuation constitutes profit forecast under Rule 14.61 of the Listing Rules. Pursuant to Rule 14.62(1), details of the general and specific assumptions upon which the Valuation Report was based are set out below:

General assumptions

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the jurisdiction where the Yiduoyan Project currently operate(s) or will operate which will materially affect the revenues attributable to the Yiduoyan Project, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

LETTER FROM THE BOARD

- there is no material difference between adopted mining schedule in valuation and actual schedule;
- the management of the Yiduoyan Project can arrange production in accordance with forecasted time and scale, and there is no material difference between actual and forecast situation;
- the technical report and related information provided for the Yiduoyan Project was accurate and with no material mistake;
- key management, competent personnel, and technical staff will all be retained to support ongoing operations of the Yiduoyan Project; and
- interest rates and exchange rates in the localities for the operation of the Yiduoyan Project will not differ materially from those presently prevailing.

Specific assumptions

- The Yiduoyan Project already obtained the mining license and will also obtain all other necessary permits and included but not limited to the approval for environmental impact assessment report, pollutant emission permit, work safety permit, land use right certificate, building ownership certificate, and all these permits and licenses will be applied without substantial cost and issue;
- all equipment for mining, processing and refinery will be ready for the operation of the Yiduoyan Project;
- assumed all expired and going-to-be expired licenses can be renewed accordingly without substantial costs; and
- according to Rule 18.33(2) of the Listing Rules, if the net present values attributable to Prove Reserves and Proved plus Probable Reserves are disclosed, they are presented on a post-tax basis at varying discount rates (including a reflection of the weighted average cost of capital or minimum acceptable rate of return that applies to the entity at the time of evaluation) or a fixed discount rate of 10%. The Valuer conducted a WACC calculation as of the Valuation Date for cross-checking purpose which proves the 10% discount rate adopted for the Yiduoyan Project is valid. Therefore, the Valuer adopted the discount rate of 10% for the valuation of Yiduoyan Project. The Valuer has reviewed related information about the financial history and operation of the Yiduoyan Project included but not limited to the past three-year audited reports and the Competent Person's Report. The Valuer had collected and reviewed information of the market of the business of the Yiduoyan Project. The Valuer had done site inspection of the Yiduoyan Project and its mine. The Valuer had interviewed and discussed the above assumptions with the management of the Company. After all, the Valuer is of the opinion that above assumptions are fair and reasonable as at the Valuation Date.

LETTER FROM THE BOARD

The auditor of the Company, Lau & Au Yeung C.P.A. Limited, has been engaged by the Company to review the arithmetical calculation and compilation of the discounted future estimated cash flows upon which the Valuation Report was based. VBG Capital Limited has been engaged by the Company as the financial adviser to provide the confirmation required under Rule 14.62(3) of the Listing Rules and it has confirmed that it has reviewed the key assumptions upon which the profit forecast was based and is satisfied that the forecast has been made by the Directors after due and careful enquiry.

A report from Lau & Au Yeung C.P. A. Limited and a letter from VBG Capital Limited are included in Appendix IV and Appendix V to this Circular, respectively, for the purpose of Rules 14.62(2) and (3) of the Listing Rules.

The Directors have considered the competence and independence of the Valuer prior to engaging the Valuer to perform valuation of the Yiduoyan Project. Having considered that (i) the Valuer is an experienced valuation firm based on its track records; and (ii) the person in-charge of the Valuation Report is a Registered Surveyor of the Royal Institution of Chartered Surveyors with over 10 years of valuation experience in the Greater China Region, the Directors are of the view that the Valuer has sufficient qualification, reputation and experience in performing the valuation of the Yiduoyan Project and has the relevant expertise and adequate resources to perform its role as an independent valuer.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Valuer is independent from the Group and the Bureau, and that none of its partners, directors or officers is an officer or servant or proposed director of the Group, its subsidiaries or holding company or of a subsidiary of the Group's holding company or any associated company of the Group.

Conditions

There is no condition precedent under the Transfer Agreement.

THE RENEWED MINING PERMIT

Subsequent to the signing of the Transfer Agreement and the payment of the first instalment of the Fee of RMB60 million, the Renewed Mining Permit (with a validity period of 20 years from 12 July 2023 to 12 July 2043) was issued to Xiangyang Future Bright.

The Renewed Mining Permit covers a mining area of 0.3973 km² and an annual production capacity of 540,000 tonnes (equivalent to approximately 200,000 m³).

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company. The Group is principally engaged in the (i) excavation and sale of marble blocks; (ii) production and sale of marble related products; (iii) trading of mineral commodities; and (iv) trading of coals.

Xiangyang Future Bright is an indirect wholly-owned subsidiary of the Company and the holder of the Renewed Mining Permit. It is principally engaged in mining, ore processing and the sale of marble products.

The Bureau

The Bureau is a governmental authority of the PRC and the transferor of the mining rights of the Yiduoyan Project.

INFORMATION OF THE YIDUOYAN PROJECT

The Yiduoyan Project

The Yiduoyan Project is an open pit marble mine located in the Hubei Province of the PRC, in which commercial production commenced in September 2014. Marble blocks mined from the Yiduoyan Project are the Company's principal products. Prior to the Renewal, Xiangyang Future Bright held the Mining Permit of the Yiduoyan Project for a term of 10 years, covering an area of approximately 0.5209 km².

For the year ended 31 December 2022, a total of 1,851 m³ of marble blocks had been sold by the Group and the revenue generated from the marble and marble-related business of the Group amounted to approximately RMB7.56 million. For the six months ended 30 June 2023, as the Group was still in the process of renewing the Mining Permit, no excavation work was conducted and no marble block was produced and sold.

As disclosed in the annual report of the Company for the year ended 31 December 2022, the Group was required to carry out new exploration work at the Yiduoyan Project. According to the letter issued by the Natural Resources and Planning Bureau of Xiangyang* (襄陽市自然資源和規劃局) in June 2022, as at the end of March 2022, there were a total estimated resources of limestone for decoration use of 16.687 million m³ and limestone for construction use of 14.205 million m³ in the mining area of the Yiduoyan Project. These resource statements were made on a non-JORC Code basis.

AP Appraisal Limited, an independent technical consultant and a Competent Person, has been engaged by the Company to prepare a Competent Person's Report on the update of the mineral resources and ore reserves of the Yiduoyan Project as at 30 June 2023 in compliance with the JORC Code. Please refer to Appendix II to this circular for the Competent Person's Report.

LETTER FROM THE BOARD

The Mineral Resources and Ore Reserves of the Yiduoyan Project

Mineral Resources Estimates

Based on the Competent Person's Report, AP Appraisal Limited is of the opinion that there were 16.2 million m³ of mineral resources of marble and 13.8 million m³ of mineral resources of industry limestone reported from the Yiduoyan Project under the JORC Code as at 30 June 2023. The reported mineral resources are inclusive of mineral reserves.

The mineral resources of marble reported under the JORC Code as at 31 December 2022 was 10.52 million m³. New mineral resources of 5.68 million m³ of marble ores and new mineral resources of 13.8 million m³ of industry limestone are reported from the exploration done and verification work on the Yiduoyan Project from 2022 to early 2023, in compliance with the JORC Code.

Please refer to the table below for the mineral resources statement of the Yiduoyan Project as at 30 June 2023:

Resource Category	Marble		Industry	Total
	Marble	Block Yield	Limestone	
	(million m ³)			
Inferred	6.1	2.2	6.4	12.5
Indicated	10.1	1.4	7.4	17.5
Total	16.2	3.6	13.8	30.0

Ore Reserves Estimates

Based on the Competent Person's Report, AP Appraisal Limited is of the opinion that there were 0.84 million m³ of ore reserves of marble reported from the Yiduoyan Project under the JORC Code as at 30 June 2023.

The ore reserves of marble reported under the JORC Code as at 31 December 2022 was 0.84 million m³.

Please refer to the table below^(Note) for the marble reserve statement of the Yiduoyan Project as at 30 June 2023:

Reserve Category	White	Grey	Total	Consumption	Current Total
	Marble V-1	Marble V-2		White and Grey	
	(million m ³)				
Probable	0.87	0.04	0.91	0.07	0.84

Note: Calculations may not be precise due to rounding to the appropriate figures.

LETTER FROM THE BOARD

For further details on the mineral resources and ore reserves estimates of the Yiduoyan Project, please refer to the Competent Person's Report as set out in Appendix II to this circular.

AP Appraisal Limited has confirmed that there has been no material change of the mineral resources and ore reserves estimates of the Yiduoyan Project since the effective date of the Competent Person's Report.

FINANCIAL EFFECT OF THE TRANSACTION

Following completion of the Transaction, it is expected that the total assets of the Group would increase by approximately RMB60.68 million, which represents the present value of the consideration paid by instalment of RMB81.88 million together with the drawing of RMB40 million long term debts and deducting the first instalment payment for the Transaction of RMB60 million and transaction costs of approximately RMB1.2 million. For the total liabilities, it is expected to increase by approximately RMB61.88 million, which comprised of the long term debts of RMB40 million and the present value of the unpaid instalments of RMB21.88 million.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in, among others, the excavation and sale of marble blocks and the production and sale of marble-related products. It is one of the Group's objectives to become a well-known supplier of marble blocks in the PRC by developing the Yiduoyan Project, which is the only mining project of the Group and is expected to remain as the Group's only operating mine in the near future.

In recent years, the Group has been actively exploring new customers of its marble business by different ways including through the network of its senior management and sales teams in Beijing and Xiamen. For the development and expected growth of the marble business, the Group has, in June 2020, submitted an application of enhancing the annual production capacity of the Yiduoyan Project to 200,000 m³. As the Renewal allows the Group to have mining rights over the Yiduoyan Project for another 20 years from 12 July 2023 to 12 July 2043 together with an increase in annual production capacity from 20,000 m³ to 200,000 m³, the Directors consider that the Renewal is crucial to the business development of the Group. It is also in the Directors' view that the Transaction is in line with the business development strategy and planning of the Group, enabling the Group to expand its mining production in the future.

The Directors consider the entering into of the Transfer Agreement as part of the Renewal process is in the Group's ordinary and usual course of business and the Transaction is in the interests of the Company and Shareholders as a whole, and it is fair and reasonable to enter into the Transfer Agreement, which reflects the standardised terms generally adopted by the Bureau for mining permit renewal cases, bearing in mind that failure to enter into the Transfer Agreement or failure to pay the Fee pursuant to the Transfer Agreement may render the Group mining without a valid mining permit and adversely affect the business of the Group significantly.

LETTER FROM THE BOARD

IMPLICATION UNDER THE LISTING RULES

Since the highest percentage ratio in respect of the Transaction is more than 100%, the entering into of the Transfer Agreement (and the transaction contemplated thereunder) constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules, and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will seek approval from the Shareholders for ratifying the Transaction at the EGM.

At the time of the entering of the Transfer Agreement, the Company had considered the relevant Listing Rules' implications and in particular, whether the Transaction would constitute a notifiable transaction under Chapter 14 of the Listing Rules. Given that (i) the Transfer Agreement was part of the Renewal process, which was solely administrative by nature for the purpose of renewing the Mining Permit under the applicable rules and regulations of the PRC; (ii) Xiangyang Future Bright has no mechanism to comment on the terms of the Transfer Agreement, including the level of the Fee; and (iii) the Fee was solely determined by the Bureau and was considered as an administrative fee for the Renewal, the Company did not regard the entering of the Transfer Agreement (and the transaction contemplated thereunder) as an acquisition under Chapter 14 of the Listing Rules; and had made disclosure in relation to the Renewal by publishing the Announcement under Rule 13.09 of the Listing Rules and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO. Subsequent to the issue of the Announcement, the Company then proceeded to take action to comply with the relevant requirements in relation to the Transaction, including reporting, announcement, circular and Shareholders' approval, pursuant to Chapter 14 of the Listing Rules. It was never the Company's intention to disregard the relevant compliance requirements under the Listing Rules in relation to the Transfer Agreement (and the transaction contemplated thereunder).

As the Company is now well aware of the interpretation of the Listing Rules in this regard and the Renewed Mining Permit has a validity period of 20 years until 12 July 2043, the Company considers that the risk of similar incident reoccurring would be low. Nonetheless, in evaluating the Listing Rules' implications for any future transactions, the Company would consult the Stock Exchange at an early stage where appropriate. Refresher training will be arranged to be provided to Directors and senior management members of the Company on the Listing Rules in a regular manner.

EGM

The EGM will be convened and held by the Company for the Shareholders to consider and, if thought fit, pass the relevant resolution to approve and ratify the Transaction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transaction, and therefore no Shareholder is required to abstain from voting on the relevant resolution in respect of the Transaction at the EGM.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular and such form is also published on the website of the Stock Exchange at www.hkexnews.hk. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event by 11:00 a.m. on Saturday, 25 November 2023, being not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

To ascertain the members' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 22 November 2023 to Monday, 27 November 2023, both days inclusive, during which period no transfer of shares of the Company can be registered. Shareholders whose names appear on the register of members of the Company on Monday, 27 November 2023 will be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all completed share transfer forms accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 21 November 2023.

RECOMMENDATION

Based on the reasons as set out in the paragraph headed "The Fee" above, the Directors are of the view that it is fair and reasonable to enter into the Transfer Agreement and pay the Fee for the purpose of the Renewal. Accordingly, together with the reasons as set out in the paragraph headed "Reasons for and Benefits of the Transaction" in this circular, the Directors recommend the Shareholders to vote in favour of the relevant resolution for approving and ratifying the Transaction at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully
By Order of the Board
Future Bright Mining Holdings Limited
Li Yuguo
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 are disclosed in the interim report of the Company for the six months ended 30 June 2023. The audited consolidated financial statements of the Group for each of the three years ended 31 December 2020, 2021, and 2022 are disclosed in the annual reports of the Company for the three years ended 31 December 2020, 2021, and 2022, respectively. The above interim report and annual reports can be accessed on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.futurebrightltd.com>) as set out below:

- (i) interim report of the Company for the six months ended 30 June 2023 (page 23):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0906/2023090600003.pdf>
- (ii) annual report of the Company for the year ended 31 December 2022 (page 52):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600001.pdf>
- (iii) annual report of the Company for the year ended 31 December 2021 (page 52):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0325/2022032500021.pdf>
- (iv) annual report of the Company for the year ended 31 December 2020 (page 53):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300007.pdf>

2. INDEBTEDNESS STATEMENT

Borrowings

As at 30 September 2023, being the latest practicable date for the purpose of this indebtedness statement, there were loans from third parties to the Group amounting to approximately RMB58.35 million and interest payables to third parties amounting to approximately RMB1.36 million. The loans of RMB40 million were unsecured, without guarantee, interest bearing at 10% per annum and repayable on 9 July 2026. Another loan of approximately RMB18.35 million (equivalent to approximately HK\$20 million) was unsecured, without guarantee, interest bearing at 5% per annum and repayable on 14 February 2025. Interest payables of approximately RMB0.88 million and RMB0.48 million (equivalent to approximately HK\$0.53 million) were unsecured, interest-free and repayable on 9 July 2026 and 14 February 2025 respectively.

Lease liabilities

As at 30 September 2023, the Group had unaudited outstanding lease liabilities of approximately RMB2.69 million which were not covered by any guarantees as at 30 September 2023.

Contingent liabilities

Save as disclosed here in and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at the close of business on the Latest Practicable Date, the Group did not have any other material debt securities, issued or outstanding, or authorised or otherwise created but unissued, term loan, other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments, mortgages, charges, contingent liabilities or guarantees.

As at the close of business on the Latest Practicable Date, to the best knowledge of the Directors having made all reasonable enquiries, the Group had no material contingent liabilities and there has been no material change in indebtedness of the Group.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Below is an extract from the interim report of the Company for the six months ended 30 June 2023.

Future Prospects

Our objective is to become a well-known supplier of marble blocks in the PRC. We plan to accomplish this goal by pursuing the following strategies:

Business Outlook***Develop marble and marble-related business***

The Group remained cautiously optimistic about its future prospects of the marble business. The Group is actively exploring new customers by different ways including through the network of the senior management, as well as through our sales teams in Beijing and Xiamen. We expect our business will have a stable growth in the coming years.

As disclosed in the Company's annual report for the year ended 31 December 2022, the Group submitted applications to the Natural Resources and Planning Bureau of Nanzhang County* (南漳縣自然資源和規劃局) for (i) enhancing the annual production capacity of the Yiduoyan Project to 200,000 m³ per annum; and (ii) renewing the mining permit in June 2020 and 2021 respectively. Due to the novel coronavirus ("COVID-19") pandemic, the renewal process was affected during the past few years. On 12 July 2023, the Group has successfully renewed the mining permit of the Yiduoyan Project, pursuant to which the term of the mining right is renewed for a period of 20 years, from 12 July 2023 to 12 July 2043.

The renewed mining permit covers a mining area of 0.3973 km² and an annual production capacity of 540,000 tonnes (equivalent to approximately 200,000 m³, as compared to the permitted annual production capacity of 20,000 m³ under the original mining permit). With the increase in permitted annual production capacity, it is expected that the Group would be able to expand its mining production in the future.

In order to increase the production capacity, the Group needs to (i) further expand the mining surface of the marble mine; (ii) obtain all the necessary licenses; and (iii) complete the construction of the expanded mining facilities. It is expected the production can be resumed in the first quarter of 2024.

Besides, we will increase product varieties and recognition through industry exchanges. As part of our future plans for acquisitive growth, we continue to carefully identify and evaluate selective acquisition opportunities.

Develop the commodities trading business

In February 2023, there was a serious coal mining accident in Inner Mongolia, which has temporarily affected the operation and production of the coal mine operators in the area, who are the suppliers of our coal trading business. As a result of this accident, all coal mining activities in Inner Mongolia needed to be suspended as all operators of the coal mines were required to undertake a safety inspection before resumption of operation. As our suppliers are all from Inner Mongolia and the safety inspection last for a few months, the coal trading business during the six months ended 30 June 2023 was adversely affected. According to the latest information available to the Board having made all reasonable enquiries, as at the Latest Practicable Date our suppliers have obtained approval from the relevant authorities to resume operation and the supply of coal to the Group has resumed. We expected that the trading of coal will resume to normal thereafter.

* For identification purposes only

We believe that continued development of the commodities trading business will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance. Other than trading of coals, we will look for other attractive opportunities whenever the same arises.

4. MANAGEMENT DISCUSSIONS AND ANALYSIS OF THE GROUP

Reproduced below is the discussion and analysis of the operations of the Group for the three years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023, which are extracted from the annual reports of the Company for the year ended 31 December 2020, 2021 and 2022 and interim report for the six months ended 30 June 2023. Capitalised terms used in this section shall have the same meaning as those defined in the respective annual reports and interim report. These extracted materials below were prepared prior to the date of this circular and speak as of the date they were originally published, representing the opinion and beliefs made by the then Directors at such time when the related annual report and interim report was issued.

(1) For The Year Ended 31 December 2020 (“FY2020”)

Financial Review

Revenue

During FY2020, the operating revenue of the Group was approximately RMB20.25 million, which represented an increase of approximately 229.99% as compared to the operating revenue of approximately RMB6.14 million for the year of 2019 (the “FY2019”). The increase in revenue from marble business was mainly due to the exploration of new customers by the Group during FY2020. However, due to the outbreak of COVID-19, both production and delivery of marble blocks were temporarily suspended in the first few months of 2020 and were resumed in May 2020 and June 2020 respectively.

Our customers of the marble business are mainly from the real estate and construction markets of the PRC. Apart from our principal mining activities, the business of the construction and property development markets in the PRC has come to a halt and the operations of many construction companies and property developers have been suspended as a result of the COVID-19 pandemic. A number of property development projects have been put on hold, and this affected the corresponding demands for marble blocks.

As a result, the Group was requested by some of the customers to postpone the delivery of marble blocks. During FY2020, only part of our customers have purchased marble blocks from the Group according to the terms and schedule under the original contracts. Unfortunately, due to sporadic cases of COVID-19 in different areas (especially in north-east areas) of the PRC in the second half of 2020, the delivery of marble blocks to our customers was further delayed and the revenue for FY2020 was adversely affected.

No revenue was generated from the segment of commodity trading (FY 2019: nil) during FY2020. The following table sets forth the breakdown of the Group's revenue by business segment for FY2020:

	2020			2019		
	RMB'000	Percentage to total revenue	Gross Profit margin	RMB'000	Percentage to total revenue	Gross Profit margin
Marble block	20,248	100.00%	-10.41%	6,136	100.00%	37.71%
Commodity trading	-	0.00%	0.00%	-	0.00%	0.00%
Total	<u>20,248</u>	<u>100.00%</u>	<u>-10.41%</u>	<u>6,136</u>	<u>100.00%</u>	<u>37.71%</u>

Cost of Sales

The Group's cost of sales increased from approximately RMB3.82 million for FY2019 to approximately RMB22.36 million for FY2020, representing a significant increase of approximately 485.34%. The cost of sales for FY2020 represented the marble blocks mining and purchasing costs and mainly included mining labour costs, sub-contractor fee, materials consumption, fuel, electricity, processing fee of abandoned stone, depreciation of production equipment and amortisation of mining rights.

Gross Loss/Profit and Gross Profit Margin

The gross loss of the Group amounted to approximately RMB2.11 million and the gross profit margin was approximately -10.41% for FY2020, which represented a significant decrease of approximately 191.05% as compared with the gross profit for FY2019 of approximately RMB2.31 million (FY2019: gross profit margin of approximately 37.71%). The significant decrease in gross profit margin of marble block segment from 37.71% to -10.41% was due to the increase of production cost caused by COVID-19 pandemic and the processing costs for abandoned stone accumulated from previous years. Further details of the development expenditures in relation to the Yiduoyan marble mine are set out in the section headed “Major Exploration, Development and Production Activities” in the annual report of the Company for FY2020.

Other Income and Gains

Other income and gains for FY2020 were approximately RMB3.31 million, which represented an increase of approximately RMB0.9 million as compared to the other income and gains of approximately RMB2.41 million for the FY2019. The Group has generated income from rental of production machinery of approximately RMB1.33 million (FY2019: nil) during FY2020. However, no service income (FY2019: approximately RMB0.38 million) and gain on disposal of subsidiaries (FY2019: approximately RMB1.43 million) was recorded during FY2020.

Selling and Distribution Expenses

During FY2020, selling and distribution expenses were approximately RMB0.13 million (FY2019: approximately RMB0.74 million), which was primarily comprising transportation, rental of show room, consultancy fee, and salaries of the Group’s sales and distribution staff and their entertainment and travelling expenses. In order to further tighten the cost control of the Group, most of the above expenses were reduced to minimal during FY2020.

Administrative Expenses

Administrative expenses mainly included legal and professional fees, printing and announcement fee, rental payment of short term lease, depreciation, amortisation and salaries of staff. Such expenses decreased significantly by approximately RMB6.34 million or 32.70% from approximately RMB19.39 million for the FY2019 to approximately RMB13.05 million for FY2020. The decrease was mainly due to the decrease in staff costs, professional fee and other short term lease payments during FY2020.

Impairment on Financial Assets, Net

The management assesses the measurement of expected credit losses in relation to financial assets. Net amount of impairment losses of approximately RMB0.28 million was reversed during FY2020 (FY2019: approximately RMB2.55 million of impairment losses was recognised). All of the trade receivable balances related to sales in FY2020 and FY2019 balances were fully settled by customers during FY2020.

Losses on Changes in Fair Value of Financial Assets at Fair Values Through Profit or Loss

As at 31 December 2020, the Group had current equity investments at fair value through profit or loss of approximately RMB0.31 million which were investments in various listed shares (FY2019: RMB1.86 million). The Group recorded net fair value loss of equity investments of approximately RMB0.73 million for FY2020 (FY2019: approximately RMB2.86 million).

Other Expenses

Other expenses decreased by 94.48% from approximately RMB4.71 million in FY2019 to approximately RMB0.26 million in 2020, primarily due to cash and in-kind donation of approximately RMB0.14 million (FY2019: approximately RMB0.03 million in-kind donation) made during the COVID-19 pandemic and approximately RMB0.07 million (FY2019: approximately RMB2.15 million) for written off and disposal of property, plant, and equipment during FY2020. Other expenses also included the written down of net realisable value of inventories of approximately RMB2.16 million for FY2019. The Group did not incur such expenses for FY2020.

The Directors performed impairment assessment on the non-financial assets of the marble block operating segment as at 31 December 2020 with reference to a valuation report issued by an independent qualified valuer. No impairment of non-financial assets was provided during FY2020 (FY2019: nil).

Finance Costs

Finance costs decreased from approximately RMB0.39 million for FY2019 to approximately RMB0.21 million for FY2020. The Group has entered into a new and long-term lease contract for office premises in the PRC during FY2020.

Loss Attributable to Owners of the Company

In view of the above factors, loss attributable to owners of the Company was approximately RMB11.76 million for FY2020 (FY2019: loss of approximately RMB18.82 million). The decrease of loss was mainly resulting from the decrease in administrative expenses and other expenses incurred during FY2020.

Business Review

Marble and Marble-related Business

At the beginning of 2020, the outbreak of COVID-19 in the PRC severely affected the normal life of the people nationwide. Numerous enterprises suspended operation and production due to the pandemic, and logistics and transportation were greatly affected. Moreover, many exhibitions of stone industry have been postponed or cancelled. The above factors restricted the Group in exploring new customers in 2020. On the other hand, due to adoption of numerous precautionary measures, the production and operating costs, including the pandemic related costs, labour costs and environmental protection costs, have increased during FY2020. All these factors made 2020 to be a very challenging year for the Group.

During FY2020, we are continuously focusing on the development of the Yiduoyan Project, which is an open pit mine located in Hubei Province of the PRC. A total of 7,054 m³ of marble blocks had been produced, 6,835 m³ of marble blocks had been sold in 2020. Besides, the Group also purchased and sold other types of marble blocks during FY2020. The revenue generated from this business segment during FY2020 amounted to approximately RMB20.25 million.

After continuous efforts of the sales team in FY2019, the Group got contracts from several new customers in early FY2020. Unfortunately, due to the COVID-19 outbreak in January 2020, the Hubei government announced a lockdown order, which requested all people in Hubei Province to stay at home and all operation must be temporarily suspended. Although the lockdown order was lifted in around mid March 2020, only limited operating activities were allowed by the government. Our mining operation was not able to resume until May 2020 and we resumed the delivery of our marble blocks to customers in June 2020. Besides, due to COVID-19 pandemic, the Group adopted numerous precautionary measures, which in turn increased production costs, especially in the early stage of production resumption.

Our customers of marble business are mainly from the real estate and construction markets of the PRC. The business of the construction and property development markets in the PRC has come to a halt and the operations of many construction companies and property developers have been suspended as a result of the COVID-19 pandemic and resulting lockdown order. A number of property development projects have been put on hold, and this affected the corresponding demands for marble blocks.

Trading of Commodities Business

No revenue was generated from the commodity trading business for FY2020 (FY2019: nil).

Money Lending Business (Discontinued Operation)

We have disposed of a subsidiary company and ceased the operation of money lending business in FY2019 in order to focus resources on the core mining business of the Group.

No income was generated from this business segment for FY2020 (FY2019: nil).

Major Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 27 September 2019, the Group entered into a sale and purchase agreement with 深圳市中科九台資源利用科技產業股份有限公司 (Shenzhen Zhongke Jiutai Resources Technology Co., Ltd.*) (the “**Vendor**”) to acquire 70% equity interest of 深圳中科九台資源利用研究院有限公司 (Shenzhen Zhongke Jiutai Resources Utilization Research Institute Co., Ltd.*) (the “**Target Company**”) at the consideration of RMB62,000,000. The Vendor is a company incorporated in the PRC with limited liability and was jointly established by Mr. Li Yuguo and the 中國科學院過程工程研究所 (The Institute of Processing Engineering, Chinese Academy of Science*) (the “**Institute**”) for the purpose of conducting researches in mineral processing methodology and as investment arm. The Target Company is owned as to 70% by the Vendor, in which Mr. Li Yuguo, the controlling shareholder of the Company, has an indirect majority equity interest. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). For details, please refer to the Company’s announcements dated 27 September 2019, 15 November 2019, 31 December 2019, 31 January 2020, 28 February 2020, 31 March 2020, 29 May 2020 and 29 June 2020.

Due to the prolonged time required to complete the transaction and other commercial considerations, the Vendor and the Company have agreed to terminate the sale and purchase agreement on 16 July 2020. Deposit was refunded to the Company subsequently. For details, please refer to the Company’s announcement dated 16 July 2020.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during FY2020.

Future Prospects

Our objective is to become a well-known supplier of marble blocks in the PRC. We plan to accomplish this goal by pursuing the following strategies: (i) develop the Yiduoyan project; (ii) develop product recognition; (iii) expand our resources and reserve through further and selective acquisition; (iv) expand marble trading business to cope with customers’ needs and; (v) develop commodity trading business.

* For identification purposes only

Response to COVID-19

During FY2020, the COVID-19 spread widely in the PRC and around the world. Facing the grim situation of the COVID-19 outbreak, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all its employees in different regions. At the same time, during this critical period, the Group has proactively taken steps in ensuring stable operations.

During FY2020, the Group coordinated with different parties and took swift actions. We have actively discussed with the customers for effect of delay in delivery due to the traffic restrictions imposed by the PRC government authorities. The Group also implemented various flexible working arrangements. The Group has used, and will continue to use, its best endeavors to mitigate the adverse impact of the COVID-19 outbreak on the Group.

The Group will closely monitor the development of COVID-19 and ensure the safety of employees and stable operations. As and when appropriate, the Group will adjust its measures and plans for pandemic prevention, operations and business development accordingly. The Group will make timely disclosure on any significant matters which may arise in the future.

Business Outlook*Develop marble and marble-related business*

Although the COVID-19 pandemic significantly affected our growth in 2020, we believe the pandemic will eventually pass. We will continue to develop the Yiduoyan Project and are confident about the future prospects of marble business. The Group is actively exploring new customers by different ways including through the network of the senior management, as well as through our sales teams in Beijing and Xiamen. We expect our business will have a stable growth in the coming years.

In order to meet the expected growth in coming years, in June 2020, we have also submitted an application of enhancing annual production capacity to 200,000 m³ per annum for the Yiduoyun Project. The application has been accepted and is subject to approval by the relevant government authorities. We are arranging a meeting with the relevant government authorities with a target to finalise the terms in April 2021 or May 2021. We will update the application status as appropriate.

Besides, we will increase product varieties and recognition through industry exchanges. We have identified several marble distributors for sourcing of different types of marble block to cope with our customers' needs. As part of our future plans for acquisitive growth, we plan to continue to carefully identify and evaluate selective acquisition opportunities.

Develop the commodities trading business

We believe that continued development of the commodities trading business will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance. Although the Group has disposed of two joint venture companies engaged in commodities trading business in FY2019, we are still looking for any attractive opportunities in the trading business.

Liquidity, Capital Resources and Gearing Ratio

During FY2020, the Group's liquidity funds were primarily used to invest in the development of our mine and for its operations and such funds were funded by a combination of capital contribution by Shareholders as well as cash generated from operation.

As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB25.73 million which were denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB") (2019: approximately RMB31.90 million).

The Group had no borrowings as at 31 December 2020. Therefore, the gearing ratio (defined as long term debt divided by total shareholder's equity) is not applicable. The current ratio of the Group as at 31 December 2020 was approximately 5.20 times as compared to 8.31 times as at 31 December 2019, based on current assets of approximately RMB37.69 million (as at 31 December 2019: approximately RMB39.71 million) and current liabilities of approximately RMB7.25 million (as at 31 December 2019: approximately RMB4.78 million).

Capital Structure

On 16 December 2020, a total of 518,580,000 new shares of the Company had been successfully placed by the placing agent to one placee at the placing price of HK\$0.029 per placing share under the general mandate granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 18 June 2020. Upon the completion of the aforesaid placing of new shares, the total number of issued shares was increased from 3,870,000,000 shares to 4,388,580,000 shares. Please refer to the Company's announcements of 2 December, 4 December and 16 December 2020 for further details of the placing.

Employees and Remuneration Policy

As at 31 December 2020, the Group employed a total of approximately 20 full time employees (FY2019: approximately 39 employees) who were located in Hong Kong and the PRC. Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include basic salaries and other employees' benefits including contributions to statutory mandatory provident funds for our Hong Kong employees, and social insurance together with housing provident funds for our PRC employees. Besides, the Group also provides medical benefits and subsidises employees in various training and continuous education programmes.

Capital Commitments and Contingent Liabilities

On 27 September 2019, the Company entered into a sale and purchase agreement with the Vendor to acquire 70% equity interest of the Target Company at the consideration of RMB62,000,000. The Target Company is owned as to 70% by the Vendor, in which Mr. Li Yuguo, the ultimate controlling shareholder of the Company, has an indirect majority equity interest. A refundable deposit of RMB6,200,000 was paid during FY2020.

On 16 July 2020, the Vendor and the Company have agreed to terminate the aforesaid sale and purchase agreement. The refundable deposit has been subsequently received by the Company from the Vendor.

Save and except those disclosed above, the Group did not have any capital commitments and contingent liabilities as at 31 December 2020.

Charges Over The Group's Assets

There were no charges over the Group's assets as at 31 December 2020.

Significant Investments

The Group had no material securities investments during FY2020.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Company's annual report for FY2020, there was no specific plan for material investments or capital asset as at 31 December 2020.

Exposure To Fluctuations In Exchange Rates and Related Hedges

The Group's monetary assets, liabilities and transactions are mainly denominated in HKD and RMB. The exchange rates of RMB against HKD remained relatively stable during FY2020. During FY2020, the Group did not use financial instruments for hedging purposes. The Group continues to monitor the related foreign currency exposure and will take necessary procedures to reduce the currency risks arising from the fluctuations in exchange rates at reasonable costs.

(2) For The Year Ended 31 December 2021 ("FY2021")*Financial Review**Revenue*

During FY2021, the operating revenue of the Group was approximately RMB24.67 million, which represented an increase of approximately 21.82% as compared to the operating revenue of approximately RMB20.25 million for FY2020. The increase in revenue from marble business was mainly due to the exploration of new customers by the Group during FY2021. The average selling price of marble block per cubic metre excavated from our mining site for FY2021 has increased by approximately 24.02% per cubic metre when compared with the price for FY2020. To cope with the need of our customers, the Group has also sold marble and sandstone blocks through purchasing from other suppliers starting from December 2020. As a result, revenue of the Group increased slightly for FY2021.

Our customers of the marble business are mainly from the real estate and construction markets of the PRC. Due to the exposure of liquidity problem of some PRC property developers in the second half of 2021, the real estate market has weakened significantly. As a result, downstream industries, which include marble business, were also affected.

Besides, some regions in the PRC experienced different levels of the COVID-19 pandemic in the second half of 2021, which affected the execution of contracts signed with the customers. Therefore, the delivery of marble blocks to our customers was further delayed and the revenue for the third and fourth quarters of 2021 was affected.

No revenue was generated from the segment of commodity trading (FY2020: nil) during FY2021. The following table sets forth the breakdown of the Group's revenue by business segment for FY2021:

	2021			2020		
	RMB'000	Percentage to total revenue	Gross Profit margin	RMB'000	Percentage to total revenue	Gross Profit margin
Marble block	24,667	100.00%	14.31%	20,248	100.00%	-10.41%
Commodity trading	-	0.00%	0.00%	-	0.00%	0.00%
Total	<u>24,667</u>	<u>100.00%</u>	<u>14.31%</u>	<u>20,248</u>	<u>100.00%</u>	<u>-10.41%</u>

Cost of Sales

The Group's cost of sales decreased from approximately RMB22.36 million for FY2020 to approximately RMB21.14 million for FY2021, representing a decrease of approximately 5.46%. The cost of sales for FY2021 represented the marble blocks mining and purchasing costs. The marble blocks mining costs mainly comprised of mining labour costs, sub-contractor fee, materials consumption, fuel, electricity, processing fee of abandoned stones, depreciation of production equipment, amortisation of mining rights and repairs and maintenance of machinery, whereas the purchasing costs represented the cost of sourcing of marble and sandstone blocks from external suppliers.

Gross Profit/Loss and Gross Profit Margin

The gross profit of the Group increased to approximately RMB3.53 million for FY2021 (gross profit margin of approximately 14.31%) when compared with the gross loss for FY2020 of approximately RMB2.11 million (FY2020: gross profit margin of approximately -10.41%). The change in gross profit margin was due to the increase in revenue and decrease of processing fee for abandoned stones accumulated from previous years. Further details of the development expenditures in relation to the Yiduoyan marble mine are set out in the section headed “Major Exploration, Development and Production Activities” in the Company’s annual report for FY2021.

Other Income and Gains

Other income and gains for FY2021 were approximately RMB3.13 million (FY2020: approximately RMB3.31 million). The decrease for FY2021 was approximately RMB0.18 million, which was driven by the decrease of government grants and net foreign exchange gain and it was partially offset by the increase of income generated from rental of production machinery.

Selling and Distribution Expenses

During FY2021, selling and distribution expenses were approximately RMB0.12 million (FY2020: approximately RMB0.13 million), which primarily comprised port charges and transportation costs. In order to tighten the cost control of the Group, most of the above expenses were reduced to minimal during FY2021.

Administrative Expenses

Administrative expenses mainly included legal and professional fees, printing and announcement fee, depreciation, annual listing fee, trip expenses, directors’ remuneration, salaries and benefits of staff and other general office expenses. With the adjustment of remunerations of all directors since September 2020 and effective cost control of daily expenses of all back offices, administrative expenses of the Group decreased by approximately RMB3.71 million or 28.43% from approximately RMB13.05 million for FY2020 to approximately RMB9.34 million for FY2021.

Impairment on Financial Assets, Net

The management assesses the measurement of expected credit losses in relation to financial assets. During FY2021, net amount of impairment losses of approximately RMB0.53 million was recognised (FY2020: approximately RMB0.28 million of impairment losses was reversed). The impairment losses for FY2021 was mainly due to the delay of the supplier to refund the deposit for acquisition of machinery.

Losses on Changes in Fair Value of Financial Assets at Fair Values Through Profit or Loss

As at 31 December 2021, the Group had current equity investments at fair value through profit or loss of approximately RMB0.12 million which were investments in various listed shares (as at 31 December 2020: approximately RMB0.31 million). The Group recorded net fair value loss of equity investments of approximately RMB0.19 million for FY2021 (FY2020: approximately RMB0.73 million).

Other Operating Expenses

Other operating expenses decreased by approximately 30.77% from approximately RMB0.26 million in FY2020 to approximately RMB0.18 million for FY2021, primarily due to in-kind donation of approximately RMB0.05 million (FY2020: approximately RMB0.14 million) made during the COVID-19 pandemic and approximately RMB0.08 million (FY2020: approximately RMB0.07 million) for written off of property, plant, and equipment during FY2021.

The Directors performed impairment assessment on the non-financial assets of the marble block operating segment as at 31 December 2021 with reference to a valuation report issued by an independent qualified valuer. No impairment of non-financial assets was provided during FY2021 (FY2020: nil).

Finance Costs

Finance costs decreased from approximately RMB0.21 million for FY2020 to approximately RMB0.18 million for FY2021. The Group's finance costs represented interest on discounted provision for rehabilitation and lease liabilities of office premises. During FY2021, the Group has entered into a new and long-term lease contract for office premises in Hong Kong with a more favourable monthly rent, which in turn reduced the interest on lease liabilities.

Loss Attributable to Owners of the Company

In view of the above factors, loss attributable to owners of the Company was narrowed by 78.82% to approximately RMB2.49 million for FY2021 (FY2020: loss of approximately RMB11.76 million). The change was mainly resulting from the increase in revenue, gross profit and effective cost control of administrative expenses and other operating expenses incurred during FY2021.

*Business Review**Marble and Marble-related Business*

During FY2021, we are continuously focusing on the development of the Yiduoyan Project, which is an open pit mine located in Hubei Province of the PRC. A total of 6,182 m³ of marble blocks had been produced, 4,257 m³ of marble blocks had been sold in 2021. Besides, the Group also purchased and sold other marble and sandstone blocks during FY2021. The revenue generated from this business segment during FY2021 amounted to approximately RMB24.67 million.

After continuous efforts of the sales team, the Group solicited several new customers during FY2021. The average selling price of marble block per cubic metre excavated from our mining site increased when compared with the price for FY2020.

Apart from the above, to cope with the need of our customers, the Group has also sold marble and sandstone blocks through purchasing from other suppliers starting from December 2020. As a result, revenue of the Group increased slightly during FY2021.

Our customers of the marble business are mainly from the real estate and construction markets of the PRC. Due to the exposure of liquidity problem of some PRC property developers in the second half of 2021, the real estate market has weakened significantly. As a result, downstream industries, which include marble business, were also affected.

Besides, some regions in the PRC experienced different levels of the COVID-19 pandemic in the second half of 2021, which affected the execution of contracts signed with the customers. Therefore, the delivery of marble blocks to our customers was further delayed and the revenue for the third and fourth quarters of 2021 was affected.

On the other hand, as disclosed in our 2020 annual report, the Group was requested by some of the existing customers to postpone the delivery of marble blocks as a result of the COVID-19 pandemic. During FY2021, the Group was still having ongoing discussions with these customers regarding the revised terms and in particular, the updated delivery schedule. This is still subject to the COVID-19 situation and further development and the recovery of the construction and property development markets in the PRC.

Trading of Commodities Business

No revenue was generated from the commodity trading business for FY2021 (FY2020: nil). Although no revenue was derived from this segment during FY2021, the Group has entered into a one year contract with a customer and a supplier in June 2021 for the trading of zinc concentrates.

Major Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during FY2021.

Future Prospects

Our objective is to become a well-known supplier of marble blocks in the PRC. We plan to accomplish this goal by pursuing the following strategies: (i) develop the Yiduoyan Project; (ii) develop product recognition; (iii) expand our resources and reserve through further and selective acquisition; (iv) expand marble trading business to cope with customers' needs; and (v) develop commodity trading business.

Response to COVID-19

During FY2021, the Group has, in a timely manner, put in place numerous precautionary measures, procured essential protective supplies and implemented various flexible working arrangements to ensure the health and safety of all its employees in different regions.

The ongoing COVID-19 pandemic will continue to pose a challenge to the world in the foreseeable future. However, with the launch of COVID-19 vaccination programme, it is expected that the global immunisation, prevention and control work of COVID-19 pandemic will be further improved. The Group has used, and will continue to use, its best endeavors to mitigate the adverse impact of the COVID-19 pandemic on the Group.

The Group will closely monitor the development of COVID-19 and ensure the safety of employees and stable operations. As and when appropriate, the Group will adjust its measures and plans for pandemic prevention, operations and business development accordingly. The Group will make timely disclosure on any significant matters which may arise in the future.

Business Outlook

Develop marble and marble-related business

Having considered (i) the COVID-19 pandemic is gradually brought under control in the PRC, (ii) the improvement of liquidity of some PRC property developers after disposing of some projects and investments and (iii) the government authorities eased some policies on the real estate industry, it is expected that the demand of the marble block will be steadily improved. We will continue to develop the Yiduoyan Project and are optimistic about the future prospects of our marble business. The Group is actively exploring new customers by different ways including through the network of the senior management, as well as through our sales teams in Beijing and Xiamen. We expect our business will have a stable growth in the coming years.

In June 2020 and June 2021, the Group has submitted applications to the Natural Resources and Planning of Nanzhang County Bureau* (南漳縣自然資源和規劃局) (the “**Bureau**”) for (i) enhancing the annual production capacity of the Yiduoyan Project to 200,000 cubic meters per annum; and (ii) renewing the mining permit. On 17 December 2021, the Bureau issued a letter to the Company regarding the renewal status of the mining permit (the “**Letter**”). As stated in the Letter, the Bureau has accepted the application for renewal of the mining permit. However, due to the impact of the ongoing COVID-19 pandemic, the relevant government departments and third-party evaluation agencies failed to issue the relevant reports required for purpose of processing the renewal on time. As a result, the Bureau was unable to complete the renewal procedures and issue the renewed mining permit within the statutory time limit. The Bureau states in the Letter that the relevant government departments are currently accelerating the renewal process and assures that the renewal procedures will be completed by 30 June 2022. For further details, please refer to the announcement of the Company dated 31 December 2021.

* For identification purposes only

On 29 January 2022, the Group has engaged Hubei Xiangdi Resources and Environment Co., Ltd.* (湖北襄地資源環境有限公司) for carrying out new exploration work on the Yiduoyan Project, which may enhance the resources and reserve of the Group in the future. The exploration work has commenced in February 2022.

Besides, we will increase product varieties and recognition through industry exchanges. We have and will continue to identify new suppliers of marble and marble-related business for sourcing of different kind of marble block to cope with our customers' needs. As part of our future plans for acquisitive growth, we plan to continue to carefully identify and evaluate selective acquisition opportunities.

Develop the commodities trading business

We believe that continued development of the commodities trading business will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance. With the new trading contract on hand, it is expected that the source of revenue of the Group will be diversified in the coming years. Other than the existing customer, we will look for other attractive opportunities in the commodities trading business.

Liquidity, Capital Resources and Gearing Ratio

During FY2021, the Group's liquidity funds were primarily used to invest in the development of our mine and for its operations and such funds were funded by a combination of capital contribution by Shareholders in prior years as well as cash generated from operation.

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB25.99 million which were denominated in HKD and RMB (as at 31 December 2020: approximately RMB25.73 million).

The Group had no borrowings as at 31 December 2021. Therefore, the gearing ratio (defined as long term debt divided by total shareholder's equity) is not applicable. The current ratio of the Group as at 31 December 2021 was approximately 5.19 times as compared to 5.2 times as at 31 December 2020, based on current assets of approximately RMB33.25 million (as at 31 December 2020: approximately RMB37.69 million) and current liabilities of approximately RMB6.41 million (as at 31 December 2020: approximately RMB7.25 million).

* For identification purposes only

Capital Structure

There had been no material change in the capital structure of the Group since 31 December 2020.

Employees and Remuneration Policy

As at 31 December 2021, the Group employed a total of 22 full time employees (as at 31 December 2020: 20 employees) who were located in Hong Kong and the PRC. Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include basic salaries and other employees' benefits including contributions to statutory mandatory provident funds for our Hong Kong employees, and social insurance together with housing provident funds for our PRC employees. Besides, the Group also provides medical benefits and subsidises employees in various training and continuous education programmes.

Capital Commitments and Contingent Liabilities

On 27 September 2019, the Company entered into a sale and purchase agreement with the Vendor to acquire 70% equity interest of the Target Company at the consideration of RMB62,000,000. The Target Company is owned as to 70% by the Vendor, in which Mr. Li Yuguo, the ultimate controlling shareholder of the Company, has an indirect majority equity interest. A refundable deposit of RMB6,200,000 was paid in 2020.

On 16 July 2020, the Vendor and the Company have agreed to terminate the aforesaid sale and purchase agreement. The refundable deposit has been subsequently received by the Company from the Vendor. Please also refer to the announcement of the Company dated 16 July 2020 for further details.

Save and except those disclosed above, the Group did not have any capital commitments and contingent liabilities as at 31 December 2021.

Charges Over The Group's Assets

There were no charges over the Group's assets as at 31 December 2021.

Significant Investments

The Group had no material securities investments during FY2021.

Future Plans For Material Investments or Capital Assets

Save as disclosed in the Company's annual report for FY2021, there was no specific plan for material investments or capital asset as at 31 December 2021.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, liabilities and transactions are mainly denominated in HKD and RMB. During FY2021, the Group did not use financial instruments for hedging purposes. The Group will continue to monitor the related foreign currency exposure and take necessary procedures to reduce the currency risks arising from the fluctuations in exchange rates at reasonable costs.

(3) For The Year Ended 31 December 2022 ("FY2022")*Financial Review**Revenue*

During FY2022, the operating revenue of the Group was approximately RMB63.88 million, representing an increase of approximately 158.99% as compared to the operating revenue of approximately RMB24.67 million for FY2021. Although the average selling price of marble block per cubic metre excavated from our mining site for FY2022 has increased by approximately 31.68% per cubic metre when compared with the price for FY2021, the continuation of COVID-19 pandemic and the debt crisis of some of the PRC property developers have affected the overall market condition and sentiment of the real estate and construction industry. Some of these PRC property developers, being customers of the Group's marble business, requested to delay the orders and reduce the volume of marble blocks ordered. Besides, due to the incremental increase in shipping prices globally, it was difficult to arrange shipment of marble blocks from overseas at a reasonable price. As a result, revenue from the marble business for FY2022 has been negatively affected, which decreased to approximately RMB7.56 million (FY2021: approximately RMB24.67 million).

In order to diversify the existing business of the Group, a new subsidiary was established to start the trading of coals in June 2022. The raw coal of the Group's trading business was directly sourced from well-established coal producers in Inner Mongolia and sold to PRC customers whose businesses include trading or sales of commodities, import and export operations. The selling price of coal is sensitive to the market condition. During FY2022, the trading volume was approximately 113,000 tonnes and revenue generated from this segment was approximately RMB56.32 million (FY2021: nil).

The following table sets forth the breakdown of the Group's revenue by business segment for FY2022 and for FY2021:

	2022			2021		
	RMB'000	Percentage to total revenue	Gross Profit margin	RMB'000	Percentage to total revenue	Gross Profit margin
Marble block	7,563	11.84%	50.11%	24,667	100.00%	14.31%
Commodity trading	56,321	88.16%	8.48%	-	0.00%	0.00%
Total	63,884	100.00%	13.42%	24,667	100.00%	14.31%

Cost of Sales

The Group's cost of sales increased from approximately RMB21.14 million for FY2021 to approximately RMB55.31 million for FY2022, representing an increase of approximately 161.64%. The cost of sales represented the marble blocks mining and purchasing costs. The marble blocks mining costs mainly comprised of sub-contractor fee, materials consumption, fuel, electricity, processing fee of abandoned stones, depreciation of production equipment, amortisation of mining rights and repairs and maintenance of machinery, whereas the purchasing costs represented the cost of sourcing of coals, marble and sandstone blocks from external suppliers.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased to approximately RMB8.58 million for FY2022 (gross profit margin of approximately 13.42%) when compared with the gross profit for FY2021 of approximately RMB3.53 million (FY2021: gross profit margin of approximately 14.31%). The gross profit margin of the marble block segment increased to approximately 50.11% as compared to the gross profit margin of FY2021. The change was due to the increase of the average selling price and decrease of processing fee for abandoned stones accumulated from previous years. However, the increase of the gross profit margin of the marble block segment was partially offset by the lower profit margin of the commodity trading segment, being approximately 8.48%, which in turn resulted in an average gross profit margin of approximately 13.42% of the Group for FY2022 (FY2021: average gross profit margin of approximately 14.31%).

Other Income and Gains

Other income and gains for FY2022 were approximately RMB0.49 million, which represented a decrease of approximately RMB2.64 million as compared to the other income and gains of approximately RMB3.13 million for FY2021. The decrease was mainly attributable to the decrease of rental income of production machinery from approximately RMB2.29 million to nil for FY2022.

Selling and Distribution Expenses

During FY2022, no selling and distribution expenses were incurred as all transportation costs were borne by customers (FY2021: approximately RMB0.12 million).

Administrative Expenses

Administrative expenses mainly included legal and professional fees, exploration expenses, printing and announcement fee, depreciation, annual listing fee, directors' remuneration, salaries and benefits of staff and other general office expenses. Administrative expenses of the Group increased by approximately RMB5.46 million or 58.46% from approximately RMB9.34 million for FY2021 to approximately RMB14.80 million for FY2022. The increase was mainly driven by the additional amount of exploration expenses incurred for the exploration work carried out for renewal of the mining permit, staff salaries and deprecation for leasing of new office premises in Hong Kong.

Impairment on Financial Assets, Net

The management assesses the measurement of expected credit losses in relation to financial assets. An impairment losses of approximately RMB6.06 million was reversed for FY2022 (FY2021: impairment losses of approximately RMB0.53 million was provided). The reversal of impairment losses was mainly due to the written-off of long outstanding trade receivables of approximately RMB5.52 million. Besides, since the balance of deposits paid for acquisition of machinery was fully refunded by the supplier during FY2022, impairment losses of approximately RMB0.54 million provided in prior year was also reversed.

Losses on Changes in Fair Value of Financial Assets at Fair Values Through Profit or Loss

As at 31 December 2022, the Group had current equity investments at fair value through profit or loss of approximately RMB0.10 million which were investments in various Hong Kong listed shares and other investments (as at 31 December 2021: approximately RMB0.12 million). The Group recorded net fair value loss of equity investments of approximately RMB0.03 million for FY2022 (FY2021: approximately RMB0.19 million).

Other Operating Expenses

Other operating expenses increased from approximately RMB0.18 million for FY2021 to approximately RMB7.78 million for FY2022, primarily due to the bad debts written off of approximately RMB5.52 million for FY2022 (FY2021: approximately RMB0.01 million). These long outstanding balances were brought forward from previous years of the marble block segment and considered to be uncollectible. Other operating expenses also included net foreign exchange loss of approximately RMB2.09 million for FY2022 (FY2021: net exchange gain of approximately RMB0.66 million) and cash and in-kind donation of approximately RMB0.13 million during FY2022 (FY2021: approximately RMB0.05 million).

The Directors performed impairment assessment on the non-financial assets of the marble block segment as at 31 December 2022 with reference to a valuation report issued by an independent qualified valuer. No impairment of non-financial assets was provided during FY2022 (FY2021: nil).

Finance Costs

Finance costs increased from approximately RMB0.18 million for FY2021 to approximately RMB0.32 million for FY2022. The Group's finance costs represented interest on discounted provision for rehabilitation and lease liabilities of office premises. During FY2022, the Group has entered into long-term lease contracts for both office premises in Hong Kong and the PRC, which in turn increased the interest on lease liabilities.

Loss Attributable to Owners of the Company

In view of the above factors, loss attributable to owners of the Company increased by 255.96% to approximately RMB8.87 million for FY2022 (FY2021: approximately RMB2.49 million). The change was mainly resulted from the increase of administrative expenses and other operating expenses during FY2022.

*Business Review**Marble and Marble-related Business*

During FY2022, we are continuously focusing on the development of the Yiduoyan Project, which is an open pit mine located in Hubei Province of the PRC. A total of 1,851 m³ of marble blocks had been sold in 2022 (FY2021: 4,257 m³). The revenue generated from this business segment during FY2022 amounted to approximately RMB7.56 million (FY2021: approximately RMB24.67 million).

Although the average selling price of marble block per cubic metre excavated from our mining site increased when compared with the price for the FY2021, the continuation of COVID-19 pandemic and the debt crisis of some of the PRC property developers have affected the overall market condition and sentiment of the real estate and construction industry. Some of these PRC property developers, being customers of the Group's marble business, requested to delay the orders and reduce the volume of marble blocks ordered. Besides, due to the incremental increase in shipping prices globally, it was difficult to arrange shipment of marble blocks from overseas at a reasonable price. As a result, revenue from the marble business for FY2022 has been negatively affected.

Trading of Commodities Business

During FY2022, a new subsidiary was established to start the trading of coals in June 2022. The raw coal of the Group's trading business was directly sourced from well-established coal producers in Inner Mongolia and sold to PRC customers whose businesses include trading or sales of commodities, import and export operations. The selling price of coal is sensitive to the market condition. During FY2022, the trading volume was approximately 113,000 tonnes and revenue generated from this segment was approximately RMB56.32 million (FY2021: nil).

Major Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during FY2022.

Future Prospects

Our objective is to become a well-known supplier of marble blocks in the PRC. We plan to accomplish this goal by pursuing the following strategies: (i) develop the Yiduoyan Project; (ii) develop product recognition; (iii) expand our resources and reserve through further and selective acquisition; (iv) expand marble trading business to cope with customers' needs; and (v) develop our commodity trading business.

*Business Outlook**Develop marble and marble-related business*

The fluctuation in real estate and construction market may continue to affect the marble business in the first half of the 2023. However, the Group remained cautiously optimistic about the future prospects of its marble business. The Group is actively exploring new customers by different ways including through the network of our senior management, as well as through our sales teams in Beijing and Xiamen. We expect the current decline in the marble business to be temporary and that our business will have a stable growth in the coming years.

In June 2020 and June 2021, the Group submitted applications to the Bureau for (i) enhancing the annual production capacity of the Yiduoyan Project to 200,000 cubic metres per annum; and (ii) renewing the mining permit. As announced by the Company on 31 December 2021, on 17 December 2021, the Bureau issued the Letter. As stated in the Letter, the Bureau has accepted the application for renewal of the mining permit. However, due to the impact of the ongoing COVID-19 pandemic, the relevant government departments and third-party evaluation agencies failed to issue the relevant reports required for purpose of processing the renewal on time. As a result, the Bureau was unable to complete the renewal procedures and issue the renewed mining permit within the statutory time limit. The Bureau stated in the Letter that the relevant government departments were accelerating the renewal process. During the renewal period of the mining permit, normal business activities of Xiangyang Future Bright Mining Limited* (襄陽高鵬礦業有限公司), an indirect wholly-owned subsidiary of the Company and the holder of the mining permit, can be continued in accordance with the law of the PRC.

On 29 January 2022, the Group has engaged Hubei Xiangdi Resources and Environment Co., Ltd. to undertake the marble mine resources verification work and an updated amount of resources in the mining area had been submitted to relevant PRC government authority for review. On 25 July 2022, the Bureau published a PRC assessment report of the Yiduoyan Project for public inspection for ten days. During the publication period, there was no dissent received from the public on the PRC assessment report. According to the PRC assessment report, the additional resources fee is approximately RMB98.7 million. A meeting was originally scheduled by the government of Nanzhang County in August 2022 to consider and approve, among other matters, the renewal of the mining permit of the Group. However, due to the sporadic cases of COVID-19 in the Nanzhang County in the second half of 2022, the meeting was further delayed. After the local lockdown, a meeting was held by the PRC government on 2 September 2022. The Nanzhang County Natural Resources Management Committee* (南漳縣自然資源管理委員會) agreed in principle for the renewal of the mining permit during the meeting and further administrative procedures were required to complete the renewal process. Unfortunately, due to the spread of the new wave of COVID-19 pandemic in the fourth quarter of FY2022, the renewal procedure was once again affected. As at the date of the Company's annual report for FY2022, the renewal of the mining permit was still in process. Based on our ongoing discussion with the relevant authority, the renewal procedure is expected to be completed by 31 May 2023. The renewal status will be updated and announced by the Company as appropriate.

Besides, we will increase product varieties and recognition through industry exchanges. We have and will continue to identify new suppliers of marble and marble-related business for sourcing of different kind of marble block to cope with our customers' needs. As part of our future plans for acquisitive growth, we plan to continue to carefully identify and evaluate selective acquisition opportunities.

Develop the commodities trading business

We believe that continued development of the commodities trading business will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance. With the new trading contracts on hand, it is expected that the source of revenue of the Group will be diversified in the coming years.

Other than trading of coals, we will continue to look for other attractive business opportunities whenever the same arises.

Liquidity, Capital Resources and Gearing Ratio

During FY2022, the Group's liquidity funds were primarily used to invest in the development of our mine and for its operations and such funds were funded by a combination of capital contribution by Shareholders, short-term borrowings from independent third party as well as cash generated from operation.

As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB31.22 million which were denominated in HKD and RMB (as at 31 December 2021: approximately RMB25.99 million).

The Group had short-term borrowings as at 31 December 2022. The gearing ratio (defined as long term debt divided by total shareholder's equity) is not applicable. The current ratio of the Group as at 31 December 2022 was approximately 1.93 times as compared to 5.19 times as at 31 December 2021, based on current assets of approximately RMB35.72 million (as at 31 December 2021: approximately RMB33.25 million) and current liabilities of approximately RMB18.53 million (as at 31 December 2021: approximately RMB6.41 million).

Capital Structure

On 31 August 2022, the Company held an extraordinary general meeting and an ordinary resolution was passed, approving the consolidation of every five issued and unissued ordinary shares of par value of HK\$0.001 each in the share capital of the Company into one consolidated share of par value of HK\$0.005 each in the share capital of the Company. The share consolidation became effective on 2 September 2022. For details of the share consolidation, please refer to the announcements of the Company dated 29 July 2022 and 1 September 2022 and the circular of the Company dated 12 August 2022.

Employees and Remuneration Policy

As at 31 December 2022, the Group employed a total of 39 full time employees (as at 31 December 2021: 22 employees) who were located in Hong Kong and the PRC. Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include basic salaries and other employees' benefits including contributions to statutory mandatory provident funds for our Hong Kong employees, and social insurance together with housing provident funds for our PRC employees. Besides, the Group also provides medical benefits and subsidises employees in various training and continuous education programmes.

Capital Commitments and Contingent Liabilities

On 2 January 2021, a loan agreement was signed between East Pacific Investment Limited ("**East Pacific**"), a non wholly-owned subsidiary of the Company, and an independent third party, pursuant to which a HKD25,000,000 loan facility was provided to East Pacific (the "**Loan Facility**"). The Loan Facility is interest-free and fully secured by the shares of East Pacific. The purpose of the Loan Facility is limited to the management and operation of East Pacific. Up to the date of the Company's annual report for FY2022, East Pacific has not yet drawn any loan from the Loan Facility.

Save and except those disclosed above, the Group did not have any capital commitments and contingent liabilities as at 31 December 2022.

Charges Over The Group's Assets

There were no charges over the Group's assets as at 31 December 2022.

Significant Investments

The Group had no material securities investments during FY2022.

Future Plans For Material Investments or Capital Assets

Save as disclosed in the Company's annual report for FY2022, there was no specific plan for material investments or capital asset as at 31 December 2022.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, liabilities and transactions are mainly denominated in HKD and RMB. During FY2022, the Group did not use financial instruments for hedging purposes. The Group will continue to monitor the related foreign currency exposure and take necessary procedures to reduce the currency risks arising from the fluctuations in exchange rates at reasonable costs.

(4) For The Six Months Ended 30 June 2023 (the "Period")*Financial review**Revenue*

For the Period, the operating revenue of the Group was approximately RMB11.53 million, which represented a decrease of approximately 10.48% as compared to the operating revenue of approximately RMB12.88 million for the six months ended 30 June 2022. Since the Group was still in the process of renewing the Mining Permit during the Period, no excavation work was conducted by the Group during the Period and hence no marble block was produced and sold. As a result, no revenue was derived from marble block segment for the Period (six months ended 30 June 2022: approximately RMB5.60 million).

The trading of coal business commenced in June 2022. Raw coal was directly sourced from well-established coal producers in Inner Mongolia and sold to the PRC customers. As there was a serious coal mining accident in Inner Mongolia in February 2023, operators of the coal mines, being the suppliers of our coal trading business, were required to undertake a safety inspection of their coal mines, during which coal mining activities had to be temporarily suspended and the Group's coal trading business during the Period was adversely affected. The trading volume was approximately 20,100 tonnes (six months ended 30 June 2022: approximately 11,700 tonnes) and the revenue generated from this segment was approximately RMB11.53 million (six months ended 30 June 2022: approximately RMB7.28 million), with a gross profit margin of approximately 0.40% (six months ended 30 June 2022: approximately 8.96%).

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	RMB'000	Percentage to total revenue	Gross profit margin	RMB'000	Percentage to total revenue	Gross profit margin
Marble block	-	0.00%	0.00%	5,607	43.52%	53.36%
Commodity trading	11,526	100.00%	0.40%	7,277	56.48%	8.96%
Total	11,526	100.00%	0.40%	12,884	100.00%	28.28%

Cost of Sales

The Group's cost of sales increased from approximately RMB9.24 million for the six months ended 30 June 2022 to approximately RMB11.48 million for the Period, representing an increase of approximately 24.24%, and such cost was solely attributable to our coal trading business under the commodity trading segment. The cost of sales included both marble blocks mining costs and purchasing costs. The marble blocks mining costs mainly comprised of sub-contractor fee, materials consumption, fuel, electricity, processing fee of abandoned stones, depreciation of production equipment and amortisation of mining rights, whereas the purchasing costs represented the cost of sourcing of coals from external suppliers in the commodity trading segment.

Since there was no mining operation during the Period, the cost of this segment was zero (six months ended 30 June 2022: approximately RMB2.62 million). To minimise the impact of the coal mining incident on the Group's coal trading business, the Group sourced coals from alternative suppliers in other regions at higher costs and approximately RMB11.48 million of purchasing costs was recorded during the Period (six months ended 30 June 2022: approximately RMB6.62 million).

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased to approximately RMB46,000 for the Period (gross profit margin of approximately 0.40%) when compared with the gross profit for the six months ended 30 June 2022 of approximately RMB3.64 million (six months ended 30 June 2022: gross profit margin of approximately 28.28%).

Since no revenue was generated from marble block segment and no mining activities was conducted during the Period, the gross profit margin of this segment was zero (six months ended 30 June 2022: gross profit margin of approximately 53.36%). The gross profit margin of the commodity trading segment decreased to approximately 0.40% for the Period (six months ended 30 June 2022: gross profit margin of approximately 8.96%) as higher purchasing costs were incurred during the Period.

Other Income and Gains

Other income and gains for the Period were approximately RMB64,000, which represented a decrease of approximately RMB0.19 million as compared to the other income and gains of approximately RMB0.25 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease of government grants and sundry income for the Period.

Administrative Expenses

Administrative expenses mainly included legal and professional fees, printing and announcement fee, depreciation, amortisation of annual listing fee, directors' remuneration, salaries and benefits of staff and other general office expenses. During the Period, administrative expenses of the Group decreased by approximately RMB0.76 million or 10.43%. Although no exploration expense was incurred during the Period, the decrease of administrative expenses was partially offset by the increase of depreciation and building management fee of the new office premises, which in turn resulted in an administrative expenses of approximately RMB6.53 million during the Period (six months ended 30 June 2022: approximately RMB7.29 million).

Impairment on Financial Assets, Net

The management assessed the measurement of expected credit losses in relation to financial assets and no impairment losses were provided for the Period (six months ended 30 June 2022: approximately RMB6.06 million was reversed). The reversal of impairment losses for the six months ended 30 June 2022 was mainly due to the written-off of long outstanding trade receivables of approximately RMB5.52 million. Besides, since the balance of deposits paid for acquisition of machinery was fully refunded by the supplier, impairment losses of approximately RMB0.54 million provided in prior years was also reversed during the six months ended 30 June 2022.

Losses on Changes in Fair Value of Financial Assets at Fair Values Through Profit or Loss

As at 30 June 2023, the Group had current equity investments at fair value through profit or loss of approximately RMB42,000 (representing approximately 0.06% of the Group's total assets as at 30 June 2023) which comprised investments in various Hong Kong listed shares and other investments (as at 31 December 2022: approximately RMB0.10 million). The Group recorded net fair value loss of the equity investments of approximately RMB62,000 for the Period (six months ended 30 June 2022: net fair value loss of approximately RMB1,000).

Other Operating Expenses

Other operating expenses decreased from approximately RMB6.60 million for the six months ended 30 June 2022 to approximately RMB3.15 million for the Period as no bad debts was written off (six months ended 30 June 2022: approximately RMB5.52 million). During the Period, the Group has also recorded loss of approximately RMB2.34 million arising from the deregistration of a subsidiary in the PRC (six months ended 30 June 2022: nil). Other operating expenses also included net foreign exchange loss of approximately RMB0.80 million for the Period (six months ended 30 June 2022: approximately RMB1.04 million). No donation was made for the Period (six months ended 30 June 2022: approximately RMB26,000).

Finance Costs

Finance costs increased from approximately RMB77,000 for the six months ended 30 June 2022 to approximately RMB0.48 million for the Period. The Group's finance costs represented interest on discounted provision for rehabilitation, interest on lease liabilities of office premises and loan interest expenses. During the second half of 2022, the Group has entered into long-term lease contracts for both office premises in Hong Kong and the PRC, which in turn increased the interest on lease liabilities for the Period. Besides, loan interest expenses of short-term borrowings from an independent third party was incurred starting from February 2023.

Loss attributable to Owners of the Company

In view of the above factors, loss attributable to owners of the Company increased from approximately RMB4 million for the six months ended 30 June 2022 to approximately RMB9.62 million for the Period. The change was mainly resulted from the significant decrease in gross profit and the loss arising from the deregistration of a subsidiary in the PRC during the Period.

*Business Review**Marble and Marble-related Business*

During the Period, the Company is continuously focusing on the development of the Yiduoyan Project, which is an open pit mine in the Hubei Province of the PRC. Since the Group was still in the process of renewing the Mining Permit during the Period, no excavation work was conducted by the Group during the Period and hence no marble block was produced and sold (six months ended 30 June 2022: 1,350 m³ marble blocks were sold). As a result, no revenue was derived from this business segment for the Period (six months ended 30 June 2022: approximately RMB5.60 million).

Trading of Commodities Business

The trading of coal business commenced in June 2022. Raw coal was directly sourced from well-established coal producers in Inner Mongolia and sold to the PRC customers. As there was a serious coal mining accident in Inner Mongolia in February 2023, operators of the coal mines, being the suppliers of our coal trading business, were required to undertake a safety inspection of their coal mines, during which coal mining activities had to be temporarily suspended and the Group's coal trading business during the Period was adversely affected. The trading volume was approximately 20,100 tonnes (six months ended 30 June 2022: approximately 11,700 tonnes) and the revenue generated from this segment was approximately RMB11.53 million (six months ended 30 June 2022: approximately RMB7.28 million), with a gross profit margin of approximately 0.40% (six months ended 30 June 2022: approximately 8.96%).

Major Acquisitions and Disposals During The Period

There were no material acquisitions and disposals of subsidiaries, associates or joint ventures by the Group during the Period.

Future Prospects

Our objective is to become a well-known supplier of marble blocks in the PRC. We plan to accomplish this goal by pursuing the following strategies:

*Business Outlook**Develop marble and marble-related business*

The Group remained cautiously optimistic about its future prospects of the marble business. The Group is actively exploring new customers by different ways including through the network of the senior management, as well as through our sales teams in Beijing and Xiamen. We expect our business will have a stable growth in the coming years.

As disclosed in the Company's annual report for FY2022, the Group submitted applications to the Natural Resources and Planning Bureau of Nanzhang County* (南漳縣自然資源和規劃局) for (i) enhancing the annual production capacity of the Yiduoyan Project to 200,000 m³ per annum; and (ii) renewing the mining permit in June 2020 and 2021 respectively. Due to COVID-19 pandemic, the renewal process was affected during the past few years. On 12 July 2023, the Group has successfully renewed the mining permit of the Yiduoyan Project, pursuant to which the term of the mining right is renewed for a period of 20 years, from 12 July 2023 to 12 July 2043.

The renewed mining permit covers a mining area of 0.3973 km² and an annual production capacity of 540,000 tonnes (equivalent to approximately 200,000 m³, as compared to the permitted annual production capacity of 20,000 m³ under the original mining permit). With the increase in permitted annual production capacity, it is expected that the Group would be able to expand its mining production in the future.

In order to increase the production capacity, the Group needs to (i) further expand the mining surface of the marble mine; (ii) obtain all the necessary licenses; and (iii) complete the construction of the expanded mining facilities. It is expected the production can be resumed in the first quarter of 2024.

* For identification purposes only

Besides, we will increase product varieties and recognition through industry exchanges. As part of our future plans for acquisitive growth, we continue to carefully identify and evaluate selective acquisition opportunities.

Develop the commodities trading business

In February 2023, there was a serious coal mining accident in Inner Mongolia. Therefore, all coal mining activities in Inner Mongolia needed to be suspended and all operators of the coal mines were required to undertake a safety inspection before resumption of operation. As our suppliers are all from Inner Mongolia and the safety inspection last for a few months, the coal trading business during the Period was adversely affected. According to the latest information available to the Board having made all reasonable enquiries, the coal mining activities of our suppliers are expected to be resumed in or around September 2023. We expected that the trading of coal will resume to normal thereafter. We believe that continued development of the commodities trading business will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance. Other than trading of coals, we will look for other attractive opportunities whenever the same arises.

Liquidity, Capital Resources and Gearing Ratio

During the Period, the Group's liquidity funds were primarily used to invest in the development of the mine and for its operations and such funds were funded by a combination of capital contribution by Shareholders, short-term borrowings as well as cash generated from operation.

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB29.16 million which were denominated in HKD and RMB (as at 31 December 2022: approximately RMB31.22 million).

As at 30 June 2023, the short-term borrowings of the Group comprised the loan from third party of approximately RMB17.86 million (as at 31 December 2022: approximately RMB7.73 million) which bears interest at 5% (as at 31 December 2022: nil) per annum and repayable on 14 November 2023 and denominated in HKD.

The gearing ratio (defined as long-term debt divided by total shareholder's equity) was not applicable. The current ratio of the Group as at 30 June 2023 was about 1.36 times as compared to 1.93 times as at 31 December 2022, based on current assets of approximately RMB36.86 million (as at 31 December 2022: approximately RMB35.72 million) and current liabilities of approximately RMB27.04 million (as at 31 December 2022: approximately RMB18.53 million).

Capital Structure

There had been no material change in the capital structure of the Group since 31 December 2022.

Employees and Remuneration Policy

As at 30 June 2023, the Group has a total of 28 full time employees (including Directors) who are located in Hong Kong and the PRC. Employees' remuneration packages have been reviewed periodically and determined with reference to the performance of the individual and prevailing market practices. Remuneration packages include basic salaries and other employees' benefits including contributions to statutory mandatory provident funds for our Hong Kong employees, and social insurance together with housing provident funds for our PRC employees. Besides, the Group also provides medical benefits and subsidises employees in various training and continuous education programmes.

Capital Commitments and Contingent Liabilities

The Group had the following capital commitments at the end of the Period:

	30 June 2023	31 December
	(unaudited)	2022
	RMB'000	(audited)
		RMB'000
Capital expenditure in respect of the renewal of the mining permit contracted for but not provided in the consolidated financial statements (Note)	98,731	–

Note:

On 20 June 2023, the Group has entered into a contract with Natural Resources and Planning Bureau of Nanzhang County* (南漳縣自然資源和規劃局) for (i) enhancing the annual production capacity of the Yiduoyan Project to 200,000m³ per annum; and (ii) renewing the mining permit for an amount of approximately RMB98,731,000. The first installment of RMB60,000,000 was paid by the Group in July 2023. The remaining balance of approximately RMB38,731,000 will be paid in three installments between 2027 and 2029. For details, please refer to the announcements of the Company dated 18 July 2023 and 4 August 2023.

Save and except those disclosed above, the Group did not have any capital commitments and contingent liabilities as at 30 June 2023.

Charges Over The Group's Assets

There were no charges over the Group's assets as at 30 June 2023.

Significant Investments

The Group had no material investments during the Period.

Future Plans For Material Investments and Capital Assets

Saved as disclosed in the Company's interim report for the Period, the Group does not have other plans for material investments and capital assets as at 30 June 2023.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets and transactions are mainly denominated in HKD and RMB. During the Period, the Group did not use financial instruments for hedging purposes. The Group will continue to monitor the related foreign currency exposure and will take necessary procedures to reduce the currency risks arising from the fluctuations in exchange rates at reasonable costs.

* For identification purpose only

5. MATERIAL ADVERSE CHANGES

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful consideration, are of the opinion that the Group has sufficient working capital for 125% of its present requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances, after taking into account the Group's available financial resources including internal generated cash flows, cash on hand, and other external facilities from Shareholders and independent third parties.

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

Future Bright Mining Holdings Limited

Competent Person's Report: Update of the Mineral Resources and Ore Reserves of Yiduoyan Project

Mineral Assets in Yiduoyan Marble Project in the People's Republic of China controlled by Future Bright Mining Holdings Limited

AP Appraisal Limited

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7 November 2023

Competent Person's Report: Update of the Mineral Resources and Ore Reserves of Yiduoyan Project

Mineral Assets in Yiduoyan Marble Project in the People's Republic of China

Report Prepared for
Future Bright Mining Holdings Limited

Compiled by:

Mark W. Osterberg
AP Appraisal Limited

Baolong Zhao
AP Appraisal Limited

Reviewed by:

Paul Hung
AP Appraisal Limited

To: Board of Directors

Future Bright Mining Holdings Limited

Unit 8101, Level 81,
International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

Re: Competent Person's Report

Dear Sirs,

Future Bright Mining Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") commissioned AP Appraisal Limited ("**APA**" or the "**Competent Person**") to prepare an Competent Person's Report (the "**Competent Person's Report**" or the "**Report**") for the Yiduoyan Marble Project (the "**Project**") of the Company, which are located at Xiaoyan Township, Nanzhang County, Xiangyang City, Hubei Province, the People's Republic of China (the "**PRC**" or "**China**").

The Competent Person prepared the Report in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 Edition) which is the code adopted by the Australasian Institute of Mining and Metallurgy (the "**AusIMM**") and is binding upon all the members of the Society for Mining, Metallurgy & Exploration (the "**SME**") and AusIMM, and the Listing Rules, namely Chapter 18 and the relevant guidance letters published by the Stock Exchange requiring Mineral Resource and Ore Reserves estimates to be submitted under the JORC Code or similar guidelines.

Report Date: 7 November 2023

Effective Date: 30 June 2023

EXECUTIVE SUMMARY

The Company commissioned the Competent Person to update the mineral resources and ore reserves of the Yiduoyan Marble Project operated by the Company. The project is located at Xiaoyan Township, Nanzhang County, Xiangyang City, Hubei Province, China.

The Competent Person prepared the Report in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 Edition) which is the code adopted by the Australasian Institute of Mining and Metallurgy AusIMM and is binding upon all the members of the SME and AusIMM, and the Listing Rules, namely Chapter 18 and the relevant guidance letters published by the Stock Exchange requiring Mineral Resource and Ore Reserves estimates to be submitted under the JORC Code or similar guidelines. The scope of work includes the assessments of following aspects:

- Review the geology and exploration work carried out in the Project;
- Review and estimate the Mineral Resources and Ore Reserves of the Project;

The work started in May 2023 after signing services contracts with the Company. The Competent Person has been collecting data and information materials relevant to the Project, including digital and/or hard copies of the previous and current geological, technical, and operational Reports.

The Competent Person conducted site visits in May 2023 to review and investigate the site condition of the Project.

Brief Summary of the Project

The Project is located in Nanzhang County, Hubei Province of China, approximately 45 km from Nanzhang. The Project area is covered by a mining license, measuring approximately 0.4 km².

Exploration and Mining History

The marble mine in Yiduoyan mining area of Nanzhang County was put into production after the mine was built in 2011. The mining license was valid from 12 July 2023 to 12 July 2043, and the type of the certified mineral issued is "Marble and Industry Limestone".

The marble mine stopped production after the mining license expired in December 2021. The mine adopts a bead wire saw machine. There was only one mining platform for the mining process when APA visited the mine in May 2023. The platform is approximately 160m long from east to west and 150m wide from north to south, forming a mining area of 2 Steps, each with a height of 7m and a slope angle of 90°, with a minimum platform elevation of +524m. According to the production records of the company and APA had a verification of the records, the actual mining type of the mine is limestone for decoration, i.e., the marble, and the previous mining consumption of the limestone resource amount is 53,000 cubic meters (with 12,000 cubic meters of marble block yields), and the mining consumption of the construction stone materials recorded as 75,000 cubic meters (i.e., 204,000 tonnes with an average density of 2.7 t/m³).

As stated in a previous technical report prepared by SRK in 2012, the Company commissioned the Team 932 of Nonferrous Metals Geological Bureau of Guangdong Province (“**Team 932**”) to conduct geological investigation comprising 12 diamond drillholes totaling 1,009.2m, of which nine were logged, a topographical survey, geological mapping, hydrological study, and sampling for physical and chemical tests. In July 2013, Future Bright also commissioned Sinoma to undertake a Feasibility Study (“**FS**”) on the Project.

The Company has been conducting full-scale mine construction since August 2013. In April 2014, the Company had already constructed three production benches at 556m, 548m and 540m respectively at the initial mining area, located between Exploration Lines 101 and 102. These benches measure 120m, 220m and 260m respectively. As of the end of June 2014, the production bench at 556m had been completely mined out whereas mining continues at level 548m and 540m.

After the first exploration work carried out by Team 932 in 2012 and 2013, Hubei Xiangdi Resources and Environment Co. Ltd (The Xiangdi exploration team) carried out the second limestone mineral resource exploration and verification work on the project in early 2022, which was planned by the company before its application of renewing the mining license.

Geology and Mineralisation

The Project area is underlain by the Jialingjiang Formation of Triassic age. Two units of marble of economic interest have been identified, a light to dark grey fine to very fine-grained marble (Grey Marble V-2) which is overlain by a milky white to light grey and pink fine-grained marble (White Marble V-1). The marble occurs in a southeast gently plunging asymmetric open syncline. A fault occurs in the eastern part of the Project area, the extent of which has been deducted in Resource and Reserve estimations. Structural mapping has identified two main joint sets as well as bedding parallel jointing. The marble within the mining license area is affected by shallow weathering karst features and two sinkholes. No subsurface information is available about the sinkholes, and they have been excluded from the proposed pit area and hence Reserve estimation.

Mineral Resources

As appointed by the company, Hubei Xiangdi Resources and Environment Co. Ltd (The Xiangdi exploration team) carried out the mineral resource exploration and verification work on the project in March 2022. A detailed topographical survey and geological mapping have been conducted on the mining license area, with more detailed investigations in the proposed quarry area. Diamond drillholes were drilled during the geological investigation of the site. Core recovery rates within the marble units were recorded as 86% to 98%.

Physical tests have been carried out on core and surface samples from the Project area. Bulk density, water absorption, compressive and flexural strength tests, abrasion resistance, gloss and radioactivity tests have been carried out on surface and drill core samples. The results of the tests meet Chinese standard specifications for marble dimension stone with the exception of a limited number of water absorption tests, most of which are associated with either weathering or joints. Chemical analysis and inspection of core and quarry faces, and polished samples have indicated that no deleterious minerals are present. Samples of marble also meet the national mandatory standard for radionuclides in building materials for Class A materials which places no restrictions on its use. APA in general, confirm the results of the tests carried out and provided by the Company.

The verification area is located in the 195° direction of Nanzhang County seat, with a straight distance of 27km. The project is under the jurisdiction of Xiaoyan Town and is located in Miaojiagou Village. The license area is 0.3973 km². Please refer to "APPENDIX A — COPY OF MINING LICENCES" for geographic coordinates of the mining area.

The exploration and verification work had been conducted from February 2022 to April 2022. The main exploration workloads completed including 1:2000 detailed topographical survey and geological mapping of 1.77km² (11 control points measured); 1:1000 exploration line profile survey of 4.2km (horizontal distance); seven wireline diamond drillholes with a total drilling and core survey of 880.25m; strip of surface soils of 40m³; and more than 300 sets/pieces of various samples obtained and investigated.

The ore bodies occur in the Daye Formation of the Lower Triassic, and a total of 4 ore bodies, one is marble (I) and the other three (II, III, IV) are limestone used for building materials, the limestone ore bodies are enclosed above an elevation of 420m within the mining license area, with a surface exposure of about 1200 m east to west and a width of 400m from north to south with an mineralization exposed area of approximately 0.4490km². The occurrence of the ore bed is stable, with good continuity along the strike and dip directions, with minimal thickness variations. The highest point (612m) is located on the mountaintop on the west side of the license area.

The mining conditions of Yiduoyan project are relatively good with very simple hydrogeological conditions and moderate geotechnical and environmental geological conditions.

As of the end of March 2022, the exploration and verification work recorded a total of 10.1 million m³ indicated marble resources had been identified within the license area, of which 2.2 million m³ are estimated as marble block yields. The inferred marble resources were estimated as of 6.1 million m³ with 1.4 million m³ marble block yields.

As verified by the exploration team, the mining consumption of the marble resources is estimated as 53,000m³ with 12,000m³ of marble block yields over the years, which represent about 0.52% and 0.55% of the verified indicated marble resources and block yield respectively. APA concluded that the declines of the marble mineral resource due to production are very limited. It has no material changes to the estimated amount.

In addition to the marble mineral resources, a total of 7.4 million m³ (20 million tonnes in weight with a bulk density of 2.7 t/m³) indicated industry use limestone material resources, estimated as the ore bodies No. II, III and IV. While the estimated inferred industry use limestone mineral resource is approximately 6.4 million m³ (17.3 million tonnes in weight).

The mining consumption of the industry use minerals over the production period was recorded as 70,000m³, which represents about 1% of the indicated industry use mineral resources, which is neglected for estimation in this report by APA.

The block yield rate was verified by Xiangdi Exploration Team, the number of blocks (2.8m x 1.9m x 1.5m, 1.8m x 1.9m x 1.5m and 0.8m x 1.9m x 1.5m) that were produced from a cleaned bench which contains a volume of 599.76m³, and the block yield was 131.1m³. The block yield rate was estimated by the exploration team as 22%, which is less than the estimated yield rate of 35% verified by Team 932 of Nonferrous Metals Geological Bureau of Guangdong Province (“**Team 932**”) in 2012. APA’s opinion is that the updated block yield rate of 22% is more realistic and is verified by the real production records.

APA has carried out a detailed site visit and on-site investigations. APA is of the opinion that there is sufficient confidence in the continuity of marble quality to classify Resources within 70m from drillholes as Indicated and those within 140m as inferred. APA considers that the data are of sufficient quality, and the Resource estimate complies with Joint Ore Reserves Committee (“**JORC**”) Code, 2012 (Table ES-1).

Table ES-1: Yiduoyan Limestone Mineral Resources Statement as of 30 June 2023

Resource Category	Marble (million m ³)	Marble Block Yield (million m ³)	Industry Limestone (million m ³)	Total (million m ³)
Inferred	6.1	2.2	6.4	12.5
Indicated	10.1	1.4	7.4	17.5
Total	16.2	3.6	13.8	30.0

The mineral resource has been limited to the area within the mining license between the approved elevations limits of 420 to 612 mRL. The block marble resource is calculated to have a block yield of approximately 22%.

Ore Reserves

Based on the mine planning and modifying factors (defined in Figure 6-1) described in the FS and the defined Indicated Resources, in 2014, in the first public disclosed technical report, SRK classified the final saleable marble block product portion of the Indicated Resources, within the proposed pit (517m long and 298m wide), designed by Sinoma as Probable Reserves, as shown in Table ES-2.

Table ES-2: Yiduoyan Marble Reserve Statement as of 30 June 2023 (after SRK 2014)

Reserve Category	White	Grey	Total	Consumption	Current
	Marble V-1 (million m ³)	Marble V-2 (million m ³)		White and Grey Marble (million m ³)	
Probable	0.87	0.04	0.91	0.07	0.84

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LIST OF TERMS AND ABBREVIATIONS

%	Percent
°	Degrees, either of temperature or angle of inclination
°C	Degree Celsius
Assay	The chemical analysis of mineral samples to determine the metal content
AusIMM	Australasian Institute of Mining and Metallurgy
Crushing	Initial process of reducing ore particle size to render it more amenable for further processing
Dilution	Waste, which is unavoidably mined with ore
Dip	Angle of inclination of a geological feature/rock from the horizontal
E	East cardinal direction
EIA	Environmental Impact Assessment
Fault	The surface of a fracture along which movement has occurred
Grade	The measure of concentration of gold within mineralized rock
Haulage	A horizontal underground excavation which is used to transport mined ore
IFC	International Finance Corporation
Competent Person	AP Appraisal Limited
Indicated Mineral Resources	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 project planning and evaluation of the economic viability of the deposit

Inferred Mineral Resources	That part of a Mineral Resource for which quantity and grade (or quality) are estimated based on limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the current version is 2012
JORC	Joint Ore Reserves Committee
kg	Kilogram, equivalent to 1,000 grams
km	Kilometre, equivalent to 1,000 metres
km ²	Square kilometre
kV	Kilovolt
Lithological	Geological description pertaining to different rock types
m	Metre
m ²	Square metre
m ³	Cubic metre
M	Million
Measured Mineral Resource	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 project planning and final evaluation of the economic viability of the deposit
mm	Millimeter

Ore Reserves	The economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may be occurred when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors
RoM	Run-of-Mine, i.e., raw ore output
Stratigraphy	The study of stratified rocks in terms of time and space
Strike	Direction of line formed by the intersection of strata surfaces with the horizontal plane, always perpendicular to the dip direction
Sulfide	A sulfur bearing mineral
t	Tonne (metric ton)
Tailings	Finely ground waste rock from which valuable minerals or metals have been extracted
W	West cardinal direction

1. INTRODUCTION

1.1. Background

Future Bright Mining Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) commissioned AP Appraisal Limited (“**APA**” or the “**Competent Person**”) to prepare an Competent Person’s Report (the “**Competent Person’s Report**” or the “**Report**”) on for the Yiduoyan Marble Project (the “**Project**”) of the Company, which are located at Xiaoyan Township, Nanzhang County, Xiangyang City, Hubei Province, the People’s Republic of China (the “**PRC**” or “**China**”).

1.2. Scope of Work

The following assignments were included within the Scope of Work under this study for the Competent Person:

- Complete a site visit with the appropriate personnel;
- Collect data and relevant information from the Project and the offices of the owner, related to production, quality, sales contracts, revenues, and expenses;
- Translate the documents on the Project;
- Review and analyse all the data provided;
- Independently update of the Mineral Resources and Ore Reserves bases, considering the depletion associated with the production which was reported by the active operations;
- Write and present an updated the Report to the Company for review and comment; and
- Finalise the Report.

1.3. Relevant Assets

The assets that are of interest to the Company comprise the complete holdings and mineral concessions of the following project on which the Company has acquired a controlling interest: the Yiduoyan Marble Project (the “**Project**”), which are located at Xiaoyan Township, Nanzhang County, Xiangyang City, Hubei Province, the People’s Republic of China (the “**PRC**” or “**China**”).

1.4. Reporting Standard

This Report has been prepared to the standard of, and is considered by APA to be, a Technical Assessment Report under the guidelines of the VALMIN Code (2015). The VALMIN Code is the code adopted by The Australasian Institute of Mining and Metallurgy (“AusIMM”) and the standard is binding upon all AusIMM members. The VALMIN Code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves. This Report is not a Valuation Report and does not express an opinion as to the value of the marble asset. In this Report, identified Mineral Resources and Reserves are quoted using Categorization in accordance with the JORC Code (2012).

Certain amounts and percentage figures included in this Report have been subject to rounding adjustments. As a result, any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. The effective date of this Report is 30 June 2023. There has been no material change in the Mineral Resource and Reserve estimates of the Project since the effective date of this Report.

1.5. Review of Methodology

The Competent Person's methodology for this study included the following:

- Conducting initial meetings with the senior management of the Company and personnel of its subsidiaries.
- Performing site visit to the project sites of all three Project.
- Obtaining historic production and quality figures, sales contracts, and operational and capital expenditures, as well as other relevant reports and documents from the owner.
- Providing translation of the documents into English and the reviewing of the material for use in this Report.
- Independently update of the Resource and Reserve base.
- Preparing this Report and submitting it to the Company for review and comments.

1.6. Site Visits and Inspections

Mr. Baolong Zhao, a consultant of AP Appraisal Limited and a competent person under Chapter 18 of the Listing Rules, carried out site visits to the subject Project in May 2023. During the site visit, he interviewed the project directors and technical staff and collected data on the operations. Ground inspections were made at Project.

1.7. Data Room Review and Organisation

The Competent Person was granted access by the Company to an electronic data room that consists of shared Dropbox folders, which contained legal and technical information on the subject properties. Among other documents, for this Report, the Competent Person reviewed exploration and exploitation reports, Environmental Impact Assessments (EIA), mineral reserves reports, mining rights evaluations, safety reports, topographical information on the boundaries of the various properties, location of boreholes, miscellaneous technical documents, business, exploration and mining licenses, geologic maps, and many other relevant documents.

Among other documents, the Competent Person reviewed the following:

- Exploration Reports
- Topographical Surveys
- Geological Reports
- Mineral Resources and Reserves Reports
- Safety Reports
- Mining Rights Evaluations
- Various documents containing comments from regulators
- Quality Reports
- Environmental Impact Assessments
- Business Licenses
- Exploration Licenses

- Mining Licenses
- Work Safety Permits
- Exploitation Plans
- Licenses for Blasting Operation Entities
- Pollutants Discharge Permits
- Explosives Storage Licenses
- Project Feasibility Studies

The Competent Person used these documents to gain knowledge on the subject Project and their legal status, as well as the quality of the mineral resources. This knowledge, as well as the multiple interviews with project personnel, additional publicly available information, and the Competent Person's visit to the site, are the foundation of the Competent Person's technical opinion on the subject Project.

1.8. Competent Person's Qualification and Project Team

AP Appraisal Limited is comprised by a team of national and international professionals, including but not limited to:

- registered real estate valuers,
- registered land valuers,
- registered asset appraisers,
- appraisers from American Society of Appraisers of the United States,
- appraisers from Royal Institution of Chartered Surveyors of the United Kingdom,
- members from Australasian Institute of Mining and Metallurgy of Australia, and
- members from Canadian Institute of Mining, Metallurgy and Petroleum of Canada.

APA have adequate manpower resources to prepare this Report. The team of APA meet the requirements of a Competent Person & Competent Evaluators, as defined by Chapter 18.21, 18.22, 18.23 of the Listing Rules and relevant guidelines published by the Stock. These team members include experts in geology, mining, mineral processing, IT, finance, management, and valuation. They have been providing professional service for different types of mineral resources Project (including different companies listed on the Stock Exchange) for many years. APA has allocated more than 2,000 working hours to the preparation of this Report. APA is headquartered in Hong Kong and dedicated to providing reliable, high-quality appraisal and consulting services for domestic and foreign customers since establishment.

The expert team of the Competent Person includes the following experts:

Dr. Mark W. Osterberg (PH.D., P.G.)

Dr. Mark W. Osterberg is a full-time employee of APA, a registered member of SME, and a member of Arizona Geological Society of the United States. He has worked for major base metal mining companies and has over 42 years of experience in the mining business. He has provided high level technical expertise to projects in the USA and overseas and has managed multiyear exploration and development projects as well. He has expertise and experience in porphyry copper and molybdenum systems, carlin-type gold systems, shear-zone and volcanic hosted mesothermal gold systems, magmatic Cu-Ni-PGE and construction materials. His project related experience includes grassroots, green-fields reconnaissance programs, brownfields exploration and development programs, mine geology and modeling. He has developed innovative mapping techniques for regional and mine scale programs, has excellent computer skills and is an expert GIS for Geology practitioner. Given that Dr. Mark W. Osterberg has more than 10 years of relevant experience to the style of Mineralization and type of deposit under consideration and to the activity which Company JiuYuan and Company JinHao is undertaking, he is qualified to act as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral resources and Ore Reserves (The JORC Code), the Canadian NI 43-101 rules and other relevant international codes.

Mr. Baolong Zhao (MAusIMM)

Mr. Baolong Zhao is a full-time employee of APA and a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM). Mr. Baolong Zhao has been trained as a mining professional and specialist with qualifications, knowledge, and experience covering mining technologies, geology, mineral processing, project management and economic analysis, as well as the knowledge and experiences of the best practices in the areas of safety and occupational health management, social issues, and environmental management in the mining industry. In the industry mineral resource field, Mr. Zhao had worked for a marble mining project in Xianfeng County Hubei Province for some years, which is much similar to Yiduoyan marble project in terms of mineral deposit geological category and the mining techniques. Given that he has more than 10 years of relevant experience to the style of mineralisation and type of deposit under consideration and to the activity which the Group is undertaking, he is qualified to act as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code). The Mineral Resource estimate complies with the guidelines of the JORC Code; therefore, it is suitable for public reporting.

Mr. Paul Hung (MAusIMM)

Mr. Paul Hung is a director of APA. He has over 10 years of combined experience in exploration, mining, mineral processing, economic evaluation and preparing technical reports for industrial mineral, metal, coal, and hard-rock mining Project in the US, Europe, Africa, Australia, and Asia. His experience includes underground operations in epithermal narrow vein gold deposits in Australia; underground oil-shale mines in the US; underground coal mines in China; underground nickel mines in Indonesia; open-pit iron mines in South Africa and Mongolia; open-pit marble mines in Greece; underground silver and gold mines in Chile and Bolivia; and underground gas deposits in Russia and is responsible for valuation including mineral resources, land and real properties, company value, infrastructures, plants and equipment in Hong Kong and the PRC for purpose of initial public offering, circular, auditing, financing etc. Mr. Paul Hung is a Registered Surveyor and Member of Royal Institution of Chartered Surveyor, Accredited Senior Appraiser of American Society of Appraiser, Certified Business Appraiser of Institute of Business Appraisers of United States, Member of Australasian Institute of Mining and Metallurgy, Member of Canadian Institute of Mining, Metallurgy and Petroleum, Professional Member of Geological Society.

1.9. Competent Persons and Responsibility

Mineral Resource Update

The information in this Report that relates to the estimation of Mineral Resources of the Project is compiled by Mr. Baolong Zhao and Mr. Paul Hung who are full-time employees of APA. Mr. Baolong Zhao is a member of the Australasian Institute of Mining and Metallurgy (the “AusIMM”). Mr. Paul Hung is a member of AusIMM. Mr. Baolong Zhao and Mr. Paul Hung have sufficient and recent experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which the Group is undertaking. Mr. Baolong Zhao and Mr. Paul Hung act as Competent Persons as defined in the JORC Code. Mr. Baolong Zhao and Mr. Paul Hung have jointly prepared and reviewed and are jointly responsible for all the sections of the Competent Person's Report.

The Mineral Resource estimate complies with the guidelines of the JORC Code. Therefore, it is suitable for public reporting.

Ore Reserves Update

The information in this Report that relates to Ore Reserves is jointly compiled by Mr. Baolong Zhao and Mr. Paul Hung. Mr. Baolong Zhao and Mr. Paul Hung act as Competent Persons as defined in the JORC Code.

1.10. Compliance Statement

The information in this Report is based on information compiled by Mr. Baolong Zhao and Mr. Paul Hung.

Mr. Baolong Zhao is a Member of AusIMM since 2008 and is a full-time employee of APA, a consulting firm registered in Hong Kong providing mineral/mining technical services and project valuations. Mr. Zhao has been trained as a mining professional and specialist with qualifications, knowledge, and experience covering mining technologies, geology, mineral processing, project management and economic analysis, as well as the knowledge and experiences of the best practices in the areas of safety and occupational health management, social issues and environmental management in the mining industry. He has overall 20 years relevant experiences regarding the estimations of a mineral/mining project, which includes over five years recent and relevant experiences of estimation Mineral Resources and Ore Reserves and technical reviews against the Project that Competent Persons have been reviewing as defined in the JORC Code 2012 Edition and Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (the “VALMIN Code”) 2015 Edition adopted by the AusIMM.

Mr. Paul Hung is a Member of AusIMM since 2011 and is a full-time employee of APA, a consulting firm registered in Hong Kong providing mineral/mining technical services and project valuations. Mr. Hung has been trained as a mining professional and specialist with qualifications, knowledge, and experience covering mining technologies, geology, mineral processing, project management and economic analysis in the mining industry. He has overall 10 years relevant experiences regarding the estimations of a mineral/mining project, which includes over five years recent and relevant experiences of estimation Mineral Resources and Ore Reserves and technical reviews against the Project that Competent Persons have been reviewing as defined in the JORC Code 2012 Edition and Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (the "VALMIN Code") 2015 Edition adopted by the AusIMM.

Requirements of the Stock Exchange

Dr. Mark W. Osterberg, Mr. Baolong Zhao and Mr. Paul Hung meet the requirements of a Competent Person, as defined by Chapter 18 of the Listing Rules and relevant guidelines published by the Stock Exchange. Each of the Competent Persons:

- Has more than ten years' experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which the Company is undertaking;
- Is a member in good standing of Australasian Institute of Mining and Metallurgy (AusIMM);
- Does not have economic or beneficial interest (present or contingent) in any of the reported assets;
- Has not received a fee dependent on the findings outlined in the Report;
- Is not an officer, employee of proposed officer for the Company or any group, holding or associated company of the Company; and
- Takes overall responsibility for the Report.

Consent

As the Competent Persons to prepare this Report, Mr. Baolong Zhao and Mr. Paul Hung have given consent to the inclusion in the Report of the matters based on his information in the form and context in which it appears.

Dr. Mark W. Osterberg:

- graduated with a Degree of Bachelor in Geology from the University of Wisconsin in 1979;
- graduated with a Degree of Master in Geology from the University of Minnesota in 1983;
- graduated with a Degree of Doctor in Geology (Economic Geology) from the University of Arizona in 1990;
- is a registered member of SME, the United States;
- is a member from Arizona Geological Society, the United States;
- is a member from American Association of Petroleum Geologies, the United States.

I have gathered data and information as required for the mission, and discussed with the relevant technical, operational, and management personnel their perspectives on the future development plan of the project. I am the principal author responsible for reviewing the major parts of the Report. My contribution to this Report is focused on the preparation of the sections regarding geology. I am not involved with the Project, or the Company. I have no interest, or intention to receive any interest, either directly or indirectly, either from the project itself, or from the Company. I was a Principal Geoscientist (1994-2001) in BHP in USA, a Senior Geologist (1990-1994), Cyprus Mining Company in USA, a Consulting Geologist (1989), Meridian Gold Company, in USA, a Geologist (1981-1989) in Gold Fields Mining Corporation in USA.

Mr. Baolong Zhao graduated with:

- A Bachelor's degree in Mining Engineering (BSc.) from the Inner Mongolia University of Science Technology in 1985;
- A Master's degree in Mining Engineering and Technology (MSc.) from Beijing University of Science and Technologies in 1991; and
- A Master's degree in Environmental Technologies (MSc. Tech) from the University of Waikato New Zealand in 2000.

I am a Member of the Australasian Institute of Mining and Metallurgy since 2008 (Member of AusIMM: 992042). I have been directly or indirectly involved in mineral project evaluations either for investment and management purposes or for providing technical advice for clients for more than 20 years. As defined by the Listing Rules of being a Competent Person Reporting Mineral Resources and Ore Reserves for public disclose on the Stock Exchange, I certify that I meet the requirements of being a Competent Person to provide a competent person's report for the Company to be listed on the Stock Exchange. Being a lecturer and researcher for seven years at the School of Mining Engineering in China, I had gained a lot of the updated modern knowledge of mining technologies, project planning and management and mining project technical evaluation and economic analysis. With sustainable mining research experience gained from the University of New South Wales Australia, I moved back to China in 2005 and made efforts to deliver the best practices the sustainable mining concepts into the mineral/mining Project that I have worked for.

I have worked for mining or investment companies (a few listed companies listed on the Stock Exchange, including Grand T G Gold Holdings Limited (8299.HK), New Times Energy Corporation Limited (166.HK) and Ban Loong Holdings Limited (30.HK) which have mineral properties of gold deposits, petroleum exploration and coal mine survey and exploration as well as coal mining machinery research and development from 2005 to present. I have been responsible for the project investigations, mining, and exploration planning, supervising open pit and underground production duties. I have also supervised exploration programs in China under the relevant guidelines of JORC Code to prepare JORC standard Mineral Resource estimates as required by companies listed on the Stock Exchange for Merger and Acquisition (M&A) activities.

I have made site visits and on-site investigations on the three Project in May 2023, to have site seeing, interviewing the relevant key staff and the department leaders for gathering data and information as required for the mission, and discussing with the relevant technical, operational, and management personnel of their perspectives on future development plan of the project. My contribution to this Report is focused on the preparation of the sections regarding mining, processing and economic evaluation. I have no involvement with the Project and the Company. I have no interest, or intention to receive any interest, either directly or indirectly, either from the project itself, or from the Company and its subsidiaries.

Mr. Paul Hung:

- graduated with a Degree of Bachelor of Commerce in Banking & Finance from the University of Canberra, in 2001;
- is a surveyor from Royal Institution of Chartered Surveyors, the United Kingdom;
- is an appraiser from American Society of Appraisers, the United States;
- is a member from Australasian Institute of Mining and Metallurgy, Australia;
- is a member from Canadian Institute of Mining, Metallurgy and Petroleum, Canada;
- is a member from Geological Society of America, the United States;
- is a member from Society for Mining, Metallurgy, and Exploration, the United States;
- is a member from Society of Petro-physicists and Well Log Analysts, the United States.

I have been responsible for the project investigations, mining, and exploration planning, supervising exploration programs, supervising open pit and underground production duties, compiling Competent Person's Report and valuation report under the "JORC Code" and the "VALMIN Code", for clients including HanKing (3788.HK), BBMG (2009.HK), China Investment Fund (612.HK), Unity (1539.HK), Grand TG (8299.HK), New Times Energy (166.HK), Jayden Resources (TSX.V: JDN), China Mining (SGX: BHD), for Merger and Acquisition activities.

On the Project, I have interviewed the relevant key staff and the department leaders for gathering data and information as required for the mission, and discussing with the relevant technical, operational, and management personnel of their perspectives on future development plan of the project. I am a co-author responsible for preparing and compiling the major parts of the Report. I have no involvement with the Project and the Company. I have no interest, or intention to receive any interest, either directly or indirectly, either from the project itself, or from the Company and its subsidiaries.

1.11. Limitation and Exclusions

The review was based on various reports, plans and tabulations provided by the Company either directly from the Project sites and other offices, or from reports by other organisations whose work is the property of the Company. The Company has not advised the Competent Person of any material change, or event likely to cause material change, to the operations or forecasts since the date of asset inspections.

The work undertaken for this Report is that required for a review of the project information and prepare an Competent Person's Report. This Report specifically excludes all aspects of legal issues, commercial and financing matters, land titles and agreements, excepting such aspects may directly influence technical, operational, or cost matters.

1.12. Responsibility and Context of this Report

The contents of this Report have been created using data and information provided by or on behalf of the Company. The Competent Person accept no liability for the accuracy or completeness of data and information provided to it by, or obtained by it from, the Company or any third parties, even if that data and information has been incorporated into or relied upon in creating this Report. This Report has been prepared by the Competent Person using information that is available to the Competent Person as of the date stated on the cover page. This Report cannot be relied upon in any way if the information provided to the Competent Person changes.

1.13. Indemnities

As recommended by the VALMIN Code, the Company has provided the Competent Person with an indemnity under which the Competent Person are to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required.

- which results from the Competent Person's reliance on information provided by the Company or to the Company not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

2. PROJECT DESCRIPTION

2.1. Project Description and Location

The Company is currently developing the Yiduoyan Marble Project (the "Project") of the Company, which are located at Xiaoyan Township, Nanzhang County, Xiangyang City, Hubei Province, China. The Project has been defined over an area of approximately 0.3973 km² and between geographic coordinates of 111°47'56" ~ 111°48'48" East and 31°31'49" ~ 31°32'18" North.

Figure 2-1: Location and accessibility map of the Project



Source: Google Map

2.2. Accessibility, Climate, Local Resources, and Infrastructure

Access to the Project area from Nanzhang is through Provincial Highway S306 for 13km and then S251 for approximately 30km. The Provincial Highways are two-way well maintained paved roads. From Nanzhang, the distances to other major cities are 1,105km for Shanghai, 1,295km for Guangzhou, 328km for Wuhan, 1,119km for Beijing, 485km for Xian and 432km for Zhangzhou. This infrastructure is considered adequate for the proposed volumes of stone and waste material to be transported from the quarry.

The climate of the Project area is sub-tropical, with the recorded maximum and minimum temperatures of 39°C and -17°C respectively. Annual rainfall ranges from 592mm to 1,323mm, averaging 800mm. The rainy season spans between April and August and the snowy season is between December and February. The area is marked by rolling hills, with elevations ranging from 350m to 631m. Future Bright advised that the Project site is usually shut down for approximately two months every year during winter. The total working days per year are scheduled as 280 days.

2.3. Mining License

The Project includes one mining license, numbered C4206242023077261000157, covering 0.3973km². Figure 3-3 shows the layout of the Project, with China Geodetic Coordinate System 2000. The current Mining License was renewed on 12 July 2023 and is held by Xiangyang Future Bright Mining Limited (the PRC subsidiary of the Company) and was issued by the Department of Land Resources of Nanzhang County.

Table 2-1 gives the coordinates of the Project, and Table 2-2 shows the summary of the Mining License.

Table 2-1: Coordinates of the Mining License (China Geodetic Coordinate System 2000)

Vertex	X-Axis	Y-Axis
1	3491052.12	37575725.87
2	3490562.35	37576792.72
3	3490197.48	37576627.77
4	3490364.76	37576264.72
5	3490523.01	37576116.75
6	3490814.50	37575620.40
Elevation Limit	From 420 to 612 mRL*	

Table 2-2: Summary of the Mining License

License No.	C4206242023077261000157
Owner of mining license	Xiangyang Future Bright Mining Limited
Address	Xiaoyan Township, Nanzhang County
Name of mine	Yiduoyan Marble Mine of Xiaoyan Township, Nanzhang County
Type of mineral	Marble
Mining method	Open pit
Production capacity	540,000 tonnes (equivalent to 200,000 m ³) per year

Area of mine	0.3973 square kilometres
Mining depths	Elevation of 420m to 612m*
Period of validity	From 12 July 2023 to 12 July 2043
Issuing authority	Department of Land Resources of Nanzhang County

Department of Land Resources of Nanzhang County confirmed in writing that mining activities are allowed to take place up to 612mRL.

2.4. Previous Exploration History

No systematic exploration work has been conducted in the Project area prior to the exploration work undertaken by Team 932 of Nonferrous Metals Geological Bureau of Guangdong Province ("Team 932") on behalf of the Company in 2012.

The exploration work was undertaken between September 2012 and January 2013, including topographical survey, geological mapping, hydrological study, and sampling for physical and chemical tests. A total of 12 sub-vertical diamond holes were also drilled for a total of 1,009.2m. Three holes were not logged and hence are outside the area used in the Resource estimation in this ITR. The drillholes were drilled at a spacing of approximately 150m x 100m.

Table 2-3: Summary table of exploration work done by Team 932

Item	Unit	Amount
Topographical survey at scale of 1:2,000	km ²	1.00
Geological mapping at scale of 1:2,000	km ²	1.50
Hydrological study	km ²	1.50
Geological profiling	m	3,700
Diamond drilling (12 holes)	m	1,009.2
Control points survey	point	15
Chemical sampling	Sample	31
Bulk density and water absorption tests	Sample	98
Compressive strength tests	Sample	49
Tensile strength tests	Sample	20
Abrasion resistance tests	Sample	8
Drillhole samples	Sample	133
Surface samples	Sample	20
Standard samples	Sample	3
Radioactive tests	Sample	2

Following exploration by Team 932, contracted geologists of the Company conducted further exploration work in March 2013, including reconnaissance joint mapping and geomechanical zone analysis (Future Bright Mining 2013).

In 2014, SRK (Hong Kong) prepared for the company a Technical Report with both mineral resources and ore reserves reported as the following table, Table 2-4.

The marble Resource estimated by SRK is presented in Table 6-1 as of 1 July 2014. Marble blocks produced during the construction phase of the Project, prior to 1 July 2014 have been deducted from the estimated Resource.

Table 2-4: Yiduoyan Marble Resource Statement as at 1 July 2014 (SRK)

Resource Category	White Marble V-1 (million m³)	Grey Marble V-2 (million m³)	Total (million m³)
Inferred	1.8	1.5	3.4
Indicated	5.6	1.8	7.3
Total	7.4	3.3	10.7

The Resource had been limited to the area within the mining license between the approved elevations limits of 420 to 589 mRL. The Resource was calculated to have a block yield of approximately 35%. Based on the test work conducted, SRK determined the whole Resource was of potentially mineable quality and had a potentially economic block yield. Areas of the deposit that were not potentially marketable on the grounds of appearance, quality or potential block size had been excluded from the Resource estimate.

The previous reports only reported the marble resources which were subdivided into two kinds of resources, the white and grey marbles. However, the renewed mining license issued the minerals to be mined are marble quality limestone and industry limestone.

After the exploration work mainly carried out by Team 932 in 2012 and additional geological work by others in 2013, Hubei Xiangdi Resources and Environment Co. Ltd (The Xiangdi exploration team) carried out the second major exploration and verification work of the limestone mineral resources within the mining license area in early 2022, which was planned by the company before its application of renewing the mining license.

The verification area is located in the 195° direction of Nanzhang County seat, with a straight distance of 27 km. The project is under the jurisdiction of Xiaoyan Town and is located in Miaojiagou Village. The geographic coordinates of the mining area: 111° 47' 44" -111° 48' 31" E, 31° 31' 54" -31° 32' 22" N (the 2000 Chinese National Local tangent plane coordinates), the license area is 0.3973km².

The exploration and verification work, with total cost of about RMB3 million had been conducted from February 2022 to April 2022. The main exploration workloads completed including 1:2000 detailed topographical survey and geological mapping of 1.77km² (11 control points measured); 1:1000 exploration line profile survey of 4.2km (horizontal distance); seven wireline diamond drillholes with a total drilling and core survey of 880.25m; strip of surface soils of 40m³; and more than 300 sets/pieces of various samples obtained and investigated. The details are placed in the following table, Table 2-5.

TABLE 2-5: Summary table of exploration work done by Xiangdi Exploration Team in 2022

Item	Unit	Amount
Topographical survey at scale of 1:2000	km ²	1.77
Geological mapping at scale of 1:2000	km ²	1.77
Hydrological study	km ²	1.77
Geological profiling at scale of 1:1000	m	4,200
Diamond drilling (7 holes)	m	880.25
Surface stripping	m ³	40
Rock-mineral determination sampling	Sample	15
Chemical sampling	Sample	15
Bulk density	Sample	90
Water absorption test	Sample	45
Apparent density	Sample	6
Compressive strength tests	Sample	85
Flexural strength tests	Sample	20
Abrasion resistance tests	Sample	10
Drillhole samples	Sample	91
Surface samples	Sample	20
Standard samples	Sample	3
Radioactive tests	Sample	9
Robustness		6
Stone crushing index test		6
Sulfates and sulfides study		17
Alkali-aggregate reaction test		6
Stone processing technical performance test		2

Previous Mining History

Future Bright conducted limited site construction between September 2012 and July 2013, but has begun full-scale mine construction since August 2013. By April 2014, Future Bright has already constructed three production benches at 556m, 548m, and 540m respectively at the initial mining area, located between Exploration Lines 101 and 102. These benches measure 120m, 220m, and 260m respectively. As of the end of June 2014, the production bench at 556m had been completed mined out whereas mining continues at 548m and 540m.

According to the FS, mining will then proceed to pushback downwards bench by bench and form a final open pit with a bench height of 8m, a safety cleaning berm width of 3m and a haulage berm width of 6m. The working bench angle is 90°, but the final slope angle will become 55° and 45° within marble and the weathered zone, respectively. The final pit will measure a depth of 160m. The dimensions of the pit top will measure 517m x 298m and the pit bottom will measure 312m x 140m.

At the initial mining area (Figure 7-2; Figure 7-3; Figure 7-4), all topsoil and weathered materials have been stripped off. These materials have been used as fill materials for the haulage road and foundation of the transfer pad area. A 900-m-long haulage road, connecting the Provincial Highway S251 to the temporary office complex and the mining area has been constructed. According to the FS, the haulage road will further be extended to 1.89km long and 6.5m wide.

The marble mine in Yiduoyan mining area of Nanzhang County was put into production after the mine was built in 2011, and the mining license validity period was from 30 December 2011 to 30 December 2021. On 30 December 2021, the certified mineral type of the mining license was "Marble", however, the mining license was replaced on 18 August 2017 due to handling the three certificates into one license procedure introduced by the government. The mining license was valid from 18 August 2017 to 30 December 2021, and the type of the certified mineral issued was changed to "Building Industry Marble".

The marble mine stopped production after the mining license expired in December 2021. The mine adopts a bead wire saw machine. There was only one mining platform for the mining process when APA visited the mine in May 2023. The platform is approximately 160m long from east to west and 150m wide from north to south, forming a mining area of 2 Steps, each with a height of 7m and a slope angle of 90°, with a minimum platform elevation of +524m. According to the production records of the company and APA had a verification of the records, the actual mining type of the mine is limestone for decoration, i.e., the marble, and the previous mining consumption of the limestone resource amount is 53,000 cubic meters (with 12,000 cubic meters of marble block yields), and the mining consumption of the construction stone materials recorded as 75,000 cubic meters (i.e., 204,000 tonnes with an average density of 2.7 t/m³).

3. GEOLOGY

This section summarizes the information available on the regional and local geology of the subject Project.

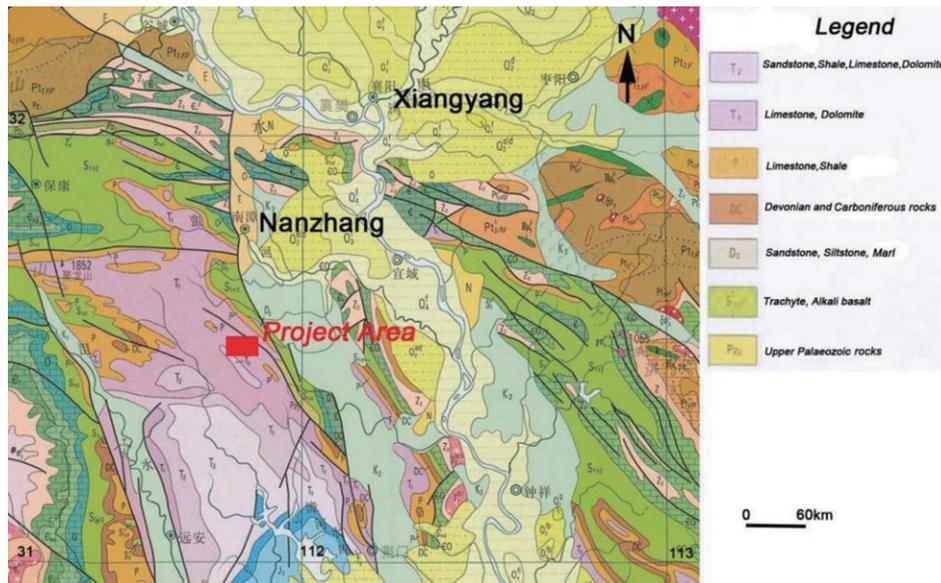
Regional geology can be defined as the link between global continental geology and local geology. Modern regional geology seeks to synthesis the work of early explorers all the way to modern surveys by governments, academic scientists and earth scientists involved in exploration and exploitation of ores, coal, hydrocarbon, and water resources. In recent years, the information required for a complete appreciation of regional geology includes a large variety of geochemical and geophysical observations.

The local geology focuses on more specific features of the geology within the boundaries of the Project and its immediate area of influence. As previously mentioned, the mineral properties controlled by the Company located in Hubei Province within the PRC and include diverse geological environments, as diverse as the geology of China itself.

Regional Geology

The Project area is situated along the northern margin of the Yangtze Craton, and to the east of the Longmen-Dabashan Fold Belt. The geology of the area is mainly represented by successions of Permo-Triassic carbonate sedimentary rocks. The area has been deformed by regional deformation events and formed asymmetric open folds that strike mainly towards north-northwest to northwest (Team 932, 2013). No magmatic rock is exposed in the mining license area (Figure 3-1).

Figure 3-1: Regional geological setting of the Project



3.1. Local Geology

3.1.1. Nomenclature

In the dimension stone industry, the term “marble” includes both true metamorphic marble (in the geological sense) as well as dense limestone that is capable of being polished and used as a building material. The term limestone can imply a lower quality material that is more porous and usually does not take a good polish. The material to be extracted from the Project is locally known as marble, even though parts of it contain fossils and the degree of marmorisation (recrystallisation due to heat and/or pressure) is low and variable. Geologically, the “marble” to be extracted from the Project is on the borderline between limestone and marble, but in the dimension stone industry, it is clearly within the definition of marble because it can be polished. In this Report, the term “marble” will be used in line with local and dimension stone industry usage.

Figure 3-2: Photos of Marble Ores



3.2. Stratigraphy

The exposed strata in the work area mainly include the Lower Triassic Daye Formation (T_1d) and Quaternary, which are described as follows from old to new.

Lower Triassic Daye Formation:

According to the lithological characteristics, the Daye Formation of the Lower Triassic can be subdivided into four lithological segments:-

- Daye Group Member 1 (T_1d^1) distributed in the western part of the mining area, with thin layers of argillaceous limestone and purple red thin layers mainly marl
- Daye Group Member 2 (T_1d^2) distributed in the western part of the mining area, the lithology is mainly gray, dark gray, and thin to medium thick layered gray rock, a common muddy strip, is the occurrence layer of limestone ore used for building stones in mining areas
- Member 3 of Daye Formation (T_1d^3) distributed in the central and eastern parts of the mining area, it is the occurrence layer of limestone minerals qualified as marble resources. The first lithological layer of member 3 (T_1d^{3-1}) is mainly gray, dark gray thick layered limestone. The second lithological layer of the member 3 (T_1d^{3-2}) is mainly thick layered limestone, with the lower part being gray-white and white, and the upper part being light gray
- Member 4 of Daye Formation (T_1d^4) distributed in the northeast of the mining area, it is a light gray, gray-white thick layered dolomite with thin to medium layers Thick layered limestone, containing a small amount of sand, with highly developed dissolution and fissures, is the occurrence layer of limestone ore used as construction (building) materials

Quaternary (Qh):

Mainly composed of residual and diluvial layers, alluvial and diluvial layers, with the main lithology being sand, brown-yellow clay, loam, and gravelly clay equicomposition.

Figure 3-3 shows the topographic geological information of the different members of Daye Formation within the license area. The cross sections (Figure 5-4 to Figure 5-10) of the 7 exploration lines also show the details of the Daye Formation members consisting of the mineral deposits.

Figure 3-3: Topographic Geological map of the Project area (Xiangdi Exploration Team, 2022)



3.3. Structure

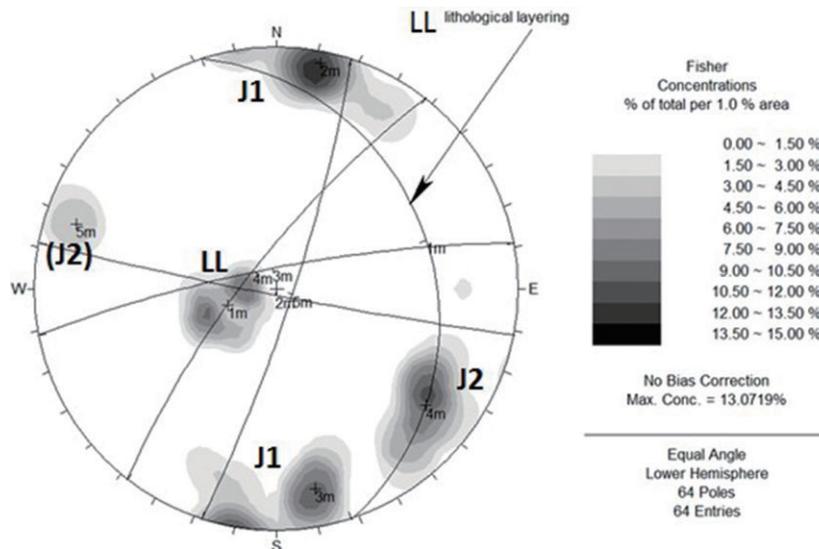
The Project area is dominated by a major northwest trending asymmetric syncline. The fold is open and plunges gently towards southeast, with a wavelength of approximately 600m.

A fault (F1) zone has been defined by geological mapping, located in the eastern part of the Project area. The fault zone is characterised by a 0.3m-wide breccia zone in the core which passes into a densely fractured zone with a thickness of a few metres. This subvertical fault strikes 285° and can be traced for at least 350m. An inclined drillhole, ZK101-1, was designed to test the extent of the fault zone at depth. Team 932 reported that this drillhole did not show any signatures of major deformation and concluded that the fault zone might only extend to approximately 60m from the surface (Team 932, 2013). However, a three-dimensional (3D) examination by SRK suggests that the drillhole was not long enough and may not have intersected the anticipated location of the fault zone. The nature of this fault zone at depth remains untested. The extent of the fault zone has been deducted from the Resource estimate.

Structural mapping and drillhole logging have identified two sets of joints and a bedding parallel fracture (Figure 3-4).

- The first set of joints is subvertical and strikes east-northeast, with a spacing varying from a few metres to decimetres. The orientation of this joint set is parallel to the principal stress direction, i.e., east-northeast-west-southwest that formed the major syncline in the area, suggesting both the syncline and this joint set was formed during the same deformation event
- The second set of joints is subordinate to the first set. It strikes northeast and dips moderately at $60-70^{\circ}$ towards the northwest to west, with a spacing of few to tens of metres
- The orientation of the bedding parallel jointing, with a spacing varying from a few meters to decimetres is controlled by the syncline, dipping gently to moderately toward northeast to east in the proposed quarry area
- The degree and spacing of joints and fractures affect the size of block covered and influence the design of the quarry.

Figure 3-4 Stereonet showing the orientation of major joint sets and bedding-parallel fracture



Source: Future Bright Mining (2013)

3.4. Weathering and karstic features

Two sinkholes, known as LD1 and LD2 have been identified in the Project area, and are considered by APA to be unrelated to faulting. On the surface, LD1 appears to be circular and measures 50m in diameter, whereas the dimension of LD2 is 140m in the northwest-southeast direction and 60m in the northeast-southwest direction. The geometry of the sinkholes at depth remains unknown as no detailed geophysical or drilling work has been undertaken to date. However, APA's experience of limestone drainage systems suggests that they may lead into caverns that drain to the nearest drainage line, to the southwest and lower than the base of the sinkhole. The size, depth and nature of any void that may be present under the sinkholes present have not been determined. However, both LD1 and LD2 are not within the proposed quarry or planned use area and are expected to have no material impact on the quarry operation in the future.

The weathered zone is characterized by closely spaced sub-vertical joints or fractures, filled by orange to brown soil. Other features include carbonate dissolution features and calcite veining. APA observed at the cleaned benches that the weathered zone extends approximately 5m below the surface. However, drillhole records and compressive strength tests recorded weathering and carbonate dissolution features (voids and earth filled voids in the marble) were observed at a depth of up to 14m below surface in drillhole ZK 111 and ZK 113. Whilst the number and size of carbonate dissolution features decrease rapidly with depth, it is likely that occasional voids will extend to a considerable depth and have a small effect on the volume of marble extracted.

4. DATABASE FOR RESOURCE ESTIMATION

4.1. Database

Geological maps, cross-sections, drillhole records, laboratory test results and topographical map were provided in *MapGIS*, a Chinese GIS software package and *Excel* spreadsheet format. Other data provided by the Company were:

- Report on geological investigation and Resource estimate (Nonferrous Metals Geological Bureau of Guangdong Province Team 932, 2013);
- Feasibility study;
- Chemical and physical test result certificates (China National Quality Supervision and Testing Center for Stone Products, 2013);
- Photographs of drill core, wet and dry;
- Scanned geological logs;
- A spreadsheet of sample records provided;
- Market study;
- Competent Person's Report of issued by SRK Consulting (Hong Kong) Limited at 29 December 2014;

- Report of Resources and Reserves Estimate of the Yiduoyan Marble Project issued by Hubei Xiangdi Resource Environment Limited at April 2022; and
- Review Opinion of the Report of Resources and Reserves Estimate of the Yiduoyan Marble Project issued by Bureau of Natural Resources, Xiangyang City at 6 June 2022.

Topographical survey and geological mapping

A topographical survey was conducted by electronic total station method at a scale of 1:2,000. The map projection was the XIAN 1980 projection system and the National Elevation Datum-1985 system. Geological mapping was based on 140m-spaced transects with in-filled 70m-spaced transects in places.

4.2. Drilling

A total of 7 diamond drillholes were drilled by Xiangdi Exploration Team, totaling 880m. Single-tube wireline drilling was undertaken. HQ diamond core was used to penetrate the weathered zone, followed by NQ core in the rest of the run. Downhole survey readings were measured at every 20m by a XJL-Compass Survey Device.

Core recovery within the marble units was 86% to 98%. Table 4-1 gives the details of the drillholes information. Figures 3-3, 5-1, 5-2, and 5-3 show the locations of exploration lines and drill holes.

TABLE 4-1: Drillholes information

Hole ID	Easting (m)	Northing (m)	Elevation (m)	Exploration	Resource
				End of Hole Line (m)	Estimation
ZK31	37575768.5	3490711.6	515.4	92.25	W3
ZK32	37575642.8	3490896.3	596.8	177.78	W3
ZK11	37575932.1	3490624.4	523.2	103.21	W1
ZK12	37576030.8	3490800.1	576.8	157.45	W1
ZK01	37576115.1	3490538.7	507.5	87.56	W0
ZK02	37576206.6	3490710.9	552.5	141.86	W0
ZK21-1	37576310.6	3490242.8	577.2	117.11	W2

4.3. Laboratory tests

Laboratory tests have been carried out to determine the physical and chemical characteristics of the marble at the Project area by both Team 932 in 2012 and Xiangdi Exploration Team in 2022. The results of these tests provide information on the quality of the stone and the applications for which it will be most suitable, either marble quality or industry limestone.

Unlike traditional metal projects where drill cores are usually halved for whole rock assay, the marble drill cores are subject to a number of physical and chemical tests. With the exception of the whole rock geochemical analysis, all other physical tests require either full cores from which standard sized samples can be prepared or bulk samples from the cleaned benches. The length of all core samples submitted to the laboratory is 5cm, whereas the core diameter ranges from 5 to 10cm.

4.4. Chemical assay

There were 30 core samples taken from drill cores. These 1-m-long core samples were crushed, sampled and assayed by X-ray fluorescence ("XRF") for major elements (SiO_2 , Al_2O_3 , Fe_2O_3 , MgO , CaO , Na_2O , K_2O), and SO_3 of sulfates and sulfides. APA understands that no standards or blanks were submitted into the sample batches and no internal or external check analysis was undertaken. As quantitative assay results are not used in the Resource estimate or assessment of the quality of the stone, standards and blanks are not considered necessary.

4.5. Bulk density and water absorption

A total of 90 samples were taken from drill core in each of the marble units for bulk density and 45 samples for water absorption. The drill core samples are 5 cm long, but vary between 10cm and 5cm in diameter, generally decreasing with depth down each drillhole. The bulk density of the limestone minerals is tested average as $2.7\text{g}/\text{cm}^3$ which was used for resources estimation by the exploration team.

The dry weight was determined after placing the samples in an oven at temperature of $105 \pm 2^\circ\text{C}$ for 48 hours. The samples were then soaked in distilled water for 48 hours and weighed again after being wiped with a dry cloth. The samples were then weighed again after being placed in a beaker of distilled water.

APA also notes that variable sample size might result in incomparable results as the amount of water absorption is partly controlled by surface area exposed to the distilled water. It is not considered that further tests would make a significant difference to the assessment of the Resource.

4.6. Compressive strength

There were 85 samples collected for compressive strength tests, some of the samples were randomly taken from the boreholes previously drilled. All of the samples then sent to the Experimental Testing Center of the Eighth Geological Brigade of the Hubei Provincial Geological Bureau for testing. According to the test results, the compressive strength (saturation) of limestone ore used for decoration (i.e., marble quality) in this area is 81-148MPa, with an average of 128Mpa; while the compressive strength (dry) ranges from 117 to 199MPa, with an average of 152Mpa.

4.7. Stone Crushing Index Test

This verification work collected ore from the mining area and processed it into finished crushed stone (with a specification of 10-30mm), which was sent to the geology department of Hubei Province, the Experimental Testing Center of the Eighth Geological Brigade of the Bureau conducted crushed stone crushing index testing. Based on the test results, the crushing index is 9-10%, with an average of 9%. Refer to the "Code for Mineral Geological Exploration -Building Stones (DT/Z0341-2020)" Appendix D General requirements for physical properties and chemical composition of building stone materials. The crushing index of finished crushed stones in this area is that the quality of the stone materials reaches Class I standard.

4.8. Robustness

The robustness is calculated based on mass loss. Collecting samples from the mining area and processed into finished crushed stone (around 10-30 mm size) and sent to the Experimental Testing Center of the Eighth Geological Brigade of the Hubei Provincial Geological Bureau for testing. According to the test results, the robustness of the samples ranged from 0.1% to 0.6%, with an average of 0.3%. Refer to the "Code for Mineral Geological Exploration -Building Stones (DTZ0341-2020)" Appendix D General Requirements for physical properties and chemical composition of building stone materials. The robust quality of the finished crushed stones in this area meets the Class I standard.

4.9. Radioactivity

According to the analysis results of the collected and tested samples, the natural radioactive intensity of the ore in this area is low, with an average internal exposure index I_{α} of 0.05 and an external exposure index I_{γ} . The average is 0.05 and the radioactive level classification belongs to Class A, and its scope of use is not limited.

APA COMMENTS

Overall, APA is satisfied with the quality of drilling (core recovery, downhole survey) as well as of the topographical survey and geological mapping results.

No specific Quality Assurance/Quality Control (QA/QC) procedure was applied for the samples taken by Team 932 for the 2012-2013 exploration campaign, and samples taken by Xiangdi Exploration Team in 2022 for the latest exploration. The standard QA/QC practice for metal projects usually involves the use of standards, blanks, duplicates and inter-laboratory checks. However, APA is of the opinion that the marble projects are different from traditional metal projects in regard to the QA/QC protocol and is satisfied with the marble sample preparation conducted by Team 932 and Xiangdi Team.

APA considered the supplied data to be of sufficient quality to conduct a marble Resource estimate in accordance with the JORC Code (2012).

5. MINERAL RESOURCES

The Competent Person has collected all available geological data and verified under the guidelines of JORC Code 2012. The geological exploration data used for the estimation of mineral resources and ore reserves were mainly from the geological reports and maps prepared by Team 932 in 2013, and Xiangdi Exploration Team in 2022, in addition to the original geological data, APA has also made references from the public disclosed technical report prepared by SRK in 2014.

As appointed by the company, Hubei Xiangdi Resources and Environment Co. Ltd (The Xiangdi exploration team) carried out the mineral resource exploration and verification work on the project in March 2022. A detailed topographical survey and geological mapping have been conducted on the mining license area, with more detailed investigations in the proposed quarry area. Diamond drillholes were drilled during the geological investigation of the site. Core recovery within the marble units was 96%.

Physical tests have been carried out on core and surface samples from the Project area. Bulk density, water absorption, compressive and flexural strength tests, abrasion resistance, gloss and radioactivity tests have been carried out on surface and drill core samples. The results of the tests meet Chinese standard specifications for marble dimension stone with the exception of a limited number of water absorption tests, most of which are associated with either weathering or joints. Chemical analysis and inspection of core and quarry faces, and polished samples have indicated that no deleterious minerals are present. Samples of marble also meet the national mandatory standard for radionuclides in building materials for Class A materials which places no restrictions on its use. APA in general, confirm the results of the tests carried out and provided by the Company.

The verification area is located in the 195° direction of Nanzhang County seat, with a straight distance of 27 km. The project is under the jurisdiction of Xiaoyan Town and is located in Miaojiagou Village. The geographic coordinates of the mining area: 111° 47' 44" -111° 48' 31" E, 31° 31' 54" -31° 32' 22" N (the 2000 Chinese National Local tangent plane coordinates), the license area is 0.3973 km².

The exploration and verification work had been conducted from February 2022 to April 2022. The main exploration workloads completed including 1:2000 detailed topographical survey and geological mapping of 1.77km² (11 control points measured); 1:1000 exploration line profile survey of 4.2km (horizontal distance); seven wireline diamond drillholes with a total drilling and core survey of 880.25m; strip of surface soils of 40m³; and more than 300 sets/pieces of various samples obtained and investigated.

The ore bodies occur in the Daye Formation of the Lower Triassic, and a total of 4 ore bodies, one is marble (I) and the other three (II, III, IV) are limestone used for building materials, the limestone ore bodies are enclosed above an elevation of 420m within the mining license area, with a surface exposure of about 1200m east to west and a width of 400m from north to south with an mineralization exposed area of approximately 0.4490km². The occurrence of the ore bed is stable, with good continuity along the strike and dip directions, with minimal thickness variations. The highest point (612m) is located on the mountaintop on the west side of the license area.

The mining conditions of Yiduoyan project are relatively good with very simple hydrogeological conditions and moderate geotechnical and environmental geological conditions.

The mineral deposit is controlled by 7 exploration line profiles, the corresponding drillholes (old ones and the new ones) and the surface exposures of the ore bodies due to the quarrying operations. The maximum controlled vertical depth of the ore bodies was 177.78m.

5.1. The form, occurrence, and scale of ore bodies

The marble ore body (I), distributed in the central and eastern parts of the license area, the ore bearing strata is the third member of the Daye Formation in the Lower Triassic (T_1d^3), it is a layered ore body, rock mainly composed of thick layered limestone, with an occurrence elevation of 420-612m. The length is about 1200m, and the ore body dips the northeast with a dip angle of about 27-80°.

Ore body (II) distributed in the western part of the license area, the ore bearing strata is the second member of the Daye Formation in the Lower Triassic (T_1d^2). It is a layered ore body of thin to medium thick layered limestone with an occurrence elevation of 420-540m. The length is 700 meters, and the ore body dips northeast with a dip angle of about 21-31°.

Ore body (III) distributed in the central and eastern parts of the license area, the ore bearing strata is the third member of the Daye Formation in the Lower Triassic (T_1d^3). It is a thick layered limestone with surface development of karst fissure layer and the fourth member of Daye Formation (T_1d^4) thick layered dolomite. It is a layered ore body, occurrence elevation 420-556m. The length is about 1200m, and the ore body dips to the northeast with a dip angle of about 17-80°.

Ore body (IV) distributed in two designated karst development areas in the license area, the ore bearing strata is also the third member of the Daye Formation in the Lower Triassic (T_1d^3), The layered ore body is mainly composed of thick layered limestone, with an occurrence elevation of 420-525m (after deducting the karst fissure layer). The planar distribution of the total area is 56,545m², and the ore body dips to the northeast with a dip angle of about 29-63°.

The following figures illustrate the mineral resource estimation of the project made by Xiangdi Exploration Team. The team used a controlling space of 200m x 200m to estimate indicated resources, and extension of extrapolating distances of 100m from both south and north sides of the mineral deposit controlling points, as well as 130m to 200m from east and west sides of the controlling points to estimate inferred resources. APA studied the previous and the current exploration work, the occurrence of the ore bed is stable, with good continuity along the strike and dip directions, with minimal thickness variations as indicated by the drillholes' results and the large area of surface exposures of the ore bodies and accepted the spacing for estimation of mineral resources by Xiangdi Team.

The estimation method used in this verification is the parallel section method (exploration line section method), with the exploration line basically perpendicular to the ore body Parallel arrangement in the direction of strike; specifically, dividing sub blocks based on resource types and estimating the resource levels of each sub block separately, and then accumulate to obtain the total resources of the entire mining area.

Based on the ore body as the basic unit, and the blocking is set between the adjacent two cross-sections, the mineral deposits are divided into blocks following the principles of the two sides of the same cross-section line belong to different blocks, and that with same mineral character between two adjacent cross-sections belongs to one block. Where a boundary of the goaf crosses a block, the original block shape remains unchanged, and sub blocks are divided based on the goaf boundary. The part that has been mined within the license area is marked as “mined” in the maps. Xiangdi Exploration Team using the ore body planer distribution maps and the 7 cross section maps created 20 mineral resource blocks, which are the basis of the resource estimation for this project. APA has carefully checked the details of the mineral resource estimation both on the maps and in the exploration and the verification reports by Xiangdi Team and accepted the methodologies and practices of the team.

Figure 5-1: Marble Resource Ore Body (I) Planar Distribution (Xiangdi Exploration Team, 2022)

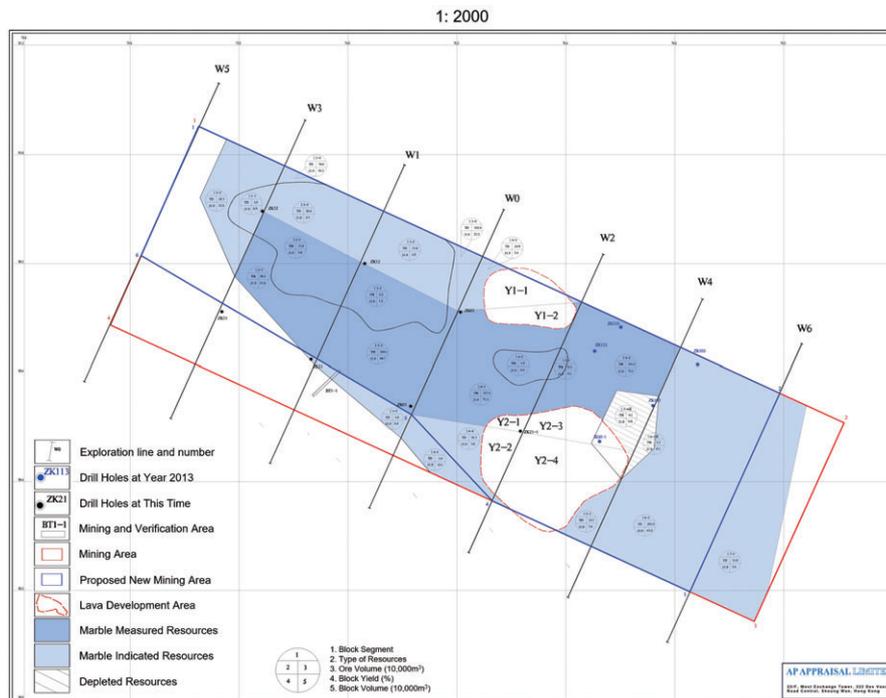


Figure 5-2: Industry Limestone Ore Bodies (II and IV) Planar Distribution (Xiangdi Exploration Team, 2022)

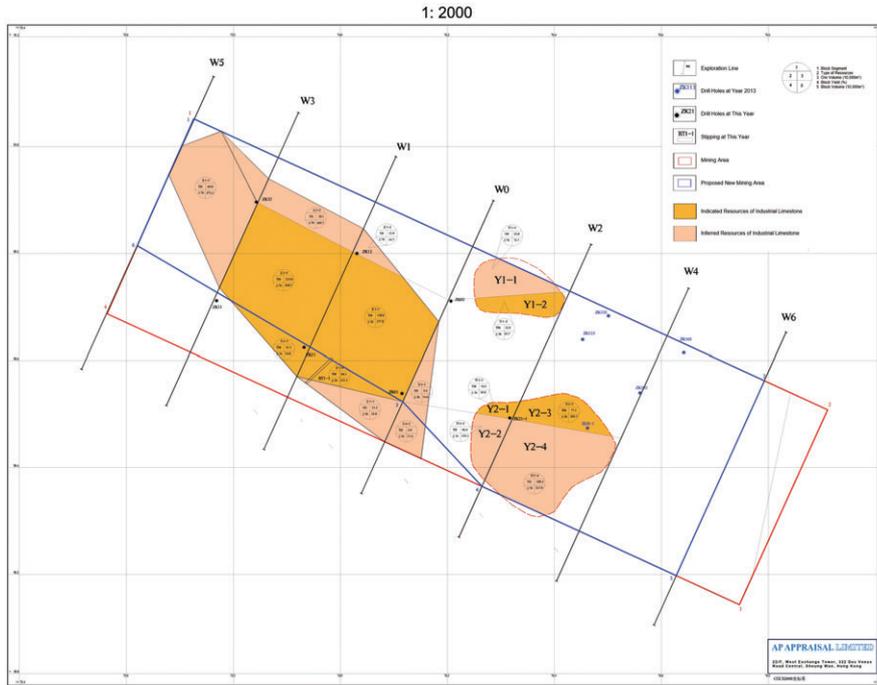


Figure 5-3: Industry Limestone Ore Body (III) Planar Distribution (Xiangdi Exploration Team, 2022)

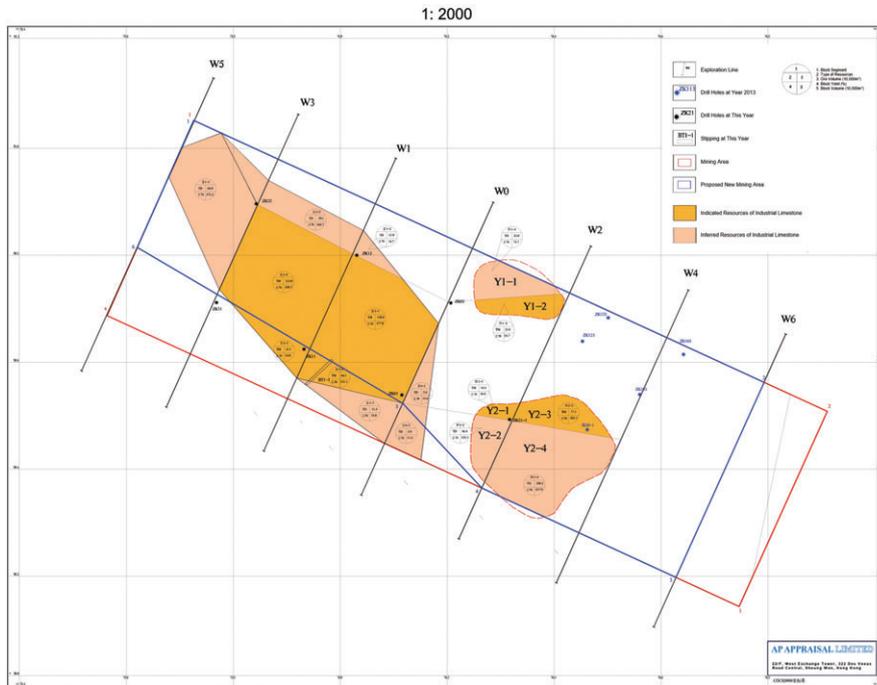


Figure 5-4: Cross section of Exploration Line W0 (Xiangdi Exploration Team, 2022)

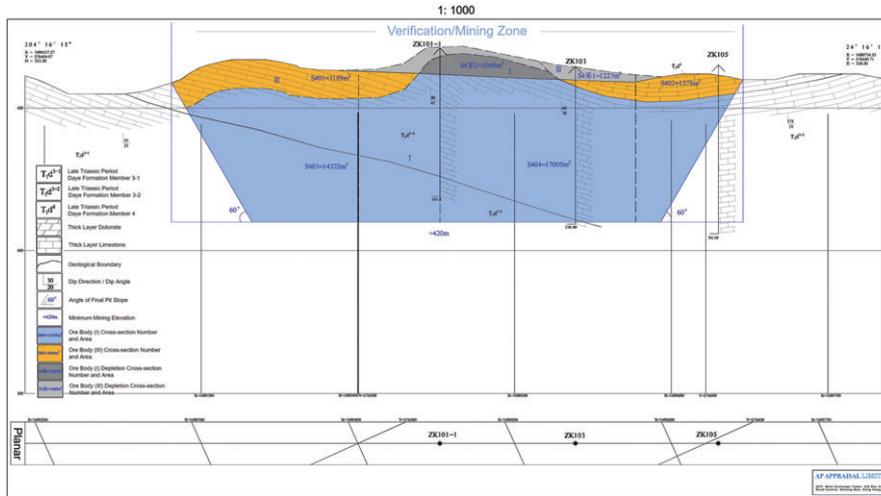


Figure 5-5: Cross section of Exploration Line W1 (Xiangdi Exploration Team, 2022)

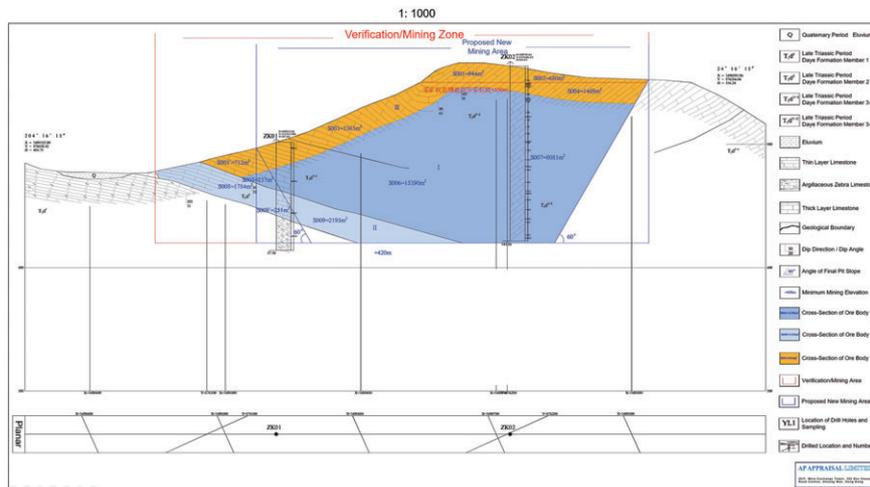


Figure 5-6: Cross section of Exploration Line W2 (Xiangdi Exploration Team, 2022)

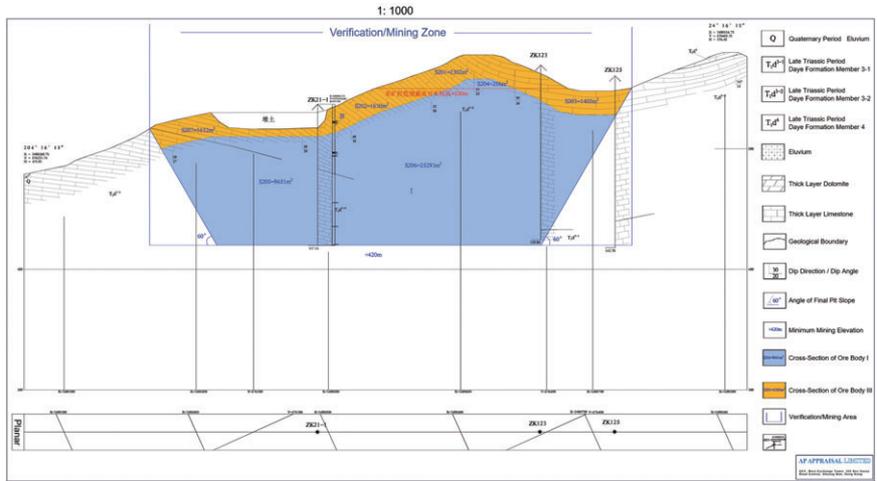


Figure 5-7: Cross section of Exploration Line W3 (Xiangdi Exploration Team, 2022)

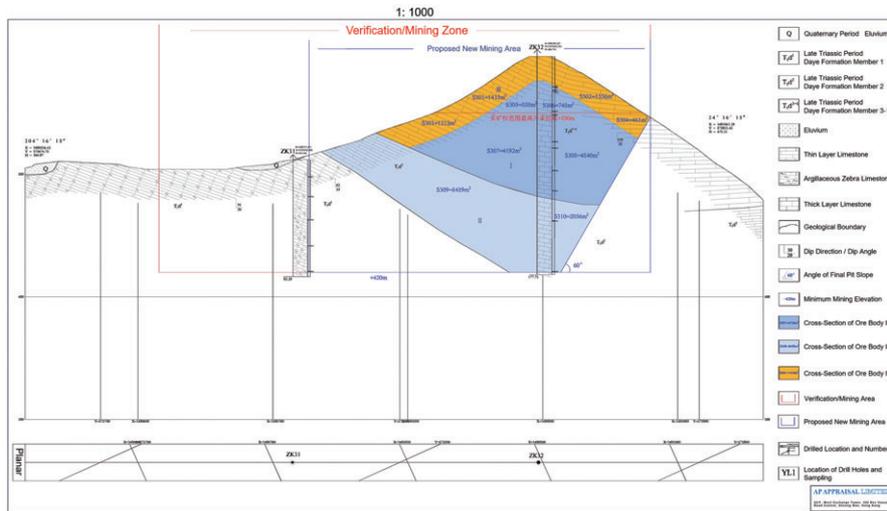


Figure 5-8: Cross section of Exploration Line W4 (Xiangdi Exploration Team, 2022)

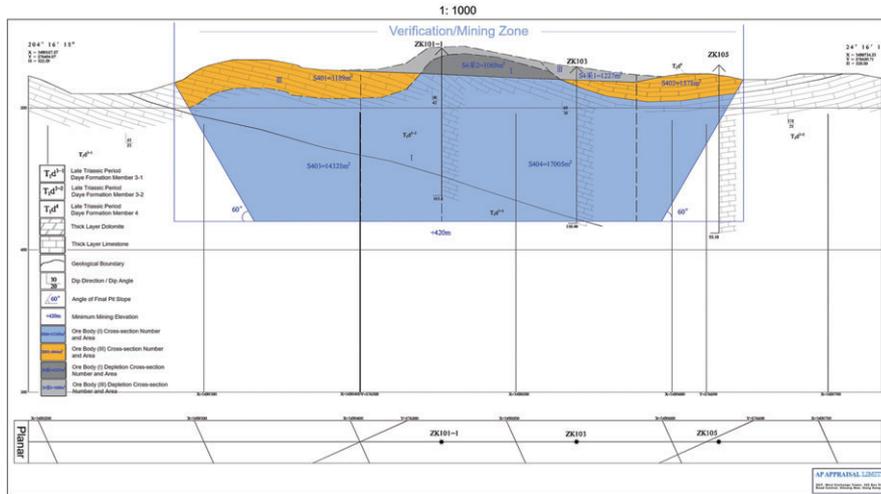
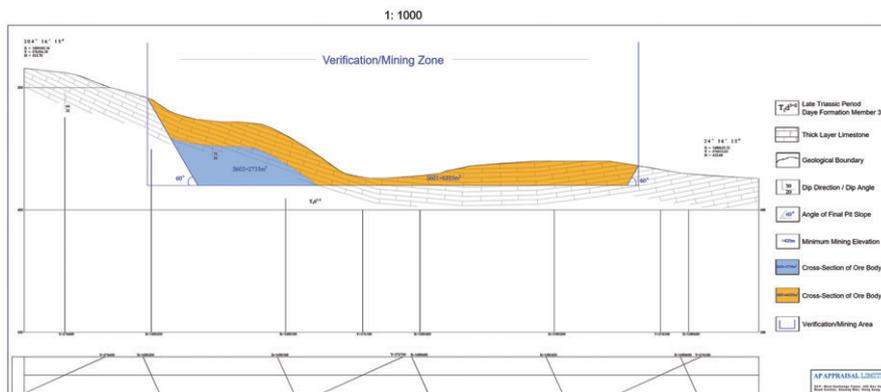


Figure 5-9: Cross section of Exploration Line W6 (Xiangdi Exploration Team, 2022)



As of the end of March 2022, the exploration and verification work recorded a total of 10.1 million m³ indicated marble resources had been identified within the license area, of which 2.2 million m³ are estimated as marble block yields. The inferred marble resources were estimated as of 6.1 million m³ with 1.4 million m³ marble block yields.

As verified by the exploration team, the mining consumption of the marble resources is estimated as 53,000m³ with 12,000m³ of marble block yields over the years, which represent about 0.52% and 0.55% of the verified indicated marble resources and block yield respectively. APA concluded that the declines of the marble mineral resource due to production are very limited. It has no material changes to the estimated amount.

In addition to the marble mineral resources, a total of 7.4 million m³ (20 million tonnes in weight with a bulk density of 2.7t/m³) indicated industry use limestone material resources, estimated as the ore bodies No. II, III and IV. While the estimated inferred industry use limestone mineral resource is approximately 6.4 million m³ (17.3 million tonnes in weight).

The mining consumption of the industry use minerals over the production period was recorded as 75,000m³, which represents about 1% of the indicated industry use mineral resources, which is neglected for estimation in this report by APA.

The block yield rate was verified by Xiangdi Exploration Team, the number of blocks (2.8m x 1.9m x 1.5m, 1.8m x 1.9m x 1.5m and 0.8m x 1.9m x 1.5m) that were produced from a cleaned bench which contains a volume of 599.76 m³, and the block yield was 131.1m³. The block yield rate was estimated by the exploration team as 22%, which is less than the estimated yield rate of 35% verified by Team 932 of Nonferrous Metals Geological Bureau of Guangdong Province (“**Team 932**”) in 2012. APA’s opinion is that the updated block yield rate of 22% is more realistic and is verified by the real production records.

APA has carried out a detailed site visit and on-site investigations is of the opinion that there is sufficient confidence in the continuity of marble quality to classify Resources within 70m from drillholes as Indicated and those within 140m as inferred. SRK considers that the data are of sufficient quality, and the Resource estimate is considered by APA to comply with Joint Ore Reserves Committee (“**JORC**”) Code, 2012 (Table ES-1).

The mineral resource has been limited to the area within the mining license between the approved elevations limits of 420 to 612 mRL. As of the Effective Date, the block marble resource is calculated to have a block yield of approximately 22%.

5.2. Data Verification

To check the reliability of this resource estimation, the geological block method was used for verification of the Parallel Section Method. As illustrated in Table 5-2, applied to a selected block (I5-2) within ore body (I) of the geological block method and the Parallel Section Method, the relative error between the two estimation methods was about -1.9%, which is at an acceptable level.

Geological Block Method									Parallel Section Method		Relative Error (%)
Ore Body	Block	Resource Category	Projected Area (m ²)	Thickness (m)	Formula	Volume (million m ³)	Block Yield Rate (%)	Block Yield (million m ³)	Block volume (million m ³)	Block Yield (million m ³)	
(I)	(I ⁵)	Indicated	41,050	105	V=SxH	4.31	22	0.94	4.23	0.93	-1.9

Source: Report by Xiangdi Exploration Team

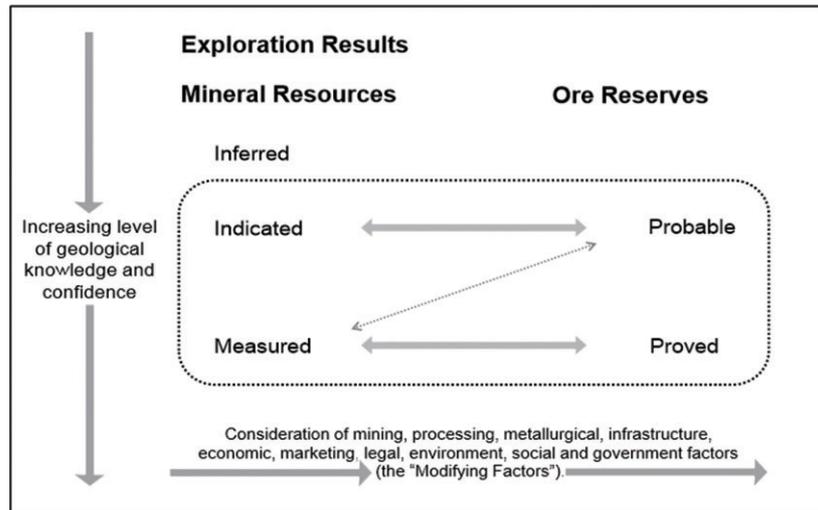
6. MARBLE MINERAL RESOURCE AND ORE RESERVE CLASSIFICATION

In this Report, identified Mineral Resources and Ore Reserves are quoted using Categorization in accordance with the JORC Code (2012).

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 degrees of geological confidence (Figure 6-1).

An Ore Reserve is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes dilution of materials and allowances for losses which may occur when the material is mined or extracted and is defined by appropriate studies that include application of modifying factors (Figure 6-1). Such studies demonstrate that at the time of reporting, extraction could reasonably be justified. The JORC Code (2012) also requires that the studies be at Pre-Feasibility or FS levels; this requirement will become effective on 1 December 2014.

Figure 6-1: General relationship between Exploration Results; Mineral Resources and Ore Reserves (JORC 2012)



- a. General Description of the Methodology Employed to Estimate Resources and Reserves
 - i. As detailed of results and the methodologies used for the resources and reserves verifications of Yiduoyan Project in the previous sections, the Independent Technical Consultant understand that estimation of the resources and reserves of the graphite deposits using ore blocking methods with detailed ore volume calculations is acceptable under the JORC code 2012.
 - ii. The Independent Technical Consultant collected a significant amount of geological and technical information on the subject's properties. This information was provided by the Company in the form of Geology/Exploration Reports, Project Maps, Feasibility Studies, Environmental Impact Studies and other miscellaneous information.
 - iii. The Independent Technical Consultant and his team familiarised themselves with the information, especially with the geologic and geographic characteristics of the deposits. All the subject properties were explored at both regional and local level by specialised exploration crews, as indicated in the geology reports.

- iv. Various aspects of the deposits such as ore seam dips and structures (folding, faulting, etc.) were analysed.
- v. The Independent Technical Consultant and its team carefully considered the regional geologic setting of the subject deposits, as well as fundamental aspects such as graphite type, seam thicknesses and continuity, geotechnical aspects (rock mechanics), ore composition, etc.
- vi. The team identified critical data which define its economic viability such as calorific power and Sulphur and ash contents, among others.
- vii. A detailed process of data analysis was carried out in order to verify that the database was reliable.
- viii. Statistical analyses of the quality results were performed.
- ix. The Competent Person reviewed the geo-mechanical test results in order to better understand the roof and floor conditions of each seam.
- x. The resources under the Chinese classification system were compared with the values obtained from the independent verification carried out by the Competent Person.

The Resources and Reserves were reported in this Report.

b. Statement of the Mineral Resources and Reserves of the Project

The Competent Person were informed by the Company that the latest resource/reserves verification report is the one made by the Hubei Xiangdi Resource Environment Limited at April 2022 as detailed previously, and after that time the project has been on the maintaining situation and not materially changes for the marble mineral resources. After thoroughly checking and evaluating the geological data, the previous verification results and the methodologies used, the Competent Person evaluated the quality, densities, shape, and physical characteristics of the ore bodies identified by the Chinese exploration team Xiangdi Exploration Team and estimated the limestone mineral resources including marble resources.

6.1. Mineral Resources Statement

APA considers that the Mineral Resource Estimate conducted for the Project was undertaken utilising data of sufficient quality and density, and using suitable methodologies, to be classified as Indicated and Inferred Resources in accordance with the JORC Code, 2012. The marble Resource estimated by APA is presented in Table 6-1 as of 30 June 2023. Marble blocks produced during the construction phase of the Project, prior to 30 June 2023 have been deducted from the estimated Resource.

Table 6-1: Yiduoyan Marble Resource Statement as of 30 June 2023

Resource Category	Marble	Marble	Industry	Total
	(million m ³)	Block Yield (million m ³)	Limestone (million m ³)	
Inferred	6.1	2.2	6.4	12.5
Indicated	10.1	1.4	7.4	17.5
Total	16.2	3.6	13.8	30.0

The Resource has been limited to the area within the mining license between the approved elevations limits of 420 to 589 m RL. The Resource is calculated to have a block yield of approximately 35%. The typical qualities of the White Marble V-1 and Grey Marble V-2 marbles are documented in Table 5-2 and Table 5-3 respectively. Based on the testwork conducted, we have determined the whole Resource is of potentially mineable quality and has a potentially economic block yield. Areas of the deposit that are not potentially marketable on the grounds of appearance, quality or potential block size have been excluded from the Resource estimate.

6.2. Ore Reserve Estimation

JORC Code defines an "Ore Reserves" 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, which include but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and government factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

APA has classified the final saleable marble block product, within the pit, as Probable Reserve as shown in Table 6-2. Marble blocks produced during the construction phase of the Project prior to 30 June 2023 have been deducted from the estimated Reserve.

Table 6-2: Yiduoyan Marble Reserve Statement as of 30 June 2023 (after SRK 2014)

Reserve Category	White Marble V-1 (million m ³)	Grey Marble V-2 (million m ³)	Total (million m ³)	Consumption	
				White and Grey Marble (million m ³)	Current Total (million m ³)
Probable	0.87	0.04	0.91	0.07	0.84

7. MINING ASSESSMENT

7.1. Mining History

Future Bright conducted site construction between September 2012 and July 2013, and has begun full-scale mining since July 2013 with production capacity of about 20,000 m³ per year. Table 7-1 summarizes the amount of marble blocks produced between July 2013 and June 2023.

Table 7-1: Marble Produced between July 2013 and June 2023

Resource Category	White marble V-1 (million m ³)	Grey marble V-2 (million m ³)	Total (million m ³)
Inferred	0.10	–	0.10
Indicated	0.08	–	0.08
Total	<u>0.18</u>	<u>–</u>	<u>0.18</u>
Reserve Category	White marble V-1 (million m ³)	Grey marble V-2 (million m ³)	Total (million m ³)
Probable	0.08	–	0.08

7.2. Mining Methods

The mining method of the dimension stone, Dimension Block Mining, illustrated in the FS, which has been adopted by Future Bright, comprises a diamond wire saw and truck method. The operation's cycle is composed of primary cuts to isolate a large block from the main rock mass, secondary cuts to produce slices which are then tilted into a horizontal position for final cutting into individual blocks as detailed below.

- Horizontal cutting by a diamond wire saw;
- Vertical stringing hole drilled by a vertical hole drill;
- Two vertical planes sawed with a diamond wire saw;
- A cushion layer (made up of the crushed stone and soil formed by a front end loader on the working bench);
- Tilting down of the rectangular stone by a hydraulic jack and cushion;
- Rough blocks cut by a diamond wire saw;
- Separating and reshaping with a diamond wire saw;
- Loading of rough blocks by a large capacity fork loader; and
- Cleaning conducted by a front-end loader at the working surface.

APA considers the mining method appropriate for the mine design and the production rate achievable. The equipment types selected for cutting, tilting, trimming, loading and hauling, as well as the ancillary equipment are suitable for the planned operation.

7.3. Mining Equipment

The current major mining equipment fleet consists of diamond wire cutting machines, drills, excavators and front-end-loaders. The ancillary equipment includes excavators, forklift and portable compressors. The details are listed in Table 7-2. APA agrees the equipment match the past production capacity of about 20,000 m³ per year. Since the new mining license is received in July 2023 and the production capacity is increased to 540,000 tonnes per year (about 200,000 m³ per year), APA suggests the production schedule shown in Table 7-3, and Capital Expenditure in Table 7-4 to match the mine plan according to the new mining license, the local government and the management of the Company.

Table 7-2 Invested Fixed Assets as of 30 June 2023

Asset Name	Assets tag	Model	Qty	RMB
Buildings				
Reservoirs and air compressors				6,500
Power distribution project in mining area	GPK024		1	-
Machinery				
Hong Wu Huan 3.0/5 diesel	GPK001-1/-2	Hong Wu Huan 3.0/5 diesel	2	200
Hong Wu Huan air compressor - diesel to electric (motor) 15KW	GPK001-1	Diesel to electric (motor) 15KW	2	-
Air compressor 1.8/5	GPK002	1.8/5	1	-
Diesel to Electric (Motor) 11KW	GPK001-1	Diesel to electric (motor) 11KW	1	-
Screw air compressor 37KW direct current	GPK005	37KW direct current	1	600
Diamond wire saw machine WS37E	GPK003	WS37E	1	1,300
Horizontal DTH drilling HD75	GPK004	HD75	1	300

Asset Name	Assets tag	Model	Qty	RMB
Core cutting machine NS-350	GPK008	NS-350	1	100
Deep well pump 100QJ3-480/ 78-7.5	GPK009	100Q J 3-480/ 78-7.5	1	100
Horizontal DTH drilling HD75	GPK010	HD75	1	300
Fully automatic wire saw machine WS55C	GPK011-1/-2	WS55C	2	5,000
Komatsu excavator PC400-8	GPK012	PC400-8	1	-
Fully automatic wire saw machine WS75C	GPK013	WS75C	1	3,200
Horizontal DTH drilling HD75	GPK014	HD75	1	-
Deep well pump 5.5KW	GPK018	5.5KW	1	100
Diamond beaded wire saw machine MTB75B	GPK019	MTB75B	1	500
Diamond beaded wire saw machine MTB55B	GPK020	MTB55B	1	400
Water tank	GPK022		2	-
Shield welding machine 350	GPK023	350	1	-
Horizontal DTH drilling	GPK025		1	12,400
Motor vehicles				
Strip stone forklift XG9280Y	GPK021	XG9280Y	1	13,300
Strip stone forklift is equipped with air conditioning	GPK021		1	-
Dump truck Haoyun brand ZZ3255M2845C	GPK015	Hao Yun Pai ZZ3255M2845C	1	5,600
Motor vehicle GAC7180B8A4	GPB005	GAC7180B8A4	1	2,900

Asset Name	Assets tag	Model	Qty	RMB
Auto Isuzu brand QL11.0*50m	GPB001	Isuzu QL11.0*50m	1	2,500
Qingling pickup truck	GPK026	Qingling Isuzu 3.0T Manual four-wheel drive diesel version	1	77,700
Office equipment & Furniture and fixtures				
Dell desktop computer	GPB010	Dell Desktop	1	-
HP MFP LaserJet M1218nfs MFP Black	GPB013	LaserJet M1218nfs MFP黑	1	-
HP All-in-One Print Scanner Officejet 7500A	GPB014	officejet 7500A	1	-
Shenzhou desktop type computer	GPB006	Shenzhou Desktop	1	-
Lenovo desktop computer	GPB002	Lenovo Desktop	1	-
Dell desktop computer	GPB004	Dell Desktop	1	-
Notebook	GPB022	Thinkpad E450	1	-
Couch	GPB003	Couch	1	-
Air conditioning cygnet 32GW/A3(D)-R3	GPB007	Cygent 32GW/A3(D)-R3	3	100
Air conditioning cygnet 35GW/A3(D)-R3	GPB009	Cygent 35GW/A3(D)-R3	1	-
TCL Colour TV	GPB018	TCL	1	500
Air conditioning Haier 36GW/ZER13-DS	GPB019	Haier 36GW/ ZER13-DS	1	-
Midea Cygnet air conditioner KFR-32GW/XA3CD-R3	GPK016	KFR-32GW/ XA3CD-R3	3	100

Asset Name	Assets tag	Model	Qty	RMB
TCL air conditioner KFRD-25GW/BR331	GPK017	KFRD-25GW/ BR331	3	-
Gree KFR-35GW/(large 1.5P)	GPB020	Gree KFR-35GW/ (1.5P Large)	1	-
Video conferencing equipment			1	12,800
Mine infrastructure				
Upfront mine expenditures				4,813,000
Metallurgical earthwork				2,619,800
Earthwork				3,705,300
Earthwork				975,400
Total				<u>12,260,000</u>

7.4. Suggested Production Schedule and Capital Expenditure

Future Bright conducted site construction between September 2012 and July 2013, and has begun full-scale mining since July 2013 with production capacity of about 20,000 m³ per year. Since the new mining license is received in July 2023 and the production capacity is increased to 540,000 tonnes per year (about 200,000 m³ per year), APA suggests the production schedule shown in Table 7-3, and Capital Expenditure in Table 7-4 to match the mine plan according to the mining license, the local government and the management of the Company. Mining operations are scheduled for 280 days per annum with two 8-hour shifts, which has taken into account holidays and down time due to weather.

Table 7-3 Production Schedule

Year start date	1/7/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
Year end date	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2070
Marble Mined (m ³ /year)	-	20,000	40,000	80,000	160,000	200,000

Table 7-4 Capital Expenditure Required

Department	Cost (RMB)
Mine infrastructure	38,000,000
Motor vehicles	3,000,000
Machinery	10,000,000
Office equipment & Furniture and fixtures	2,000,000
Buildings	3,000,000
Total:	56,000,000

7.5. Mine Services

7.5.1. Water supply

Fresh water is sourced from wells located within the Project area. As of the end of June 2023, three wells have been drilled. Two of the wells are equipped with 5.5 kw and 7.5 kw pumps. Water is pumped at a rate of 5 m³/hour from one of the two wells that are equipped with pumps. The third well is served as a contingency. APA opines that the water source is reliable and sufficient to supply the planned operation.

7.5.2. Power supply

As of the end of June 2023, the Project has already connected to Nanzhang grid, through a dedicated T-connection from Xiaoyan Regional transforming station to the mine site at a 10 KV capacity, for a distance of 2.5 km. The installed capacity of the transformers is 250 KVA. Future Bright plans to increase the transformer capacity to 500 KVA by the end of 2014 and further increase the capacity to 750 KVA by the end of 2015. It is SRK's opinion that the designed capacity of power supply will be reliable and able to meet the requirements of the planned mine operations.

7.5.3. Explosive supply and management

The isolated blast of the waste stripping will be undertaken by contractors. Therefore, powder magazines were excluded based on a just-in-time supply manner.

7.5.4. Maintenance facilities

Equipment maintenance will be carried out on the mine site, and repairs will be contracted out to contractors.

8. CAPITAL AND OPERATING COSTS

8.1. Capital Expenditure

Since a new mining license is received at July 2023 that the production capacity allowed is increased from 20,000 m³ per year to 540,000 tonnes (around 200,000 m³) per year, maintenance of the various cutting tools and mobile equipment and having adequate supplies of spare parts and consumables are critical for maintaining the planned production volumes. Workshop and support facilities will be constructed to support the planned mining operations. The current haulage road must be expanded to connect directly to the working benches at different levels in the future.

APA suggests the production schedule shown in Table 7-3, and Capital Expenditure in Table 8-1 below to match the mine plan according to the mining license, the local government and the management of the Company.

Table 8-1 Capital Expenditure Need

Department	Cost (RMB)
Mine infrastructure	38,000,000
Motor vehicles	3,000,000
Machinery	10,000,000
Office equipment & Furniture and fixtures	2,000,000
Buildings	3,000,000
	<hr/>
Total:	56,000,000
	<hr/> <hr/>

8.2. Mining Cost

The recent actual mining cost between January 2014 and June 2023 provided by Future Bright is RMB1,600/m³ and the forecast mining cost as at June 2023 are tabulated in Table 8-2, based on:

Sinoma's FS August 2013 cost estimates;

- Actual operating cost between January 2014 and December 2022 provided by Future Bright;
- A Resource tax is 6% of sale revenue;
- Value added tax ("VAT") is 3.1% of sale revenue is levied for the sale of marble blocks;
- VAT is 17% levied for the purchase of the consumables and fuel and electricity;
- City maintenance and construction levy (5% of the total amount of VAT created by Project);
- An education levy of 5% of the total amount of VAT created by the Project; and
- A resource compensation levy (2% of sale revenue multiplied by a "coefficient" set by the provincial government, where the coefficient is currently set as 1.2)
- The unit cash operating cost is estimated at RMB1,000/m³, and the total annual mining cost is estimated at RMB383.8 million when the Project reaches the full production rate of 200,000 m³ by January 2028.

Table 8-2: Forecast Mining Cost as of 30 June 2023

Mining Cost Breakdown	Unit	Cost
Labour Cost	RMB/m ³	400
Materials	RMB/m ³	150
Power Charges	RMB/m ³	150
Transportation	RMB/m ³	150
Admin and Other Fees	RMB/m ³	150
Total Mining Cost	RMB/m ³	1,000

9. PROJECT EVALUATION

9.1. Multi-Period Excess Earnings Method (the "MPEEM")

For the valuation of the Fair Value of the Project, we have adopted the Multi-Period Excess Earnings Method ("MPEEM"). In the MPEEM model, a stream of revenue and expenses (Operating Cashflow) are identified as those associated with a particular group of assets. This group of assets includes the subject intangible asset as well as other assets (Contributory Assets) that are necessary to support the earnings associated with the subject intangible asset. The prospective earnings of the single subject intangible asset are isolated from those of the group of assets by deducting portions of the total earnings that are attributable to the Contributory Assets (Contributory Asset Charges) from the Operating Cashflow to estimate the Excess Earnings attributable to the subject intangible asset. These Excess Earnings are discounted to present value at an appropriate discount rate to estimate the Fair Value of the subject mining licence.

Operating Cashflow

The projected annual Operating Cashflow are based on Estimated Revenue and Estimated Expenses and other relevant information provided by the management of the Company. In arriving at the projected annual Operating Cashflow, we have considered the following principal factors and went through the following processes:

1. The Estimated Revenue generated from the existing Project;
2. Estimating all direct costs, related expenses and capital expenditure to retain and expand the customer lists according to information and forecast provided by the management of the Instructing Party;
3. Calculating profit tax according to profit before tax.

Estimated Revenue

The Estimated Revenue of the Project is based on the calculation of the following formula:

$$\begin{aligned}
 \text{Revenue of the first} &= \text{Annual Production Volume} \times \text{Block Yield} \times \\
 \text{year of mining} &\text{Unit Price of Marble}^{\#} \times \text{Conversion Ratio} \\
 \text{(Year 2024)} &\text{from m}^3 \text{ to m}^2 \text{ in marbles} \\
 &= 20,000 \times 22\% \times 209 \times 10 \\
 &= \text{RMB9,196,000}
 \end{aligned}$$

At the end of 2024, the estimated revenue for the Project is approximately RMB9.2 million.

$$\begin{aligned}
 \text{Revenue of the first} &= \text{Annual Production Volume} \times \text{Block Yield} \times \\
 \text{year at full mining} &\text{(1+Annual Growth Rate)}^4 \times \text{Unit Price of} \\
 \text{capacity (Year 2028)} &\text{Marble}^{\#} \times \text{Conversion Ratio from m}^3 \text{ to m}^2 \\
 &\text{in marbles} \\
 &= 200,000 \times 22\% \times (1+2.5\%)^4 \times 209 \times 10 \\
 &= \text{RMB101,507,000}
 \end{aligned}$$

At the end of 2028, the estimated revenue for the Project is approximately RMB101.5 million.

[#] For the Unit Price of Marble minerals located in the Project, we have adopted the unweighted arithmetic average of the asking price of the comparable commodity listed on the website within the 12 months before the end of the reporting period.

Contributory Assets and Contributory Asset Charges

Contributory Asset Charges (“CAC”) is multiplying the value of the Contributory Assets to the required rate of returns (“RRR”) of the Contributory Assets. The Contributory Assets include (1) Working Capital, (2) Fixed Asset, and (3) Assembly Force. The required rate of returns adopted in the valuation for Working Capital, Fixed Asset, and Assembled Force are 2.66%, 6.33%, and 10.00% respectively.

9.2. Key parameters for Project Evaluation

9.2.1. Mineral Resources and Ore Reserves

Mineral Resources and Ore Reserves of Yiduoyan Marble Project as of 30 June 2023 for evaluation use are displayed in the Table 9-1 and Table 9-2 below:

Table 9-1: Yiduoyan Marble Resource Statement as of 30 June 2023

Resource Category	Marble	Marble	Industry	Total
	(million m ³)	Block Yield (million m ³)	Limestone (million m ³)	
Inferred	6.1	2.2	6.4	12.5
Indicated	10.1	1.4	7.4	17.5
Total	16.2	3.6	13.8	30.0

Table 9-2: Yiduoyan Marble Reserve Statement as of 30 June 2023 (after SRK 2014)

Reserve Category	White	Grey	Consumption		Current
	Marble V-1 (million m ³)	Marble V-2 (million m ³)	Total (million m ³)	White and Grey Marble (million m ³)	
Probable	0.87	0.04	0.91	0.07	0.84

9.2.2. Fixed Asset

Table 9-3: Current Invested Fixed Assets in Yiduoyan Marble Project for Production Capacity of 20,000 m³ Per Year

Department	Present Value (RMB)
Mine infrastructure	12,113,500
Motor vehicles	102,000
Machinery	24,500
Office equipment & Furniture and fixtures	13,500
Buildings	6,500
Total:	12,260,000

Table 9-4: Suggested Invested Fixed Assets in Yiduoyan Marble Project for Production Capacity of 200,000 m³ Per Year

Department	Cost (RMB)
Mine infrastructure	38,000,000
Motor vehicles	3,000,000
Machinery	10,000,000
Office equipment & Furniture and fixtures	2,000,000
Buildings	3,000,000
Total:	56,000,000

9.2.3. Mining Schedule and Mine Life of the Project

The following table summarizes the mining schedule and annual planned production capacity for the project for economic evaluation use.

Table 9-5: Mining Schedule of the Mineral Deposits from the Project for economic analysis

Year start date	1/7/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
Year end date	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2070
Marble Mined (m ³ /year)	-	20,000	40,000	80,000	160,000	200,000

Based on the Mineral Resources and Ore Reserves (mentioned in Chapter 6 of this Report), the Mining Assessment (mentioned in Chapter 7 of this Report), APA considers that Economic Evaluation (mentioned in Chapter 7 of this Report) to be reasonable and achievable based on the current mining equipment and future designs. Yiduoyan Marble Project is expected to start full mining capacity of 200,000 m³ per year at January 2028. The Forecast for Mine Life is 47.5 years.

9.2.4. Operating Cost

Table 9-6: Mining Cost of the Projects as of 30 June 2023

Mining Cost Breakdown	Unit	Cost
Labour Cost	RMB/m ³	400
Materials	RMB/m ³	150
Power Charges	RMB/m ³	150
Transportation	RMB/m ³	150
Admin and Other Fees	RMB/m ³	150
Total Mining Cost	RMB/m ³	1,000

9.2.5. Weighted Average Cost of Capital ("WACC")

The discount rate for the Fair Value of the Mining Right of Yiduoyan Marble Project is the weighted average cost of capital (the "WACC"). WACC comprises two components: cost of equity and cost of debt. The cost of equity was developed using Capital Asset Pricing Model (the "CAPM"). The CAPM states that an investor requires excess returns to compensate systematic risks and an efficient market provides no excess return for other risks.

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - T)$$

Where:

R_e = Cost of Equity

R_d = Cost of Debt

W_e = Weighting of Equity

W_d = Weighting of Debt

T = Tax

Capital Asset Pricing Model

$$R_e = R_f + \beta \times (R_m - R_f)$$

Where:

R_f = Risk-free rate

β = Median Beta Coefficient derived from peer firms

R_m = Market rate of return

In determining the proper rate to discount the forecasted cash flows, we have identified relevant peer group companies which are listed in stock exchange markets in Hong Kong and China.

Our selection criteria are:

1. The peer firm engaged in minerals mining or processing activities in Hong Kong and China;
2. Peers have positive net profit in the latest reporting period;
3. Market capitalization of the peers are under USD 3 billion;
4. The shares are listed on the Hong Kong Stock Exchange; and
5. Information of the peer firm is available and from a reliable source.

Below is the summary of the key parameters of the WACC of the Project adopted as of the Effective Date:

	Key Parameters as of 30 June 2023
(a) Risk-free Rate	3.01%
(b) Market Return	10.11%
(c) Beta Coefficient	0.5643
(d) Size Premium	4.83%
(e) Company Specific Premium	1.00%
(f) Cost of Equity	12.85%
(g) Cost of Debt	4.20%
(h) Weight of Equity Value to Enterprise Value	70.00%
(i) Weight of Debt Value to Enterprise Value	30.00%
(j) Corporate Tax Rate	25.00%
WACC	9.94%
WACC (Rounded)	10.00%

Notes:

- (a) The risk-free rate adopted was the yield rate of China's 10-year government bond as of the Valuation Date;
- (b) The market return adopted was based on the equity risk premium data for China on Damodaran Online;
- (c) The beta coefficient adopted was the average adjusted beta of the abovementioned comparable companies as extracted from Refinitiv of London Stock Exchange Group;

The respective Beta Coefficient (the "Beta") of the peer firms are displayed as table shown below:

No.	Company	Ticker	Value
1	Dragon Mining Ltd	1712 HK	0.459
2	Greentech Technology International Ltd	0195 HK	0.711
3	Lingbao Gold Group Company Ltd	3330 HK	0.241
4	Grand T G Gold Holdings Ltd	8299 HK	0.402
5	Tongguan Gold Group Ltd	0340 HK	0.495
6	China Daye Non-Ferrous Metals Mining Ltd	0661 HK	(10.211)
7	China Hanking Holdings Ltd	3788 HK	0.586
8	Wanguo International Mining Group Ltd	3939 HK	0.543
9	South Manganese Investment Ltd	1091 HK	0.486
10	Xinjiang Xinxin Mining Industry Co Ltd	3833 HK	0.950
11	Jinchuan Group International Resources Co Ltd	2362 HK	1.678
12	Shougang Fushan Resources Group Ltd	0639 HK	1.165
13	China Nonferrous Mining Corp Ltd	1258 HK	1.012
14	MMG Ltd	1208 HK	0.894
	Median Beta		0.5643
	Adopted		0.5643

- (d) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study published by Duff & Phelps, LLC.
- (e) The other risk premium adopted was to reflect the Project specific risk of the Project, which is subject to our professional judgment;

- (f) The cost of equity was determined based on CAPM;
- (g) The cost of debt adopted was bank's lending prime rate in China as of the Valuation Date;
- (h) The weight of equity value to enterprise value adopted was derived from the average debt-to-equity ratio of the abovementioned comparable companies as of the Valuation Date;

The respective debt-to-equity ratio (the "D/E" or "D/E ratio") of the peer firms are displayed as table shown below:

No.	Company	Debt to Equity (D/E)	Selected D/E
1	Chongyi Zhangyuan Tungsten Co Ltd	9.75%	9.75%
2	Tibet Huayu Mining Co Ltd	19.03%	19.03%
3	YanTai Yuancheng Gold Co Ltd	372.33%	372.33%
4	MMG Ltd	48.80%	48.80%
5	Wanguo International Mining Group Ltd	8.26%	8.26%
6	Xinjiang Xinxin Mining Industry Co Ltd	1107.45%	1107.45%
7	Brockman Mining Ltd	60.87%	60.87%
8	South Manganese Investment Ltd	5.66%	5.66%
9	China Hanking Holdings Ltd	246.93%	246.93%
10	Aowei Holding Ltd	95.83%	95.83%
11	China Daye Non-Ferrous Metals Mining Ltd	56.84%	56.84%
12	Jinchuan Group International Resources Co Ltd	1.29%	1.29%
13	Greentech Technology International Ltd	54.25%	54.25%
14	China Nonferrous Mining Corp Ltd	280.98%	280.98%
	Median D/E		55.54%
	Weight of Equity Value to Enterprise Value (rounded)(1/(1+D/E))(a)		70.00%
	Weight of Debt Value to Enterprise Value (rounded)(1-a)		30.00%

The figures were extracted from Refinitiv from London Stock Exchange Group, a well-known financial database widely endorsed in the industry. The weight of equity value to Enterprise Value is derived by using the formula: $1/(1+D/E)$. The weight of debt value to Enterprise Value is derived by using the formula: $1-1/(1+D/E)$. As the WACC will become 9% when using the original unrounded median figures, for prudence, a rounded figure is adopted for the Valuation.

- (i) The weight of debt value to enterprise value adopted was derived from the average debt-to equity ratio of the abovementioned comparable companies as of the Valuation Date;
- (j) The corporate tax rate adopted was the 2023 corporate tax rate in China.

Due to the intangible nature of the Project, in order to reflect the higher inherent risk, an additional 2% is added to the original WACC (10.00%). Therefore, we adopted 12.00% as the discount rate for the valuation of mining right of the Project as of the Valuation Date.

9.2.6. Other Key Parameters for Evaluation

	Parameter	Value	Source
(a)	Annual Production Volume	20,000 T/ Year in 2024, 200,000 T/ Year since 2028	Per p.70 of the CPR
(b)	Annual Growth Rate	2.50%	10 year average of World GDP growth (World Bank), 10 year average of World CPI growth rate (IMF)
(c)	Block Yield	22%	Estimated by Hubei Xiangdi Resources and Environment Co., Ltd, a company which carries out the mineral resource exploration and verification work on the Project in March 2022
(d)	Mining Cost	1,000 RMB/m ³	Per p.74 of the CPR
(e)	Contingency Cost	2% of Total Cost	Per p.74 of the CPR
(f)	Value-added Tax (incorporated in mining cost)	3.1% of revenue	Per p.74 of the CPR
(g)	Resources Tax	6% of revenue	Per p.67 of the CPR
(h)	Profit Tax	25% of profit before tax	Per p.74 of the CPR
(i)	Unit Price of Marble	209 RMB/m ²	1688.com from Alibaba Group
(j)	Conversion Ratio from m ³ to m ² in marbles	10:1	Per record of historical production of the Project
(k)	RRR for CAC – Working Capital	2.66%	After tax cost of borrowing (1 year borrowing rate in the PRC) as of Valuation Date
(l)	RRR for CAC – Fixed Assets	6.33%	50% on cost of borrowing (1 year borrowing rate in the PRC) + 50% on cost of equity (Derived from CAPM Model) as of the Valuation Date
(m)	RRR for CAC – Assembled Workforce	10.00%	WACC derived from CAPM

* For the Unit Price of Marble minerals located in the Project, we have adopted the unweighted arithmetic average of the asking price of the comparable commodity listed on the website within the 12 months before the end of the reporting period.

9.3. Conclusion for Project Evaluation

Table 9-7 shows that the Fair Value of the Mining Right of Yiduoyan Marble Project is RMB120 million as of 30 June 2023. Table 9-8 shows the sensitivity analysis for the Fair Value of the Mining Right of the Project regarding the commodity unit price and discount rate.

Table 9-7 shows that the Fair Value of the Mining Right of Yiduoyuan Marble Project as of 30 June 2023.

Table 9-7: Fair Value of the Mining Right of Yiduoyuan Marble Project as of 30 June 2023

Yiduoyuan Marble Project	30/6/2023	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Valuation date:		1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030	1/1/2031	1/1/2032	1/1/2033	1/1/2034	1/1/2035	1/1/2036	1/1/2037	1/1/2038	1/1/2039	1/1/2040	1/1/2041	1/1/2042	1/1/2043
Period		31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030	31/12/2031	31/12/2032	31/12/2033	31/12/2034	31/12/2035	31/12/2036	31/12/2037	31/12/2038	31/12/2039	31/12/2040	31/12/2041	31/12/2042	31/12/2043
Years start date																						
Years end date																						
Multi-period Excess Earnings Method																						
Marble Mined	m ³	-	20,000	40,000	80,000	160,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Sales volume	m ²	-	4,400	8,800	17,600	35,200	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000
Sales volume	m ²	-	44,000	88,000	176,000	352,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000
Average Unit price (Excluding VAT)	RMB/m ²	209	2,090	2,142	2,196	2,251	2,307	2,365	2,424	2,484	2,546	2,610	2,675	2,742	2,811	2,881	2,953	3,027	3,103	3,180	3,260	3,341
Revenue	RMB'000	-	9,196	18,852	38,646	79,225	104,044	106,645	109,312	112,044	114,845	117,717	120,659	123,676	126,768	129,937	133,185	136,515	139,928	143,426	147,012	150,687
Less: VAT and surcharges (3.1% of revenue)	RMB'000	-	(285)	(584)	(1,198)	(2,456)	(3,147)	(3,225)	(3,306)	(3,389)	(3,473)	(3,560)	(3,649)	(3,740)	(3,834)	(4,028)	(4,129)	(4,232)	(4,338)	(4,446)	(4,557)	(4,673)
Less: Renewal of the mining permit	RMB'000	(60,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Mining Cost	RMB'000	-	(4,510)	(9,246)	(18,953)	(38,854)	(49,782)	(51,027)	(52,302)	(53,610)	(54,950)	(56,324)	(57,732)	(59,175)	(60,654)	(62,171)	(63,725)	(65,318)	(66,951)	(68,625)	(70,341)	(72,099)
Less: Resource Tax (6% of revenue)	RMB'000	-	(552)	(1,131)	(2,319)	(4,753)	(6,090)	(6,243)	(6,399)	(6,559)	(6,723)	(6,891)	(7,063)	(7,240)	(7,421)	(7,606)	(7,796)	(7,991)	(8,191)	(8,396)	(8,606)	(8,821)
EBIT	RMB'000	(60,000)	3,849	7,891	16,776	24,430	27,488	28,530	44,639	45,754	46,998	48,071	49,273	50,504	51,767	53,061	54,388	55,747	57,141	58,570	60,034	61,535
Less: Finance cost	RMB'000	-	-	(19,977)	(16)	(28)	(31)	(28)	(29)	(26)	(25)	(24)	(19)	(50)	(51)	(53)	(54)	(55)	(57)	(58)	(60)	(61)
EBT	RMB'000	(60,000)	3,849	(12,086)	16,760	24,401	27,457	28,502	44,610	45,728	46,873	48,047	49,254	50,454	51,716	53,008	54,334	55,692	57,084	58,511	59,974	61,473
Less: Contingency cost (2% of revenue)	RMB'000	-	(100)	(208)	(425)	(872)	(1,117)	(1,145)	(1,174)	(1,203)	(1,233)	(1,264)	(1,296)	(1,328)	(1,362)	(1,396)	(1,430)	(1,466)	(1,503)	(1,540)	(1,579)	(1,618)
Profit before Tax	RMB'000	(60,000)	3,748	(12,293)	15,734	23,529	26,339	27,357	43,436	44,525	45,640	46,782	47,928	49,126	50,354	51,613	52,903	54,226	55,581	56,971	58,395	59,855
Less: Income Tax	RMB'000	-	-	-	-	-	736	(6,844)	(10,859)	(11,131)	(11,410)	(11,696)	(11,982)	(12,281)	(12,589)	(12,903)	(13,226)	(13,556)	(13,895)	(14,243)	(14,599)	(14,964)
Net Profit After Tax	RMB'000	(60,000)	3,748	(12,293)	15,734	23,529	27,075	20,532	32,577	33,394	34,230	35,087	35,946	36,844	37,766	38,710	39,677	40,669	41,686	42,728	43,796	44,891
Earnings attributable to Mining Right, prior to contributory charge	RMB'000	(60,000)	3,748	(12,293)	15,734	23,529	27,075	20,532	32,577	33,394	34,230	35,087	35,946	36,844	37,766	38,710	39,677	40,669	41,686	42,728	43,796	44,891
Fair Value of Contributory Assets (RMB'000)																						
Fixed assets		-	26,260	54,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260
Net working capital		-	877	1,798	3,685	7,555	9,922	10,170	10,424	10,684	10,952	11,225	11,506	11,794	12,088	12,391	12,700	13,018	13,343	13,677	14,019	14,369
Assembled workforce		-	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301
Less: Return on Contributory Assets																						
Fixed assets		-	(1,663)	(3,435)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)
Net working capital		-	(23)	(48)	(98)	(201)	(258)	(264)	(271)	(278)	(284)	(292)	(299)	(306)	(314)	(322)	(330)	(338)	(347)	(355)	(364)	(373)
Assembled workforce		-	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Debt-free surviving net cash flow	RMB'000	(60,000)	2,032	(15,807)	11,284	18,976	22,465	15,916	27,954	28,764	29,594	30,443	31,295	32,186	33,100	34,036	34,996	35,979	36,988	38,021	39,080	40,166
Discount Rate	10.00%																					
IA Premium	2.00%																					
Adopted Discount rate for Mining Right	12.00%																					
Discount period		0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50
Mid-year convention		0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	11.25	12.25	13.25	14.25	15.25	16.25	17.25	18.25	19.25	20.25
Discount factor		1.00	0.87	0.77	0.69	0.62	0.55	0.49	0.44	0.39	0.35	0.31	0.28	0.25	0.22	0.20	0.18	0.16	0.14	0.13	0.11	0.10
Net Present Value of excess earnings	RMB'000	(60,000)	1,764	(12,249)	7,808	11,723	12,391	7,839	12,292	11,293	10,374	9,528	8,745	8,031	7,374	6,770	6,215	5,705	5,227	4,806	4,411	4,048
Total NPV of excess earnings	RMB'000	114,611																				
Add: Tax amortization benefit	RMB'000	5,552																				
Estimated Fair Value of Mining Right (rounded)	RMB'000	120,100																				

30/6/2023		22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39
Valuation date:		1/1/2044	1/1/2045	1/1/2046	1/1/2047	1/1/2048	1/1/2049	1/1/2050	1/1/2051	1/1/2052	1/1/2053	1/1/2054	1/1/2055	1/1/2056	1/1/2057	1/1/2058	1/1/2059	1/1/2060	1/1/2061
Period		31/12/2044	31/12/2045	31/12/2046	31/12/2047	31/12/2048	31/12/2049	31/12/2050	31/12/2051	31/12/2052	31/12/2053	31/12/2054	31/12/2055	31/12/2056	31/12/2057	31/12/2058	31/12/2059	31/12/2060	31/12/2061
Yiduoyan Marble Project																			
Multi-period Excess Earnings Method																			
Marble Mined	m ³	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Sales volume	m ³	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000
Sales volume	m ²	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000
Average Unit price (Excluding VAT)	RMB'000/m ³	342.5	351.0	359.8	368.8	378.0	387.5	397.2	407.1	417.3	427.7	438.4	449.4	460.6	472.1	483.9	496.0	508.4	521.1
Revenue	RMB'000	130,657	154,454	158,316	162,274	166,330	170,489	174,751	179,120	183,598	188,188	192,892	197,715	202,657	207,724	212,917	218,240	223,696	229,288
Less: VAT and surcharges (3.1% of revenue)	RMB'000	(4,671)	(4,788)	(4,908)	(5,030)	(5,156)	(5,285)	(5,417)	(5,553)	(5,692)	(5,834)	(5,980)	(6,129)	(6,282)	(6,439)	(6,600)	(6,765)	(6,935)	(7,108)
Less: Renewal of the mining permit	RMB'000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Mining Cost	RMB'000	(73,902)	(75,749)	(77,645)	(79,584)	(81,574)	(83,613)	(85,703)	(87,846)	(90,042)	(92,293)	(94,600)	(96,965)	(99,389)	(101,874)	(104,421)	(107,032)	(109,707)	(112,450)
Less: Resource Tax (6% of revenue)	RMB'000	(9,941)	(9,267)	(9,499)	(9,736)	(9,980)	(10,229)	(10,485)	(10,747)	(11,016)	(11,291)	(11,574)	(11,865)	(12,159)	(12,465)	(12,775)	(13,094)	(13,422)	(13,757)
EBIT	RMB'000	63,073	64,650	66,266	67,923	69,621	71,361	73,145	74,974	76,848	78,770	80,739	82,757	84,826	86,947	89,121	91,349	93,632	95,973
Less: Finance cost	RMB'000	(63)	(64)	(66)	(68)	(69)	(71)	(73)	(75)	(76)	(78)	(80)	(82)	(84)	(86)	(89)	(91)	(93)	(95)
EBT	RMB'000	63,010	64,586	66,200	67,855	69,552	71,290	73,073	74,899	76,772	78,691	80,659	82,675	84,742	86,860	88,932	91,258	93,539	95,878
Less: Contingency cost (% of revenue)	RMB'000	(1,659)	(1,700)	(1,745)	(1,786)	(1,831)	(1,877)	(1,924)	(1,972)	(2,021)	(2,072)	(2,123)	(2,177)	(2,231)	(2,287)	(2,344)	(2,403)	(2,463)	(2,524)
Profit before Tax	RMB'000	61,351	62,885	64,457	66,069	67,721	69,414	71,149	72,928	74,751	76,620	78,535	80,498	82,511	84,574	86,688	88,855	91,077	93,354
Less: Income Tax	RMB'000	(15,338)	(15,721)	(16,114)	(16,517)	(16,930)	(17,353)	(17,787)	(18,232)	(18,688)	(19,155)	(19,634)	(20,125)	(20,628)	(21,144)	(21,672)	(22,214)	(22,769)	(23,338)
Net Profit After Tax	RMB'000	46,014	47,164	48,343	49,552	50,790	52,060	53,362	54,696	56,063	57,465	58,901	60,374	61,883	63,430	65,016	66,641	68,307	70,015
Earnings attributable to Mining Right, prior to contributory charge	RMB'000	46,014	47,164	48,343	49,552	50,790	52,060	53,362	54,696	56,063	57,465	58,901	60,374	61,883	63,430	65,016	66,641	68,307	70,015
Fair Value of Contributory Assets (RMB'000)																			
Fixed assets		68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260
Net working capital		14,369	14,729	15,097	15,474	15,861	16,258	16,664	17,081	17,508	17,945	18,394	18,854	19,325	19,808	20,304	20,811	21,331	21,865
Assembled workforce		301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301
Less: Return on Contributory Assets																			
Fixed assets	Required rate of return (%)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)
Net working capital	6.3%	(385)	(392)	(402)	(412)	(422)	(433)	(444)	(455)	(466)	(478)	(490)	(502)	(515)	(527)	(541)	(554)	(568)	(582)
Assembled workforce	3.15%	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Debt-free surviving net cash flow	10.00%	41,279	42,420	43,589	44,788	46,016	47,276	48,566	49,889	51,245	52,635	54,060	55,520	57,017	58,551	60,124	61,736	63,388	65,081
Discount Rate	10.00%																		
IA Premium	2.00%																		
Adopted Discount rate for Mining Right	12.00%																		
Discount period		21.50	22.50	23.50	24.50	25.50	26.50	27.50	28.50	29.50	30.50	31.50	32.50	33.50	34.50	35.50	36.50	37.50	38.50
Mid-year convention		21.25	22.25	23.25	24.25	25.25	26.25	27.25	28.25	29.25	30.25	31.25	32.25	33.25	34.25	35.25	36.25	37.25	38.25
Discount Factor		0.09	0.08	0.07	0.06	0.06	0.05	0.05	0.04	0.04	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.01	0.01
Net Present Value of excess earnings	RMB'000	3,714	3,408	3,127	2,868	2,631	2,414	2,214	2,030	1,862	1,708	1,566	1,436	1,317	1,207	1,107	1,015	930	853

Yiduoyan Marble Project		40	41	42	43	44	45	46	47	48
Valuation date:		1/1/2062	1/1/2063	1/1/2064	1/1/2065	1/1/2066	1/1/2067	1/1/2068	1/1/2069	1/1/2070
Period		31/12/2062	31/12/2063	31/12/2064	31/12/2065	31/12/2066	31/12/2067	31/12/2068	31/12/2069	31/12/2070
Year start date										
Year end date										
<u>Multi-period Excess Earnings Method</u>										
Marble Mined	m ³	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Sales volume	m ³	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000
Sales volume	m ²	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000
Average Unit price (Excluding VAT)	RMB'000/m ³	534.1	547.5	561.2	575.2	589.6	604.3	619.4	634.9	650.8
Revenue	RMB'000	235,021	240,896	246,918	253,091	259,419	265,904	272,532	279,366	286,350
Less: VAT and surcharges (3.1% of revenue)	RMB'000	(7,286)	(7,468)	(7,654)	(7,846)	(8,042)	(8,243)	(8,449)	(8,660)	(8,877)
Less: Renewal of the mining permit	RMB'000	-	-	-	-	-	-	-	-	-
Less: Mining Cost	RMB'000	(115,261)	(118,143)	(121,096)	(124,124)	(127,227)	(130,408)	(133,668)	(137,009)	(140,435)
Less: Resource Tax (6% of revenue)	RMB'000	(14,101)	(14,454)	(14,815)	(15,185)	(15,565)	(15,954)	(16,353)	(16,762)	(17,181)
EBIT	RMB'000	98,572	100,832	103,333	105,936	108,585	111,299	114,082	116,934	119,857
Less: Finance cost	RMB'000	(98)	(100)	(103)	(105)	(108)	(111)	(113)	(116)	(119)
EBT	RMB'000	98,275	100,731	103,230	105,831	108,477	111,189	113,968	116,818	119,738
Less: Contingency cost (2% of revenue)	RMB'000	(2,587)	(2,632)	(2,718)	(2,786)	(2,856)	(2,927)	(3,000)	(3,075)	(3,152)
Profit before Tax	RMB'000	95,687	98,098	100,512	103,045	105,621	108,261	110,968	113,742	116,586
Less: Income tax	RMB'000	(23,922)	(24,520)	(25,133)	(25,761)	(26,405)	(27,065)	(27,742)	(28,436)	(29,146)
Net Profit After Tax	RMB'000	71,766	73,580	75,399	77,284	79,216	81,196	83,226	85,307	87,439
Earnings attributable to Mining Right, prior to contributory charge	RMB'000	71,766	73,580	75,399	77,284	79,216	81,196	83,226	85,307	87,439
<u>Fair Value of Contributory Assets (RMB'000)</u>										
Fixed assets		68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	34,130
Net working capital		22,411	22,972	23,546	24,135	24,738	25,356	25,990	26,640	27,306
Assembled workforce		301	301	301	301	301	301	301	301	301
Less: Return on Contributory Assets										
Fixed assets	6.33%	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(2,161)
Net working capital	3.15%	(597)	(612)	(627)	(645)	(659)	(675)	(692)	(709)	(727)
Assembled workforce	10.00%	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Debt-free surviving net cash flow	RMB'000	66,817	68,596	70,420	72,289	74,205	76,169	78,182	80,246	84,521
Discount Rate	10.00%									
IA Premium	2.00%									
Adopted Discount rate for Mining Right	12.00%									
Discount period		39.50	40.30	41.30	42.30	43.50	44.50	45.50	46.30	47.50
Mid-year convention		39.25	40.25	41.25	42.25	43.25	44.25	45.25	46.25	47.25
Discount Factor		0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00
Net Present Value of excess earnings	RMB'000	782	717	657	602	552	506	463	425	399

Table 9-8 shows the sensitivity analysis for the Fair Value (RMB'000) of the Mining Right of the Project.

Table 9-8: Sensitivity Analysis of the Fair Value (RMB'000) of the Mining Right of the Project

Discount rate	Unit Price (RMB)				
	189	199	209	219	229
11.00%	90,000	119,000	148,000	177,000	206,000
11.50%	79,000	106,000	133,000	161,000	188,000
12.00%	69,000	95,000	120,000	146,000	171,000
12.50%	60,000	84,000	108,000	132,000	156,000
13.00%	52,000	75,000	97,000	120,000	142,000

10. OCCUPATIONAL HEALTH AND SAFETY

10.1. Project Safety Assessment and Approvals

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

The Project currently has an approved production capacity of 540 ktpa as defined in the mining license certificate. However, except for the mining license, there are additional operational licenses required for the mining operations carried out within the mining license areas, such as a Safe Production Certificate must be issued by the counterpart bureau or department of the government.

10.2. Safe Production Certificate

The Safe Production Certificate is in the process of renewal as at report date. APA does not see any material problem affecting the renewal.

10.3. Occupational Health and Safety Management and Observations

During APA's site visit, APA observed that safety signs were in place, safety provisions and rules were also displayed within the work areas, moving machinery parts were appropriately guarded and covered, guard railings were installed on all gantries, and proper Personal Protection Equipment ("PPE") was provided and was being used by the workers, such as hardhats, traffic vests, and steel toed shoes. APA has sighted the OHS management system and procedures, which provide the following summary in respect to the proposed OHS management measures for the Project:

- Mining, crushing, blasting and explosives handling;
- Side slope failure prevention;
- Waste rock disposal;
- Environmental dust and noise suppression;
- Emergency response;
- Fire protection and fire extinguishment;
- Sanitary provision;
- Power provision;
- Labour and supervision; and
- Safety administration.

APA notes that the above site occupational health and safety ("OHS") management measures are generally in line with recognized Chinese industry practices and Chinese safety regulations.

10.4. Historical Occupational Health and Safety Records

Project's safety records indicate that there were fewer than 10 minor injuries (mainly from the underground contractors) but no serious injuries or fatalities in the past three years. Incident analysis reports for the injuries were provided to APA for review. The reports analyzed the cause of injuries and identified measures to prevent a recurrence, which are in line with internationally recognized OHS accident monitoring practice.

11. ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT

11.1. Environmental and Social Review Objective

The objective of this environmental review is to identify any existing and potential environmental liabilities and risks, and to assess and comment on any associated proposed remediation measures for the Project.

11.2. Environmental and Social Review Process, Scope and Standards

The process for the verification of the environmental compliance and conformance for the Project comprised a review and inspection of the project's environmental management performance against:

- Chinese National environmental regulatory requirements.
- Equator Principles requirements/International Finance Corporation (IFC) environmental and social standards and guidelines, and internationally recognized environmental management practices.

11.3. Status of Environmental Approvals

The Environmental Impact Assessment (EIA) reports and the Mine Geological Environmental Restoration and Land Rehabilitation Reports is in the process of renewal as at report date. APA does not see any material problem affecting the renewal.

11.4. Pollution Sources and Mitigation Measures

APA makes assessments of the pollution sources of the project and provides comments in respect to the mitigation measures that the Company planned to act.

Air pollution

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

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

Water Pollution and Management

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

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

APA noted that the domestic wastewater from different mining areas had been collected and piped together to a treatment station and pumped to a water reuse storage for reusing, and there will be no domestic wastewater allowed to be discharged into nearby streams.

Solid Wastes and Management

The solid waste generating from the project are from two sources, one is the waste rocks from mining operations, and the other is the domestic waste of mining workers.

APA noted from the EIA report, the analysis of waste rock leaching experiment results shown that the waste rock belongs to "Class I" general industrial solid waste. The waste rock from the mining operations is transported to waste rock yard, and a slag retaining wall is set at the downstream of the waste rock yard before a rehabilitation and vegetation measures to be taken to restore the piles.

Hazardous Materials Management

Hazardous materials have the characteristics of corrosive, reactive, explosive, toxic, flammable, and potentially biologically infectious, which pose a potential risk to human and/or environmental health. The hazardous materials will be generated mainly by the project's construction, mining, and processing operations and include hydrocarbons (i.e., fuels, waste oils, and lubricants), processing reagents, chemical and oil containers, batteries, medical waste, and paint. At the time of the site visit, Company stated that the waste oil generated on site was very limited. APA recommends that the collected waste oil, fuel tanks and dangerous chemicals should be stored in secondary containment which is in line with the recognized international industry management practices.

Site Ecological Environmental Assessment

The EIA report also suggested Company follow the guidelines stated in the Development and Utilization Plan to operate within the designed mining areas and production schedules. For the mining areas, the existing ecological environment should be maintained, the management of waste rock yards in each mining area should be strengthened, the geological disasters should be prevented, and the green practices should be carried out. APA noted that the Company has been following the principles of mitigation disturbance and pollution in the mining license and its surrounding areas.

Noise Emissions and Mitigation Measures

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

The EIA report stated that the high intensity noises (such as drilling, blasting, etc.) are mostly from blasting. The Company had implemented the regular operation system of prior notification, and to improve the process for reducing the explosive quantity. On surface high-capacity noises are from air compressors, fans, transport vehicles and pumps, etc., low noise equipment is selected in the design, and noise reduction measures such as setting damping foundation and keeping indoor are taken to effectively reduce noise level. These measures can reduce the noise intensity by 20-30 dba. The transportation noise can be reduced by lowering the driving speed, such as 20 kmph in the field and 40 kmph outside the field. As site visited by APA, it is believed the noise emissions from the project are normal and easily managed to meet the industrial standards.

Site Closure Planning 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 (1996), the Rules for Implementation of the Mineral resources Law of the People's Republic of China (2006), the Mine Site Geological Environment Protection Regulations (2015), and the Land Rehabilitation Regulation (2011) issued by the State Council. In summary, these legislative requirements cover the need to conduct land rehabilitation, to prepare a site closure report, and to submit a site closure application for assessment and approval.

The Mine Geological Environmental Restoration and Land Rehabilitation Reports is in the process of renewal as at report date. APA does not see any material problem affecting the renewal.

Social Aspects

The land used by the Project is about 0.3973 km² in total for temporary use. There is no cultivated land that has been acquired, so that the land acquisition of the project has a slight impact on regional agricultural production pattern.

For the local economy development, more than 50 jobs are directly created by this project, and Company promises to give priority to hire local workers relying on the land for living. The average monthly wage of the front-line workers of the Company is RMB3500, roughly RMB42,000 annual income, which is far more than that of an average annual net income of a local farmer.

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

12. RISKS AND OPPORTUNITIES

12.1. Risks

The following are the potential risks that the Competent Persons believe may impact the economic or safety potential for the mining operations:

Table 12-1: Summary of Project Risk Assessment regarding the Project

No.	Issues	Likelihood	Consequence	Overall	Suggested solutions	Target Date
Geology and Resource						
1	Lack of Significant Resources	Unlikely	Minor	Low	N/A	N/A
2	Lack of Significant Reserves	Unlikely	Minor	Low	N/A	N/A
3	Significant Unexpected Faulting or Other Structure	Unlikely	Minor	Low	N/A	N/A
Mining & Mineral Processing						
4	Production Shortfall	Unlikely	Minor	Low	N/A	N/A
5	Geotechnical or Hydrogeological Issues	Unlikely	Minor	Low	N/A	N/A
6	Production Pumping System Adequacy	Unlikely	Minor	Low	N/A	N/A
7	Underground Support and Development	Unlikely	Minor	Low	N/A	N/A
8	Project Plan Failure	Unlikely	Minor	Low	N/A	N/A
9	Lower Yields	Unlikely	Minor	Low	N/A	N/A
10	Lower Recovery	Unlikely	Minor	Low	N/A	N/A
11	Higher Production Cost	Unlikely	Minor	Low	N/A	N/A
12	Poor Plant Design	Unlikely	Minor	Low	N/A	N/A
Capital and Operating Costs						
13	Project Timing Delays	Unlikely	Minor	Low	N/A	N/A
14	Capital Cost increase	Unlikely	Minor	Low	N/A	N/A
15	Capital Cost - Ongoing	Unlikely	Minor	Low	N/A	N/A
16	Capital and Operating Costs	Unlikely	Minor	Low	N/A	N/A
17	Surface water management and discharges (i.e., stormwater runoff, erosion control measures)	Unlikely	Minor	Low	N/A	N/A
18	Groundwater management and discharges (i.e., project dewatering and seepage from the WRD)	Unlikely	Minor	Low	N/A	N/A
19	Dust generating and gas emissions management and monitoring	Unlikely	Minor	Low	N/A	N/A

No.	Issues	Likelihood	Consequence	Overall	Suggested solutions	Target Date
20	Storage and handling of hazardous materials	Unlikely	Minor	Low	N/A	N/A
21	Waste generation and management (industrial and domestic wastes)	Unlikely	Minor	Low	N/A	N/A
22	Rehabilitation of waste rock stockpiles and other disturbed areas	Unlikely	Minor	Low	N/A	N/A
23	Potential and current contaminated sites	Unlikely	Minor	Low	N/A	N/A
24	Site erosion controls, sediment entrainment and deposition	Unlikely	Minor	Low	N/A	N/A
25	Lack of geochemical characterization/ARD assessment of waste rock	Unlikely	Minor	Low	N/A	N/A
26	Impact to ecological system	Unlikely	Minor	Low	N/A	N/A

To ensure the technical integrity of the risk analysis process as applied in the project technical review process, the following Australian Standards for risk analysis and risk management have been utilized for overall guidance:

- AS/NZS 3931: 1998 Risk Analysis of Technological Systems – Application Guide;
- AS/NZS 4360: 1999 Risk Management; and
- HB 203: 2004 Environmental Risk Management – Principles and Process.

These Australian Standards have been developed in line with comparable international standards. A risk is generally described in terms of the severity/consequence and likelihood of an undesirable occurrence or incident. The greater the potential severity and likelihood of an undesirable occurrence, the higher the level of risk associated with the related activity.

The generic approach for this project technical review qualitative risk analysis has the following three steps:

- Establish the context/define the scope of the analysis – goals/objectives, the analysis strategy and evaluation criteria;
- Identify and analyze the risks in terms of consequence and likelihood; and
- Evaluate and rank the risks.

Qualitative Risk Analysis – Scope

The scope definition and context for the qualitative risk analysis can be summarized as follows:

- **Goals/Objectives** – The primary objective is to analyze the qualitative risks associated with the project's development, operational and closure aspects.
- **Strategy** – The strategy employed comprises the application of a qualitative risk analysis where the 'relative magnitude' of risks associated with the project are estimated. Inclusive within this process are also the concepts of inherent and residual risks. Inherent risks being those hazards that are present within the project without any remedial management, and residual risks are defined as those hazards remaining after the application of remedial risk management measures. The risks analyzed are those considered as the 'inherent risks' for the project at the time of the technical review.

This qualitative risk analysis strategy has the following key steps:

Step 1 – Develop a qualitative risk matrix. This has relative significance rankings for the potential consequences/impacts, levels of event likelihood and the corresponding risk rankings from negligible to extreme.

Step 2 – Define the inherent risks (i.e., at the time of the technical review). List the sources of risks and apply the qualitative risk analysis to define the level of risk.

Qualitative Risk Analysis Matrix

The proposed qualitative risk matrix uses the following definitions for consequence and likelihood:

Consequence

- **Catastrophic:** Disaster with potential to lead to business failure;
- **Major:** Critical event/impact, which with proper remedial management, will be endured;

- Moderate: Significant event/impact, which may be managed under normal procedures;
- Minor: Consequences/impacts that may be readily absorbed, but some remedial management effort is still required;
- Insignificant: No additional/remedial management required.

Likelihood:

- Certain: The event is expected to occur in most circumstances;
- Likely: The event probably will occur in most circumstances (i.e., also could be on a regular basis such as weekly or monthly);
- Possible: The event should occur at some time (i.e., once in a while);
- Unlikely: The event could occur at some time;
- Rarely: The event may occur only in exceptional circumstances.

Based on these definitions the Qualitative Risk Matrix, as Table 12-2, is presented below.

Table 12-2: Summary of Qualitative Risk Matrix

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
Certain	Low	Moderate	Moderate	High	Extreme
Likely	Low	Moderate	Moderate	High	High
Possible	Negligible	Low	Moderate	Moderate	High
Unlikely	Negligible	Low	Low	Moderate	Moderate
Rarely	Negligible	Negligible	Negligible	Low	Moderate

The risk definitions from this risk matrix can be further grouped into risk evaluation categories that are based on regulatory compliance and the ability for the risk to be managed to a level that conforms to industry standards, guidelines and/or codes of practice. These are:

- Category 1 – Unacceptable Inherent Risks (Extreme/High risks): can be defined as those sources of risk that are essentially unacceptable, which if uncorrected, may result in business failure or critical impacts to business;*
- Category 2 – Tolerable Inherent Risks (Moderate risks): can be defined as those sources of risk that are tolerable and while, at the time of the technical review, they are non-compliant/non-conforming they can made to be compliant/conforming (acceptable risks) through the application of risk management measures;*
- Category 3 – Acceptable Inherent Risks (Low/Negligible risks): can be defined as those sources of risk that are acceptable and are compliant with legal requirements and conform to recognized industry standards, guidelines and codes of practice.*

12.2. Opportunities

The following are areas where the Competent Persons believe that the operations have opportunities for improvements that will increase the safety and or profitability of the Projects.

- Competent Persons believe that the Project can produce at the projected levels or higher, based on the way the Project are constructed, combined with the operating experience from the managing and operating teams in past years.
- The regional geology of the areas where the Project are located is well known. The fact that the continuity of the mineralized bodies beyond the boundaries of the subject properties has been well established is an encouraging factor to proceed with the expansion of the existing operations. The existence of other mineable areas that have not been explored yet offers the opportunity to add Resources and Reserves by obtaining the necessary mining licenses. These additional resources could be significant, based on the current knowledge of the region's geology and the extensive exploration carried out by the owners.

- Good infrastructure in place is fundamental for the success of a mining operation in Project. Most of the operations are in well-established mining districts with good access roads, particularly suitable for small-to-medium size operations.
- Marble is 'important' commodities, particularly thanks to their wide and multiple applications on decoration and construction. Very few rocks have as many uses as marble. It is used for its beauty in architecture and sculpture. It is used for its chemical properties in pharmaceuticals and agriculture. It is used for its optical properties in cosmetics, paint, and paper. It is used because it is an abundant, low-cost commodity in crushed stone prepared for construction projects. Marble has many unique properties that make it a valuable rock in many different industries.

Besides the abovementioned probable 0.84 million m³ of ore reserves and 17.5 million m³ of indicated mineral resources under the JORC Category, there are still 12.5 million m³ of inferred mineral resources under the JORC Category in the Project. As valuation for Inferred Mineral resources are not permitted under Chapter 18 of the Listing Rules of Hong Kong Stock Exchange, we advise that Company can initiate an intensive exploration program to investigate and upgrade its current and potential mineral resources from inferred resources to indicated or measured resources. As such, the mine life and the value of the Project could be substantially increased.

13. PARTICIPATING ENGINEERS AND GEOLOGISTS STATEMENT

The Competent Person hereby certify that it and the staff members who participated in this assignment have no present or prospective interest in the properties that are the subject of this Report and have no personal interest or bias with respect to the parties involved. The Competent Person's compensation is strictly fee-based and has not been rendered on a commission basis. Furthermore, the Competent Person's compensation is not contingent on the reporting of a predetermined result or direction in results that favors the cause of parties associated with developing and using the subject properties.

The analyses, opinions, and conclusions that were developed and are presented in this Report have been prepared in conformity with internationally accepted engineering and geologic practices.

The Competent Person reserves the right to reconsider its opinions and conclusions upon receipt of any additional information, including clarification of the existing databases.

14. DATA SOURCE AND REFERENCES

- Geological investigation and Resource estimate (Nonferrous Metals Geological Bureau of Guangdong Province Team 932, 2013).
- Feasibility study; Chemical and physical test result certificates (China National Quality Supervision and Testing Center for Stone Products, 2013).
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- Scanned geological logs.
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- Future Bright Mining, Exploration Plan of the Yiduoyan Marble Mine, August 2013.
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- Hubei Zhu'an Safety Technology Company Limited, Safety Pre-Assessment Report for the Yiduoyan Marble Mine Project.
- Nanzhang County Environmental Protection Bureau, EIA Approval for the Yiduoyan Marble Mine Project (20,000 m³ per year), 18 December 2012.
- Suzhou Sinoma Design & Research Institute, FS Report on the Yiduoyan Marble Mine, Xiaoyan, Nanzhang County.
- Team 932 of Nonferrous Metals Geological Bureau of Guangdong Province, Report of Marble Ore Reserves for Finish Material Purpose in Yiduoyan Mine of Nanzhang County Hubei Province, February 2013, 31 pp.
- Xiangyang City Environmental Protection Institute, EIA Table for the Yiduoyan Marble Mine Project (20,000 m³ per year), November 2012.
- Xiangyang Future Bright Mining Co. Ltd, WSCP Table for the Yiduoyan Marble Mine Project, 22 October 2012.
- Resource and Reserve Verification Report 2022 issued by Natural Resources Bureau of Xiangyang City of Hubei Province at June 2022.

APPENDIX A — COPY OF MINING LICENSES

Appendix Figure A-1: Photocopy of the Mining License for the Yiduoyan Project

<p>中华人民共和国</p> <h2>采矿许可证</h2> <p>(副本)</p> <p>证号: C4206242023077261000157</p> <p>采矿权人: 襄阳高鹏矿业有限公司</p> <p>地址: 南漳县城关镇水镜大道207号</p> <p>矿山名称: 襄阳高鹏矿业有限公司南漳县肖堰镇一朵岩矿区饰面用灰岩矿、建筑石料用灰岩矿</p> <p>经济类型: 有限责任公司</p> <p>开采矿种: 饰面用灰岩、建筑石料用灰岩</p> <p>开采方式: 露天开采</p> <p>生产规模: 54.00万吨/年</p> <p>矿区面积: 0.3973平方公里</p> <p>有效期限: 贰拾年自2023年7月12日至2043年7月12日</p> <p style="text-align: center;">  二〇二三年七月十二日 </p> <p style="text-align: center;">中华人民共和国自然资源部印制</p>	<p>矿区范围拐点坐标: (2000国家大地坐标系)</p> <p>点号 X坐标 Y坐标</p> <table border="1"> <tbody> <tr><td>1,</td><td>3491052.12,</td><td>37575725.87</td></tr> <tr><td>2,</td><td>3490562.35,</td><td>37576792.72</td></tr> <tr><td>3,</td><td>3490197.48,</td><td>37576627.77</td></tr> <tr><td>4,</td><td>3490364.76,</td><td>37576264.72</td></tr> <tr><td>5,</td><td>3490523.01,</td><td>37576116.75</td></tr> <tr><td>6,</td><td>3490814.50,</td><td>37575620.40</td></tr> </tbody> </table> <p>开采深度: 由612米至420米标高 共由6个拐点圈定</p>	1,	3491052.12,	37575725.87	2,	3490562.35,	37576792.72	3,	3490197.48,	37576627.77	4,	3490364.76,	37576264.72	5,	3490523.01,	37576116.75	6,	3490814.50,	37575620.40
1,	3491052.12,	37575725.87																	
2,	3490562.35,	37576792.72																	
3,	3490197.48,	37576627.77																	
4,	3490364.76,	37576264.72																	
5,	3490523.01,	37576116.75																	
6,	3490814.50,	37575620.40																	

APPENDIX B — CHINESE RESOURCE AND RESERVES STANDARDS

Categorization of Mineral Resources and Ore Reserves

The system for the Categorization of mineral resources and ore reserves in China is in a period of transition which commenced in 1999. The traditional system, which is derived from the former Soviet system, uses five categories based on decreasing levels of geological confidence – Categories A, B, C, D and E. The new system (Rule 66) promulgated by the Ministry of Land and Resources (MLR) in 1999 uses three-dimensional matrices, based on economic, feasibility/project design and geological degrees of confidence. These are categorised by a three-number code of the form “123”. This new system is derived from the UN Framework Classification proposed for international use. All new Project in China must comply with the new system, however, estimates and feasibility studies carried out before 1999 will have used the old system.

Definition of the new Chinese resource and reserves category scheme and a general comparison guide between the Chinese classification scheme and the JORC Code is presented in the following tables.

Appendix Table B-1: General Comparison Guide Between Chinese Classification scheme and the JORC Code

JORC Code Resource	Previous	Chinese Reserves Category Current system
Measured	A, B	111, 111b, 121, 121b, 2M11, 2M21, 2S11
Indicated	C	122, 122b, 2M22, 2S22, 332
Inferred	D	333
Non-equivalent	E	334

Appendix Table B-2: Definition of the New Chinese Resources and Reserves Category Scheme

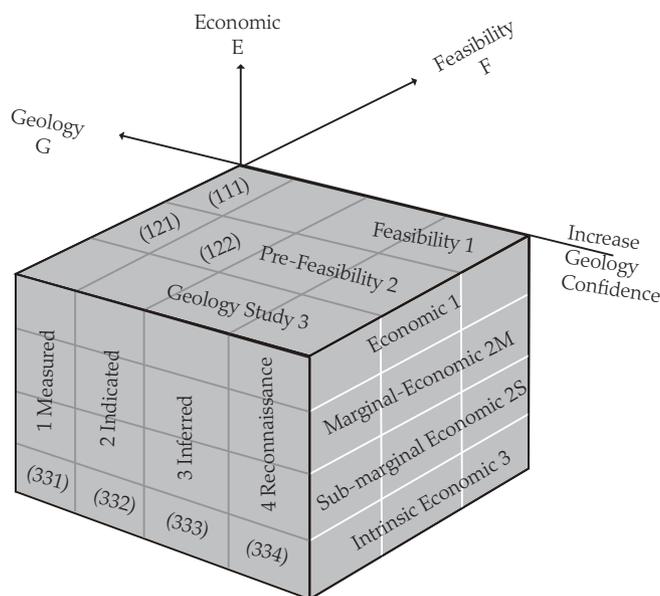
Category	Denoted	Comments
Economic	1	Full feasibility study considering economic factors has been conducted
	2	Pre-feasibility to scoping study which generally considers
	3	economics analysis
Feasibility	1	Further analysis of data collected in "2" by an external technical department
	2	More detailed feasibility work including more trenches, tunnels, drilling, detailed mapping
	3	Preliminary evaluation of feasibility with some mapping and trenches
Geologically controlled	1	Strong geological control
	2	Moderate geological control via closely spaced data points (e.g., small-scale mapping)
	3	Minor work which is projected throughout the area
	4	Review stage

In China, the methods used to estimate the resources and reserves are generally prescribed by the relevant Government authority and are based on the level of knowledge for that geological style of deposit. The parameters and computational methods prescribed by the relevant authority include cut-off grades, minimum thickness of mineralization, maximum thickness of internal waste, and average minimum 'industrial' or 'economic' grades required. The resource classification categories are assigned largely based on the spacing of sampling, trenching, underground tunnels and drill holes.

In the pre-1999 system, Category A generally included the highest level of detail possible, such as grade control information. However, the content of each category B, C and D may vary from deposit to deposit in China, and therefore must be carefully reviewed before assigning to an equivalent “JORC Code type” category. The traditional Categories B, C and D are broadly equivalent to the ‘Measured’, ‘Indicated’, and ‘Inferred’ categories that are provided by the JORC Code and USBM/USGS systems used widely elsewhere in the world. In the JORC Code system the ‘Measured Resource’ category has the most confidence and the ‘Inferred’ category has the least confidence, based on the increasing levels of geological knowledge and continuity of mineralization.

The new code (see Appendix Fig. B-1) attempts to address this by using a three-component system (EFG) that considers the deposit economics (E), the level of mining feasibility studies that have been carried out (F) and the level of geological confidence (G) using a numerical ranking. The New Chinese Classification comparison to the JORC Classification is detailed in the following table, Appendix Table B-3.

Appendix Figure B-1: Chinese Resources/Reserves Classification Matrix (1999)



In the New Chinese Classification Scheme, as shown in the following table, the three numbers refer to economic, feasibility/project design and geological degrees of confidence.

Appendix Table B-3: New Chinese Classification Scheme in Comparison to JORC

Old Chinese Classification		A & B		C			D	E & F	
New Chinese Classification									
“E” Economic Evaluation (100)	Designed mining loss accounted	Recoverable Reserve (111)	Probable Recoverable Reserve (121)		Probable Recoverable Reserve (122)				
	Designed mining loss not accounted (b)	Basic Reserve (111b)	Basic Reserve (121b)		Basic Reserve (122b)				
Marginal Economic (2M00)		Basic Reserve (2M11)	Basic Reserve (2M21)		Basic Reserve (2M22)				
Sub-Economic (2S00)		Resource (2S11)	Resource (2S21)		Resource (2S22)				
Intrinsically Economic (300)		–	–	Resource (331)		Resource (332)	Resource (333)	Resource (334)	
“F” Feasibility Evaluation		Feasibility (010)	Pre- Feasibility (020)	Scoping (030)	Pre- Feasibility (020)	Scoping (030)	Scoping (030)	Scoping (030)	
“G” Geological Evaluation		Measured (001)			Indicated (002)		Inferred (003)	Predicted (004)	
JORC							<i>Unclassified or</i>		
							<i>Exploration Potential</i>		
							<i>Inferred</i>		
						<i>Probable Reserve or Indicated Resource</i>			
		<i>Proved/Probable Reserve or Measured Resource</i>							

Source: International Standards and the JORC Code for Resources

Two main styles of resource reporting codes exist internationally. These are the American style (USA and much of South America) and the JORC style (Australia, South Africa, Canada, and UK). This is further complicated by the listing and reporting requirements of different stock exchanges. It is generally true that a resource estimation that complies with the JORC code (or one of its sister codes) will meet the standards of most international investors.

The new Chinese code is a blend of the old Chinese Code and the codes in current use today, including JORC and the current United Nations (UN) standard, with some additional local components added. JORC is a non-prescriptive code, in that it does not lay out specific limits for resource classification in terms of such things as borehole spacing. Instead, it emphasizes the principles of transparency, materiality, and the role of the Competent Person. Whilst some guidelines do exist (e.g., the Australian Guidelines for the Estimation of Coal Resources and Reserves) they are not mandatory, and classification is left in the hands of the Competent Person. When combined with its Professional Standards (which are effectively mandatory), the Chinese code is much more prescriptive but does not include the role of the Competent Person.

An examination of the details of the Chinese code suggests that in terms of broad Categorization, the levels of geological confidence ascribed to Measured and Indicated resources are quite similar in both the codes. The ranges of borehole spacings, thickness cut-offs and quality limitations that are enforced by the Chinese system would generally result in the same resource classification under the JORC Code.

The JORC Code uses the following definitions for Mineral Resources and Ore Reserves:

Measured Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade, and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Indicated Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade, and mineral content can be estimated with a reasonable level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade, and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes which may be limited or of uncertain quality and reliability.

Exploration Target/Results includes data and information generated by exploration programs that may be of use to investors. The reporting of such information is common in the early stages of exploration and is usually based on limited surface chip sampling, geochemical and geophysical surveys. Discussion of target size and type must be expressed so that it cannot be misrepresented as an estimate of Mineral Resources or Ore Reserves.

A "Proved Ore Reserves" is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social, and governmental factors. These assessments demonstrate at the time of Reporting that extraction could reasonably be justified. A Proved Ore Reserves represents the highest confidence category of Ore Reserves estimates. This requires detailed exploration and quality data – points of observation to provide high geological confidence.

A "Probable Ore Reserves" is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social, and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserves has a lower level of confidence than a Proved Ore Reserves but has adequate reliability as the basis of mining studies.

APPENDIX C – CHINESE ENVIRONMENTAL LEGISLATIVE BACKGROUND

The Mineral Resources Law of the People's Republic of China (Amended in 2009), Rules for Implementation of the Mineral Resources Law of the People's Republic of China (1994) and Environmental Protection Law of the People's Republic of China (Amended in 2014) provide the main legislative framework for the regulation and administration of mining Project within China. The Environmental Protection Law of the People's Republic of China (Amended in 2014) provides the main legislative framework for the regulation and administration of mining Project environmental impacts.

The following articles of the Mineral Resources Law of the People's Republic of China (Amended in 2009) summarized the specific provisions in relation to environmental protection.

Article 15 Qualification & Approval

Anyone who wishes to establish a mining enterprise must meet the qualifications prescribed by the State, and the department in charge of examination and approval shall, in accordance with law and relevant State regulations, examine the enterprise's mining area, its mining design or mining plan, production and technological conditions and safety and environmental protection measures. Only those that pass the examination shall be granted approval.

Article 21 Closure Requirements

If a mine is to be closed down, a report must be prepared with information about the mining operations, hidden dangers, land reclamation and utilization, and environmental protection, and an application for examination and approval must be filed in accordance with relevant State regulations.

Article 32 Environmental Protection Obligations of Mining License Holders

In mining mineral resources, a mining enterprise must observe the legal provisions on environmental protection to prevent pollution of the environment. In mining mineral resources, land must be used economically. In case that cultivated land, grassland or forest land is damaged due to mining, the mining enterprise concerned shall take measures to restore the land affected, such as by reclamation, tree and grass planting or other measures to make the damaged land useable. Anyone who, in mining mineral resources, causes losses to the production and livelihood of other persons shall be liable for compensation and shall adopt necessary remedial measures.

The following articles of the Environmental Protection Law of the People's Republic of China (Amended in 2014) summarize the specific provisions for environmental protection in relation to mining.

Article 19 Environmental Impact Assessment

Environmental impact assessment shall be carried out pursuant to the law in the formulation of the relevant development and utilization plans and construction of Project which have an impact on environment. Development and utilization plans which have not carried out environmental impact assessment pursuant to the law shall not be organized and implemented; construction Project which have not carried out environmental impact assessment shall not commence construction.

Article 41 Pollution Prevention Facilities

Pollution prevention facilities in construction Project shall be designed, constructed and put into use simultaneously with the main project. Pollution prevention facilities shall comply with the requirements of the approved environmental impact assessment document, and shall not be arbitrarily removed or left idle.

Article 59 Violation Consequences

Enterprises, institutions and other manufacturing operation guilty of illegal discharge of pollutants shall be subject to a fine and ordered to make correction; where an offender refuses to make correction, the administrative authorities which made the punishment decision pursuant to the law may, with effect from the date of order for correction, impose consecutive daily fines based on the original punishment amount. The fines stipulated in the preceding paragraphs shall comply with the provisions determined in accordance with the factors such as operation costs of pollution prevent facilities, direct losses caused by the illegal actor and illegal income derived from the illegal act etc. Local regulations may, in accordance with the actual need of environmental protection, include additional types of illegal acts for which daily consecutive fines stipulated in the first paragraph are applicable.

The following articles of the Regulations on the Administration of Construction Project Environmental Protection (Amended in 2017) summarize the specific provisions for undertaking a project's Final Checking and Acceptance process.

Article 17 – Upon completion of construction of a construction project for which an environmental impact report or environment impact statement is formulated, the builder shall conduct acceptance inspection of the complementary environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, and formulate the acceptance inspection report. The builder shall, in the acceptance inspection process of the environment protection facilities, inspect, monitor and record the construction and testing status of the construction project's environmental protection facilities truthfully, and shall not commit any fraud. Except for circumstances when there is a need to keep confidentiality pursuant to the provision of the state, the builder shall announce the acceptance inspection report pursuant to the Law.

Article 18 – For construction Project that are built in phases, go into production or are delivered for use in phases, acceptance checks for their corresponding environmental protection facilities should be conducted in phases.

Article 20 – The environmental protection administrative authorities shall supervise and inspect the status of design, construction, acceptance inspection and putting into production or use of a construction project's environmental protection facilities, as well as implementation of other environmental protection measures determined in the relevant environmental impact assessment document. The environmental protection administrative authorities shall record the relevant information of environment violations by construction Project into the social creditworthiness files, and promptly announce the list of offenders to the public.

The following article of the Water & Soil Conservancy Law of the People's Republic of China (Amended in 2010) summarizes the provisions for the preparation and approval of Water and Soil Conservation Plans.

Article 15 – For any plan on infrastructure construction, exploitation of mineral resources, urban construction or construction of public science facilities that may cause soil erosion during its implementation, the formulating agency shall include preventive and rehabilitative strategies and measures in the plan, and consult with the water administrative department of the people's government at the corresponding level prior to submitting it for approval.

The following are other Chinese laws that provide environmental legislative support to the Minerals Resources Law of the People's Republic of China (Amended in 2009) and the Environmental Protection Law of the People's Republic of China (Amended in 2014):

- Environmental Impact Assessment (EIA) Law of the People's Republic of China (Amended in 2018);
- Law of the People's Republic of China on Prevention & Control of Atmospheric Pollution (Amended in 2018);
- Law of the People's Republic of China on Prevention & Control of Noise Pollution (Amended in 2018);
- Law of the People's Republic of China on Prevention & Control of Water Pollution (Amended in 2017);
- Law of the People's Republic of China on Prevention & Control Environmental Pollution by Solid Waste (revised 2020);
- Law of the People's Republic of China on the Forestry Law (revised 2019);
- Law of the People's Republic of China on Water Law (revised 2016);

- Law of the People's Republic of China on Water Conservancy Industrial Policy (1997);
- Law of the People's Republic of China on Land Administration Law (2019);
- Law of the People's Republic of China on Protection of Wildlife Law (1989);
- Law of the People's Republic of China on Energy Conservation Law (2018);
- Law of the People's Republic of China on Electric Power Law (2018);
- Regulation on prevention and control of tailings pollution (1999);
- Management Regulations of Dangerous Chemical Materials (2013).

The relevant environmental protection related Chinese legislation that are required to be utilised for project's design are a combination of the following National design regulations and emissions standards:

- Regulations on the Administration of Construction Project Environmental Protection (2017);
- Regulations for Quality Control of Construction Project (2019);
- Regulations on Nature Reserves (2017);
- Regulations on Management of Chemicals Subject to Supervision & Control (2011);
- Environment Protection Design Regulations of Metallurgical Industry (YB9066-55);
- Comprehensive Emission Standard of Wastewater (GB8978-1996);
- Environmental Quality Standard for Surface Water (GB3838-2002);
- Environmental Quality Standard for Groundwater (GB/T14848-1993);
- Ambient Air Quality Standard (GB3095-2012);

- Comprehensive Emission Standard of Atmospheric Pollutants (GB16297-1996);
- Emission Standard of Atmospheric Pollutants from Industrial Kiln (GB9078-1996);
- Emission Standard of Atmospheric Pollutants from Boiler (GB13271-2014)-II-stage coal-fired boiler;
- Environmental Quality Standard for Soils (GB15618-1995);
- Standard of Boundary Noise of Industrial Enterprise (GB12348-90);
- Emissions Standard for Pollution from Heavy Industry; Non-Ferrous Metals (GB4913-1985);
- Control Standard on PCBs for Wastes (GB13015-2017);
- Control Standard on Cyanide for Waste Slugs (GB12502-1990);
- Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001);
- Identification Standard for Hazardous Wastes-Identification for Extraction Procedure Toxicity (GB5085.3-2007);
- Standard of Landfill and Pollution Control of Hazardous Waste (GB18598-2019).

APPENDIX D – EQUATOR PRINCIPLES AND INTERNATIONALLY RECOGNISED ENVIRONMENTAL MANAGEMENT PRACTICES

In seeking to obtain project financing or to list on a stock exchange, these institutions themselves require the proponent to comply with such documents as the Equator Principles and the IFC Performance Standards and Guidelines. This is exemplified by the following preamble from the Equator Principles (July 2006).

Project financing, a method of funding in which the lender looks primarily to the revenues generated by a single project both as the source of repayment and as security for the exposure, plays an important role in financing development throughout the world. Project financiers may encounter social and environmental issues that are both complex and challenging, particularly with respect to Project in the emerging markets.

The Equator Principles Financial Institutions (EPFIs) have consequently adopted these Principles to ensure that the Project the Company finance are developed in a manner that is socially responsible and reflect sound environmental management practices. By doing so, negative impacts on project-affected ecosystems and communities should be avoided where possible, and if these impacts are unavoidable, they should be reduced, mitigated and/or compensated for appropriately. The Company believe that adoption of and adherence to these Principles offers significant benefits to the Company, the Company borrowers and local stakeholders through the Company borrowers' engagement with locally affected communities. The Company therefore recognise that its role as financiers affords the opportunities to promote responsible environmental stewardship and socially responsible development. As such, EPFIs will consider reviewing these Principles from time-to-time based on implementation experience, and to reflect ongoing learning and emerging good practice.

These Principles are intended to serve as a common baseline and framework for the implementation by each EPFI of its own internal social and environmental policies, procedures and standards related to its project financing activities. The Company will not provide loans to Project where the borrower will not or is unable to comply with its respective social and environmental policies and procedures that implement the Equator Principles.

The following tables Appendix Table D-1 and Appendix Table D-2 provide a brief summary of the Equator Principles and IFC performance standards respectively. These documents are used by the EPFI's and stock exchanges in their review of social and environmental performance of proponent companies.

Appendix Table D-1 Brief summary of the Equator Principles

Equator Principles	Title	Key Aspects (Summary)
1	Review and Categorization	Categorise such Project based on the magnitude of its potential impacts and risks.
2	Social and Environmental Assessment	Conduct a Social and Environmental Assessment (“ Assessment ”). The Assessment should also propose mitigation and management measures appropriate to the nature and scale of the proposed project.
3	Applicable Social & Environmental Standards	The Assessment will refer to the applicable IFC Performance Standards, and applicable Industry Specific EHS Guidelines (“ EHS Guidelines ”) and overall compliance with same.
4	Action Plan & Management System	Prepare an Action Plan (AP) which addresses relevant findings of the Assessment. The AP will describe and prioritise actions, mitigation measures, corrective actions and monitoring to manage impacts and risks identified in the Assessment. Maintain a Social and Environmental Management System that addresses management of these impacts, risks, and corrective actions required to comply with host country laws and regulations, and requirements of the applicable Standards and Guidelines, as defined in the AP.
5	Consultation & Disclosure	Consult with project affected communities. Adequately incorporate affected communities’ concerns.
6	Grievance Mechanism	Establish a grievance mechanism as part of the management system to receive and resolve concerns about the project by individuals or groups from among project-affected communities. Inform affected communities about the grievance mechanism during the community engagement process and ensure that the mechanism addresses concern promptly, transparently and is readily accessible to all segments of the affected communities.
7	Independent Review	Independent social or environmental expert will review the Assessment, AP and consultation process to assess Equator Principles compliance.

Equator Principles	Title	Key Aspects (Summary)
8	Covenants	<p>Covenant in financing documentation:</p> <ul style="list-style-type: none">a) to comply with all relevant host country social and environmental laws, regulations and permits;b) to comply with the AP during the construction and operation of the project;c) to provide periodic reports not less than annually, prepared by in house staff or third-party experts, that (i) document compliance with the AP, and (ii) provide compliance with relevant local, state and host country social and environmental laws, regulations and permits; andd) decommission facilities, where applicable and appropriate, in accordance with an agreed decommissioning plan.
9	Independent Monitoring and Reporting	Appoint an independent environmental and/or social expert or require that the borrower retain qualified and experienced external experts to verify its monitoring information.
10	EPFI Reporting	Each EPFI adopting the Equator Principles commits to report publicly at least annually about its Equator Principles implementation processes and experience, considering appropriate confidentiality considerations.

Appendix Table D-2: IFC Performance Standards

IFC Performance Standard	Title	Objective (Summary)	Key Aspects (Summary)
1	Social, Environmental Assessment & Management Systems	Social and EIA and improved performance through use of management systems	Social & Environmental Management System (S&EMS). Social & Environmental Impact Assessment (S&EIA). Risks and impacts. Management Plans. Monitoring. Reporting. Training. Community Consultation.
2	Labour and Working Condition	EEO. Safety and health	Implement through the S&EMS. HR policy. Working conditions. EEO. Forced and child labour. OH&S.
3	Pollution Prevention and Abatement	Avoid pollution. Reduce emissions	Prevent pollution. Conserve resources. Energy efficiency. Reduce waste. Hazardous materials. EPR. Greenhouse.
4	Community Health, Safety and Security	Avoid or minimize risks to community	Implement through the S&EMS. Do risk assessment. Hazardous materials safety. Community exposure. ERP.
5	Land Acquisition and Involuntary Resettlement	Avoid or minimize resettlement. Mitigate adverse social impacts	Implement through the S&EMS. Consultation. Compensation. Resettlement planning. Economic displacement.
6	Biodiversity Conservation & Sustainable Natural Resource Management	Protect and conserve biodiversity	Implement through the S&EMS. Assessment. Habitat. Protected areas. Invasive species.
7	Indigenous people	Respect	Avoid and minimize impacts. Foster good faith. Avoid adverse impacts. Consultation. Development benefits. Impacts to traditional land use. Relocation.
8	Cultural Heritage	Protect cultural heritage	Heritage survey. Site avoidance. Consultation.

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Our Ref: AP230405/2212/FBMH/Rpt

7 November 2023

Future Bright Mining Holdings Limited

Unit 8101, Level 81,
International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

Dear Sir or Madam,

RE: Valuation of the Fair Value of the Mining Right of Yiduoyan Marble Project as of 30 June 2023

We, AP Appraisal Limited (“**APA**”), refer to the instructions from Future Bright Mining Holdings Limited (the “**Instructing Party**”) to conduct a valuation of the Fair Value of the Mining Right of Yiduoyan Marble Project (the “**Project**” or “**Project Yiduoyan**”) as of 30 June 2023 (the “**Valuation Date**”).

PURPOSE OF VALUATION

For the purpose of preparing the valuation of the Fair Value of Mining Right of Project Yiduoyan for circular purpose of the Hong Kong Stock Exchange (the “**HKEx Circular**”) only, we observe and follow the definitions and standards laid down by the Hong Kong Financial Reporting Standards, the RICS Valuation Standards, and the International Valuation Standards, JORC Code, VALMIN Code, and Chapter 18 of Hong Kong Stock Exchange Listing Rules.

PREMISE OF VALUATION & BASIS OF VALUATION

Our valuation is based on going concern premise and conducted on a fair value basis. According to section 90 of IVS 104 of the International Valuation Standards published by the International Valuation Standards Council, Fair Value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

BACKGROUND OF THE MINING LICENSE

The Project includes one mining license, numbered C4206242023077261000157, covering 0.3973 km². The current Mining License was renewed on 12 July 2023 and is held by Xiangyang Future Bright Mining Limited (the PRC subsidiary of the Company) and was issued by the Department of Land Resources of Nanzhang County. Table 1 gives the coordinates of the Project, and Table 2 shows the summary of the Mining License.

Table 1: Coordinates of the Mining License (China Geodetic Coordinate System 2000)

Vertex	X-Axis	Y-Axis
1	3491052.12	37575725.87
2	3490562.35	37576792.72
3	3490197.48	37576627.77
4	3490364.76	37576264.72
5	3490523.01	37576116.75
6	3490814.50	37575620.40
Elevation Limit	From 420 to 612 mRL*	

Table 2: Summary of the Mining License

License No.	C4206242023077261000157
Owner of mining license	Xiangyang Future Bright Mining Limited
Address	Xiaoyan Township, Nanzhang County
Name of mine	Yiduoyan Marble Mine of Xiaoyan Township, Nanzhang County
Type of mineral	Marble
Mining method	Open pit
Production capacity	540,000 tonnes (equivalent to 200,000 m ³) per year
Area of mine	0.3973 square kilometres
Mining depths	Elevation of 420m to 612m*
Period of validity	From 12 July 2023 to 12 July 2043
Issuing authority	Department of Land Resources of Nanzhang County

Department of Land Resources of Nanzhang County confirmed in writing that mining activities are allowed to take place up to 612 mRL. Please refer to Appendix III for the photocopy of the mining license of the Project.

BACKGROUND OF PROJECT YIDUOYAN

The Project is located in Nanzhang County, Hubei Province of China, approximately 45 km from Nanzhang. The Project area is covered by a mining license, measuring approximately 0.4 km².

Exploration History of Project Yiduoyan

The marble mine in Yiduoyan mining area of Nanzhang County was put into production after the mine was built in 2011, and the mining license validity period was from 30 December 2011 to 30 December 2021. On 30 December 2021, the certified mineral type of the mining license was “Marble”, however, the mining license was replaced on 18 August 2017 due to handling the three certificates into one license procedure introduced by the government. The mining license was valid from 18 August 2017 to 30 December 2021, and the type of the certified mineral issued was changed to “Building Industry Marble”.

The marble mine stopped production after the mining license expired in December 2021. The mine adopts a bead wire saw machine. There was only one mining platform for the mining process when APA visited the mine in May 2023. The platform is approximately 160m long from east to west and 150m wide from north to south, forming a mining area of 2 Steps, each with a height of 7m and a slope angle of 90°, with a minimum platform elevation of +524m. According to the production records of the company and APA had a verification of the records, the actual mining type of the mine is limestone for decoration, i.e., the marble, and the previous mining consumption of the limestone resource amount is 53,000 cubic meters (with 12,000 cubic meters of marble block yields), and the mining consumption of the construction stone materials recorded as 75,000 cubic meters (i.e., 204,000 tonnes with an average density of 2.7 t/m³).

As stated in a previous technical report prepared by SRK in 2012, the Company commissioned the Team 932 of Nonferrous Metals Geological Bureau of Guangdong Province (“**Team 932**”) to conduct geological investigation comprising 12 diamond drillholes totaling 1,009.2 m, of which nine were logged, a topographical survey, geological mapping, hydrological study, and sampling for physical and chemical tests. In July 2013, Future Bright also commissioned Sinoma to undertake a Feasibility Study (“**FS**”) on the Project.

Mining History of Project Yiduoyan

The Company has been conducting full-scale mine construction since August 2013. In April 2014, the Company had already constructed three production benches at 556 m, 548 m and 540 m respectively at the initial mining area, located between Exploration Lines 101 and 102. These benches measure 120 m, 220 m and 260 m respectively. As of the end of June 2014, the production bench at 556 m had been completely mined out whereas mining continues at level 548 m and 540 m.

After the first exploration work carried out by Team 932 in 2012 and 2013, Hubei Xiangdi Resources and Environment Co. Ltd (The Xiangdi exploration team) carried out the second limestone mineral resource exploration and verification work on the project in early 2022, which was planned by the company before its application of renewing the mining license.

Mineral Resources of Project Yiduoyan

Per Competent Person's Report: Update of the Mineral Resources and Ore Reserves of Yiduoyan Project (the "CPR") compiled by Dr. Mark W. Osterberg, Mr. Baolong Zhao and reviewed by Mr. Paul Hung from AP Appraisal Limited, the Ore Reserves of Project Yiduoyan as of 30 June 2023 and for valuation use are displayed in the Table 3 and Table 4 below.

Table 3: Project Yiduoyan Limestone Mineral Resources Statement as of 30 June 2023

	Marble <i>(million m³)</i>	Marble Block Yield <i>(million m³)</i>	Industry Limestone <i>(million m³)</i>	Total <i>(million m³)</i>
Inferred	6.1	2.2	6.4	12.5
Indicated	10.1	1.4	7.4	17.5
Total	16.2	3.6	13.8	30.0

The mineral resource has been limited to the area within the mining license between the approved elevations limits of 420 to 612 mRL. The block marble resource is calculated to have a block yield of approximately 22%.

Table 4: Project Yiduoyan Marble Reserve Statement as of 30 June 2023 (after SRK 2014)

Reserve Category	White	Grey	Total	Consumption	Current Total
	Marble V-1 (million m ³)	Marble V-2 (million m ³)		White and Grey Marble (million m ³)	
Probable	0.87	0.04	0.91	0.07	0.84

Mining Schedule of Project Yiduoyan

Year start date	1/7/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
Year end date	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2070
Marble mined (m ³)	-	20,000	40,000	80,000	160,000	200,000

Based on the Mineral resources and Ore Reserves (Table 1 and Table 2 of this Report), we consider that for Economic Evaluation to be reasonable and achievable based on the current mining equipment and future designs, The Project Yiduoyan is expected to start full mining capacity of 200,000 m³ per year at January 2028. The Forecast Mine Life is 47.5 years.

Current Invested Fixed Assets in Project Yiduoyan (at Production Capacity of 20,000 m³) as of 30 June 2023

Department	Present Value (RMB)
Mine Infrastructure	12,113,500
Motor Vehicles	102,000
Machinery	24,500
Office equipment & Furniture & Fixtures	13,500
Buildings	6,500
Total:	<u>12,260,000</u>

For details of the breakdown of the current invested fixed assets in the Project as of the Valuation Date, please refer to Appendix IV of this Report.

Suggested Capital Expenditure in Project Yiduoyan (at Production Capacity of 200,000 m³)

Department	Cost (RMB)
Mine Infrastructure	38,000,000
Motor Vehicles	3,000,000
Machinery	10,000,000
Office equipment & Furniture & Fixtures	2,000,000
Buildings	3,000,000
	<hr/>
Total:	<u>56,000,000</u>

VALUATION METHODOLOGIES**Three Generally Accepted Valuation Approaches in Business Valuation**

Asset Approach – The asset approach determines a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

Market Approach – The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

Income Approach – The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

Selection of Valuation Methodology

We considered that the asset approach not an adequate approach for the valuation, as this approach does not take future growth potential into consideration. Besides, we also considered that the market approach not applicable for the valuation, as there are insufficient comparable transactions in the market. Thus, we determined that the income approach was the most appropriate valuation approach to value the Fair Value of Project Yiduoyan. The Multi-Period Excess Earnings Method (the “MPEEM”) under the Income Approach is adopted for the valuation of the Fair Value of the Mining Right of Project Yiduoyan.

Multi-Period Excess Earnings Method (the “MPEEM”)

For the valuation of the Fair Value of the Project, we have adopted the Multi-Period Excess Earnings Method (“MPEEM”). In the MPEEM model, a stream of revenue and expenses (Operating Cashflow) are identified as those associated with a particular group of assets. This group of assets includes the subject intangible asset as well as other assets (Contributory Assets) that are necessary to support the earnings associated with the subject intangible asset. The prospective earnings of the single subject intangible asset are isolated from those of the group of assets by deducting portions of the total earnings that are attributable to the Contributory Assets (Contributory Asset Charges) from the Operating Cashflow to estimate the Excess Earnings attributable to the subject intangible asset. These Excess Earnings are discounted to present value at an appropriate discount rate to estimate the Fair Value of the subject mining licence.

Operating Cashflow

The projected annual Operating Cashflow are based on Estimated Revenue and Estimated Expenses and other relevant information provided by the management of the Company. In arriving at the projected annual Operating Cashflow, we have considered the following principal factors and went through the following processes:

1. The Estimated Revenue generated from the existing Project;
2. Estimating all direct costs, related expenses and capital expenditure to retain and expand the customer lists according to information and forecast provided by the management of the Instructing Party;
3. Calculating profit tax according to profit before tax.

Estimated Revenue

The Estimated Revenue of the Project is based on the calculation of the following formula:

$$\begin{aligned}
 \text{Revenue of the first year} &= \text{Annual Production Volume} \times \text{Block Yield} \times \\
 \text{of mining (Year 2024)} &\quad \text{Unit Price of Marble}^{\#} \times \text{Conversion Ratio from} \\
 &\quad \text{m}^3 \text{ to m}^2 \text{ in marbles} \\
 &= 20,000 \times 22\% \times 209 \times 10 \\
 &= \text{RMB9,196,000}
 \end{aligned}$$

At the end of 2024, the estimated revenue for the Project is approximately RMB9.2 million.

$$\begin{aligned}
 \text{Revenue of the first year at full mining capacity (Year 2028)} &= \text{Annual Production Volume} \times \text{Block Yield} \times (1 + \text{Annual Growth Rate})^4 \times \text{Unit Price of Marble}^\# \times \text{Conversion Ratio from m}^3 \text{ to m}^2 \text{ in marbles} \\
 &= 200,000 \times 22\% \times (1 + 2.5\%)^4 \times 209 \times 10 \\
 &= \text{RMB101,507,000}
 \end{aligned}$$

At the end of 2028, the estimated revenue for the Project is approximately RMB101.5 million.

[#] For the Unit Price of Marble minerals located in the Project, we have adopted the unweighted arithmetic average of the asking price of the comparable commodity listed on the website within the 12 months before the end of the reporting period.

Contributory Assets and Contributory Asset Charges

Contributory Asset Charges (“CAC”) is multiplying the value of the Contributory Assets to the required rate of returns (“RRR”) of the Contributory Assets. The Contributory Assets include (1) Working Capital, (2) Fixed Asset, and (3) Assembly Force. The required rate of returns adopted in the valuation for Working Capital, Fixed Asset, and Assembled Force are 2.66%, 6.33%, and 10.00% respectively.

Other Key Parameters in Relation to Evaluation of the mining right of Project Yiduoyan

The other key parameters in relation to Evaluation of the Mining Right of Project Yiduoyan is displayed in section 9.2.6 of the CPR and is shown per table below.

	Parameter	Value	Source
(a)	Annual Production Volume	20,000 T/Year in 2024, 200,000 T/Year since 2028	Per p.70 of the CPR
(b)	Annual Growth Rate	2.50%	10 year average of World GDP growth (World Bank), 10 year average of World CPI growth rate (IMF)
(c)	Block Yield	22%	Estimated by Hubei Xiangdi Resources and Environment Co., Ltd, a company which carries out the mineral resource exploration and verification work on the Project in March 2022

	Parameter	Value	Source
(d)	Mining Cost	1,000 RMB/m ³	Per p.74 of the CPR
(e)	Contingency Cost	2% of Total Cost	Per p.74 of the CPR
(f)	Value-added Tax (incorporated in mining cost)	3.1% of revenue	Per p.74 of the CPR
(g)	Resources Tax	6% of revenue	Per p.67 of the CPR
(h)	Profit Tax	25% of profit before tax	Per p.74 of the CPR
(i)	Unit Price of Marble	209 RMB/m ²	1688.com from Alibaba Group
(j)	Conversion Ratio from m ³ to m ² in marbles	10:1	Per record of historical production of the Project
(k)	RRR for CAC – Working Capital	2.66%	After tax cost of borrowing (1 year borrowing rate in the PRC) as of Valuation Date
(l)	RRR for CAC – Fixed Assets	6.33%	50% on cost of borrowing (1 year borrowing rate in the PRC) + 50% on cost of equity (Derived from CAPM Model) as of the Valuation Date
(m)	RRR for CAC – Assembled Workforce	10.00%	WACC derived from CAPM

* For the Unit Price of Marble minerals located in the Project, we have adopted the unweighted arithmetic average of the asking price of the comparable commodity listed on the website within the 12 months before the end of the reporting period.

Weighted Average Cost of Capital (“WACC”)

The discount rate for the Fair Value of the Mining Right of Yiduoyan Marble Project is the weighted average cost of capital (the “WACC”). WACC comprises two components: cost of equity and cost of debt. The cost of equity was developed using Capital Asset Pricing Model (the “CAPM”). The CAPM states that an investor requires excess returns to compensate systematic risks and an efficient market provides no excess return for other risks.

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - T)$$

Where:

R _e	= Cost of Equity
R _d	= Cost of Debt
W _e	= Weighting of Equity
W _d	= Weighting of Debt
T	= Tax

Capital Asset Pricing Model

$$R_e = R_f + \beta \times (R_m - R_f)$$

Where:

R_f = Risk-free rate

β = Median Beta Coefficient derived from peer firms

R_m = Market rate of return

In determining the proper rate to discount the forecasted cash flows, we have identified relevant peer group companies which are listed in stock exchange markets in Hong Kong.

Our selection criteria are:

1. The peer firm engaged in minerals mining or processing activities in Hong Kong and China;
2. Peers have positive net profit in the latest reporting period;
3. Market capitalization of the peers are under USD3 billion;
4. The shares are listed on the Hong Kong Stock Exchange; and
5. Information of the peer firm is available and from a reliable source.

Rationale of the selection criteria:

1. It is fair and reasonable to select peer companies which has similar/same business activities with the Target Companies.
2. As our valuation is based on the going concern basis of the Project, it is fair and reasonable to exclude project with negative profit which uncertainty of the going concern exist.
3. Valuer had tried and obtained that there is no material effect and change to the discount rate by changing higher or lower market capitalization requirement. However, valuer has to select companies with market capitalization under USD3 billion in order to have sufficient peer companies to represent the fairness.
4. As the operation of the Project are in Mainland China (or the "PRC"), it is fair and reasonable to include peers which have business activities and listed on main stock exchange in the same/similar region, which is the Hong Kong Stock Exchange.
5. The search and data extraction of the peer companies are sourced from Refinitiv of London Stock Exchange Group, which is a renowned and commonly used financial database around the globe. We believe the data from this source is reliable and accurate which facilitates us in the valuation.

Comparable Companies used in this Valuation

No.	Ticker	Listing Location	Name of Project	Business Description
1	1712 HK	Hong Kong	Dragon Mining Ltd	Dragon Mining Limited is an Australia-based company that is engaged in the exploration, evaluation, and development of gold projects in the Nordic region. The Company operates gold mines and processing facilities in Finland and Sweden. In Finland, it operates, the Vammala Production Centre (Vammala), which consists of a conventional 300,000 tons per annum crushing, milling and flotation plant. It holds a series of projects in southern Finland, approximately 165 kilometers (km) northwest of the Finnish capital Helsinki that cover an area of approximately 6,390 hectares and forms the Vammala. This center includes the Jokisivu Gold Mine, Kaapelinkulma Gold Mine, Orivesi Gold Mine and the Uunimaki Gold Project. It holds over 2,818.46 hectares of tenure in northern Sweden, which include Svartliden Production Centre, located approximately 750 km by road north of Stockholm. It includes the Svartliden Plant, carbon in leach (CIL) plant, the Faboliden Gold Mine and the Svartliden Gold Mine.
2	0195 HK	Hong Kong	Greentech Technology International Ltd	Greentech Technology International Limited, formerly L'sea Resources International Holdings Limited is a Hong Kong-based investment holding company principally engaged in mining businesses. The main businesses of the company include the exploration, development and mining of tin and copper bearing ores in Australia. Its main projects include Renison Bell underground mine, Mount Bischoff open cut mine and Rentails tailings.

No.	Ticker	Listing Location	Name of Project	Business Description
3	3330 HK	Hong Kong	Lingbao Gold Group Company Ltd	Lingbao Gold Group Company Ltd. is principally engaged in the mining, processing, smelting and sales of gold and other metallic products in the People's Republic of China (the PRC). The Company operates its business through four segments. The Mining-PRC segment is engaged in gold mining and mineral ores processing operations. The Mining-KR (Korea Republic) segment is engaged in gold mining and mineral ores processing operations in the KR. The Smelting segment is engaged in gold and other metal smelting and refinery operations carried out. The Copper Processing segment is engaged in copper processing operation carried out.
4	8299 HK	Hong Kong	Grand T G Gold Holdings Ltd	Grand T G Gold Holdings Limited is an investment holding company mainly engaged in the gold mining and processing business. The company operates its business through two segments. The Gold Mining segment mainly engages in the operation of exploration, mining, processing and sale of gold concentrate and related products, the company's main mining project is Taizhou Mining project located in Tongguan, Shaanxi. The Corporation segment principally engages in investment holding business.
5	0340 HK	Hong Kong	Tongguan Gold Group Ltd	Tongguan Gold Group Ltd is an investment holding company principally engaged in the gold mining business. The company is engaged in the exploration, mining, processing and sale of gold concentrates and related products. The company mainly conducts gold mining business in China.

No.	Ticker	Listing Location	Name of Project	Business Description
6	0661 HK	Hong Kong	China Daye Non-Ferrous Metals Mining Ltd	China Daye Non-Ferrous Metals Mining Ltd is a Hong Kong-based investment holding company principally engaged in the sales of metal products. The Company mainly sells copper cathodes, copper products, gold and gold products, silver and silver products, sulphuric acid, sulphuric concentrate and iron ores, among others. It also provides copper processing services. The company operates its business in China, Hong Kong and Mongolia markets.
7	3788 HK	Hong Kong	China Hanking Holdings Ltd	China Hanking Holdings Limited is principally engaged in the exploration, mining, processing and sale of mineral resources. The company operates its business through three segments. The Gold Business segment is engaged in the exploration, mining, processing, smelting and marketing of gold ore. The Iron ore Business segment is engaged in the exploration, mining, processing, smelting and marketing of iron ore. The Nickel Business segment is engaged in the exploration, mining, processing, smelting and marketing of nickel ore.
8	3939 HK	Hong Kong	Wanguo International Mining Group Ltd	Wanguo International Mining Group Limited is an investment holding company principally engaged in mining, ore processing and the sale of the concentrates products in China. The concentrates products include copper concentrates, iron concentrates, zinc concentrates, sulfur concentrates, gold in copper concentrates, silver in copper and zinc concentrates and indium in zinc concentrates. Through its subsidiaries, the company is also engaged in the exploration of mineral resources.

No.	Ticker	Listing Location	Name of Project	Business Description
9	1091 HK	Hong Kong	South Manganese Investment Ltd	South Manganese Investment Ltd, formerly CITIC Dameng Holdings Ltd, is an investment holding company mainly engaged in the mining and trading business of manganese. The company operates through four business segments. Electrolytic Manganese Metal (EMM) and Alloying Materials Production segment engages in the mining and processing of EMM, manganese briquette, silicomanganese alloys, and other products. Manganese Mining segment engages in the mining and production of concentrates, natural discharging manganese powder and sand, among other manganese products. Battery Materials Production segment engages in the production and sale of electrolytic manganese dioxide (EMD), manganese sulfate, lithium manganese oxide, lithium nickel cobalt manganese oxide, and other battery materials products. Others segment engages in the trading of commodities including manganese ore, EMM and scraps, and the rental of investment properties and machinery.
10	3833 HK	Hong Kong	Xinjiang Xinxin Mining Industry Co Ltd	Xinjiang Xinxin Mining Industry Co., Ltd. is principally engaged in the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products. The major product of the Company is nickel cathode. The other major product includes copper cathode. The company's subsidiaries include Mengxi Mining, Wuxin Copper and Kalatongke Mining. Through its subsidiaries, the company is also engaged in the investment in phosphate fertilizer, compound fertilizer and other chemical products.

No.	Ticker	Listing Location	Name of Project	Business Description
11	2362 HK	Hong Kong	Jinchuan Group International Resources Co Ltd	Jinchuan Group International Resources Co. Ltd. is an investment holding company principally engaged in the mining operations and the trading of mineral and metal products. The Company operates its business through two segments: Trading of Mineral and Metal Products segment and Mining Operations, Primarily Copper and Cobalt Production segment. The company's subsidiaries include Golden Grand Investment Limited, Golden Harbour International Trading Limited and Jin Rui Mining Investment Limited.
12	0639 HK	Hong Kong	Shougang Fushan Resources Group Ltd	Shougang Fushan Resources Group Ltd is an investment holding company principally engaged in coking coal mining, production and sales of coking coal products. The company's main business include coal mining business and coal processing business. The coal mining business include the mining and exploration of coal resources and the production of raw and clean coking coal in the People's Republic of China (PRC). The company owns Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine in China. In addition, the company engages in the coal processing business through its coal preparation plant.
13	1258 HK	Hong Kong	China Nonferrous Mining Corp Ltd	China Nonferrous Mining Corp Ltd is a China-based company principally engaged in the processing of non-ferrous metals. The company operates in two segments. Leaching segment is mainly engaged in the production and sales of cathode copper and cobalt hydroxide, as well as the exploration and mining of copper oxide ore. Smelting segment is mainly engaged in the smelting of blister copper and anode copper, and the production of chemical products such as sulfuric acid and sulfur dioxide. The company is also engaged in the outsourced processing of copper products. The company mainly conducts its business in the domestic market.

No.	Ticker	Listing Location	Name of Project	Business Description
14	1208 HK	Hong Kong	MMG Ltd	<p>MMG Limited is an Australia-based mining company. The principal activities of the Company include exploration, development and mining of copper, zinc, cobalt, gold, silver, and lead deposits around the world. Its segment includes Las Bambas, Kinsevere, Dugald River, Rosebery, and Other. Las Bambas is an open-pit, scalable, long-life copper and molybdenum mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru. Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the Democratic Republic of Congo (DRC). The Dugald River mine is an underground zinc mining operation located near Cloncurry in Northwest Queensland. The Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast. Its subsidiaries include MMG Australia Limited, MMG Dugald River Pty Ltd, MMG Exploration Pty Ltd, MMG Management Pty Ltd, and Topstart Limited.</p>

Source: Refinitiv from London Stock Exchange Group

Below is the summary of the key parameters of the WACC of the Project adopted as of the Valuation Date:

**Key Parameters
as of 30 June 2023**

(a)	Risk-free Rate	3.01%
(b)	Market Return	10.11%
(c)	Beta Coefficient	0.564
(d)	Size Premium	4.83%
(e)	Project Specific Premium	1.00%
(f)	Cost of Equity	12.85%
(g)	Cost of Debt	4.20%
(h)	Weight of Equity Value to Enterprise Value	70.00%
(i)	Weight of Debt Value to Enterprise Value	30.00%
(j)	Corporate Tax Rate	25.00%
	WACC (Rounded)	10.00%

Notes:

- (a) The risk-free rate adopted was the yield rate of China's 10-year government bond as of the Valuation Date;
- (b) The market return adopted was based on the equity risk premium data for China on Damodaran Online;
- (c) The beta coefficient adopted was the average adjusted beta of the abovementioned comparable companies as extracted from Refinitiv of London Stock Exchange Group;

The respective Beta Coefficient (the "Beta") of the peer firms are displayed as table shown below:

No.	Company	Ticker	Value
1	Dragon Mining Ltd	1712 HK	0.459
2	Greentech Technology International Ltd	0195 HK	0.711
3	Lingbao Gold Group Company Ltd	3330 HK	0.241
4	Grand T G Gold Holdings Ltd	8299 HK	0.402
5	Tongguan Gold Group Ltd	0340 HK	0.495
6	China Daye Non-Ferrous Metals Mining Ltd	0661 HK	(10.211)
7	China Hanking Holdings Ltd	3788 HK	0.586
8	Wanguo International Mining Group Ltd	3939 HK	0.543
9	South Manganese Investment Ltd	1091 HK	0.486
10	Xinjiang Xinxin Mining Industry Co Ltd	3833 HK	0.950
11	Jinchuan Group International Resources Co Ltd	2362 HK	1.678
12	Shougang Fushan Resources Group Ltd	0639 HK	1.165
13	China Nonferrous Mining Corp Ltd	1258 HK	1.012
14	MMG Ltd	1208 HK	0.894
	Median Beta		0.5643
	Adopted		0.5643

- (d) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study published by Duff & Phelps, LLC;
- (e) The other risk premium adopted was to reflect the project specific risk of the Project, which is subject to our professional judgment;
- (f) The cost of equity was determined based on CAPM;
- (g) The cost of debt adopted was bank's lending prime rate in China as of the Valuation Date;
- (h) The weight of equity value to enterprise value adopted was derived from the average debt-to-equity ratio of the abovementioned comparable companies as of the Valuation Date;

The respective debt-to-equity ratio (the "D/E" or "D/E ratio") of the peer firms are displayed as table shown below:

No.	Company	Debt to Equity (D/E)	Selected D/E
1	Chongyi Zhangyuan Tungsten Co Ltd	9.75%	9.75%
2	Tibet Huayu Mining Co Ltd	19.03%	19.03%
3	YanTai Yuancheng Gold Co Ltd	372.33%	372.33%
4	MMG Ltd	48.80%	48.80%
5	Wanguo International Mining Group Ltd	8.26%	8.26%
6	Xinjiang Xinxin Mining Industry Co Ltd	1107.45%	1107.45%
7	Brockman Mining Ltd	60.87%	60.87%
8	South Manganese Investment Ltd	5.66%	5.66%
9	China Hanking Holdings Ltd	246.93%	246.93%
10	Aowei Holding Ltd	95.83%	95.83%
11	China Daye Non-Ferrous Metals Mining Ltd	56.84%	56.84%
12	Jinchuan Group International Resources Co Ltd	1.29%	1.29%
13	Greentech Technology International Ltd	54.25%	54.25%
14	China Nonferrous Mining Corp Ltd	280.98%	280.98%
	Median D/E		55.54%
	Weight of Equity Value to Enterprise Value (rounded)(a)		70.00%
	Weight of Debt Value to Enterprise Value (rounded)(1-a)		30.00%

The figures were extracted from Refinitiv from London Stock Exchange Group, a well-known financial database widely endorsed in the industry. The weight of equity value to Enterprise Value is derived by using the formula: $1/(1+D/E)$. The weight of debt value to Enterprise Value is derived by using the formula: $1-1/(1+D/E)$. As the WACC will become 9% when using the original unrounded median figures, for prudence, a rounded figure is adopted for the Valuation.

- (i) The weight of debt value to enterprise value adopted was derived from the average debt-to equity ratio of the abovementioned comparable companies as of the Valuation Date;
- (j) The corporate tax rate adopted was the 2023 corporate tax rate in China.

Due to the intangible nature of the Project, in order to reflect the higher inherent risk, an additional 2% is added to the original WACC (10.00%). Therefore, we adopted 12.00% as the discount rate for the valuation of mining right of the Project as of the Valuation Date.

SOURCES OF INFORMATION

Our investigation covers the discussion with the Instructing Party and the Project's representatives, collecting the information of the Project's history, operations and prospects of the business. We also take the industry trend and relevant law requirements into consideration. We requested detailed information about the Project's position in order to conduct a detailed review and make an impartial and independent valuation of the Project's position/value. We assume that the data obtained in the course of the valuation, along with the opinions and representations provided to us by the Instructing Party, the Project or his agent(s) are prepared in reasonably care.

The factors considered in this valuation included, but were not limited to, the following:

- The nature and history of the Project;
- The financial conditions of the Project;
- The economic condition and the industry outlook in general;
- The specific economic environment and competition for the Project;
- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks of the Project including the continuity of income and the projected future results.

SPECIFIC ASSUMPTIONS CONSIDERED IN RELATION TO THE VALUATION

- The Project already obtained the mining license, which is displayed in the Appendix III of this Report, and will also obtain all other necessary permits and included but not limited to the approval for environmental impact assessment report, pollutant emission permit, work safety permit, land use right certificate, building ownership certificate, and all these permits and licenses will be applied without substantial cost and issue;
- All equipment for mining, processing & refinery will be ready for the operation of the Project;
- Assumed all expired and going-to-be expired licenses can be renewed accordingly without substantial costs;
- According to Rule 18.33(2) of the Listing Rules of HKEx, if the net present values attributable to Prove Reserves and Proved plus Probable Reserves are disclosed, they are presented on a post-tax basis at varying discount rates (including a reflection of the weighted average cost of capital or minimum acceptable rate of return that applies to the entity at the time of evaluation) or a fixed discount rate of 10%. APA conducted a WACC calculation as of the Valuation Date for cross-checking purpose which proves the 10% discount rate adopted for Project Yiduoyan is valid. Therefore, APA adopted the discount rate of 10% for the valuation of Project Yiduoyan.

Valuer has reviewed related information about financial history and operation of the Project included but not limited to the past-3-year audited reports and the CPR. Valuer had collected and reviewed information of the market of the business of the Project. Valuer had done site inspection of the Project and its mine. Valuer had interviewed and discussed the above assumptions with the management. After all, Valuer is of the opinion that above assumptions are fair and reasonable as of the Valuation Date.

GENERAL ASSUMPTIONS CONSIDERED IN RELATION TO THE VALUATION

Due to the changing environment in which the Project is operating, a number of assumptions have to be established in order to sufficiently support our concluded opinion of value of the Fair Value of Project Yiduoyan. The major assumptions are:

- The nature and history of the Project;
- The economic condition and the industry outlook in general;
- The specific economic environment and competition which the Project may face;
- The financial and business risks under the Project including the continuity of income and the projected future results;
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the jurisdiction where the Project currently operate(s) or will operate which will materially affect the revenues attributable to the Project, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- There is no material difference between adopted mining schedule in valuation and actual schedule;
- The management of the Project can arrange production in accordance with forecasted time and scale, and there is no material difference between actual and forecast situation;
- The Project provided technical report and related information was accurate and no material mistake;
- Key management, competent personnel, and technical staff will all be retained to support ongoing operations of the Project; and
- Interest rates and exchange rates in the localities for the operation of the Project will not differ materially from those presently prevailing.

GENERAL SERVICE CONDITIONS

The service(s) provided by APA will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy, of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years.

This report and valuation shall be used only in its entirety and no part shall be used without making reference to the whole report. Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. Except for financial reporting and auditing purposes, no reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

The valuation may not be used in conjunction with any other valuation or study. The value conclusion(s) stated in this valuation is based on the program of utilization described in the report and may not be separated into parts. No change of any item in any of the valuation shall be made by anyone other than APA, and we shall have no responsibility for any such unauthorized change.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subjects in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of APA, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the 3 times of the amount of fees we received for this engagement.

We reserve the right to include your Project/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers.

Any decision to purchase, sell or transfer any interest in the Project shall be the owners' sole responsibility, as well as the structure to be utilized and the price to be accepted.

The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

In all matters that may be potentially challenged by a Court or others, we do not take any responsibility for the degree of reasonableness of contrary positions that others may choose to take, nor for the costs or fees that may be incurred in the defense of our recommendations against such challenge(s). We will, however, retain our supporting work papers for your matter(s), and will be available to assist in active defense of our professional positions taken, at our then current rates, plus direct actual expenses and according to our then standard professional agreement.

LIMITING CONDITIONS

The primary assumptions and limiting conditions pertaining to the value estimate conclusion(s) stated in this report are summarized below. Other assumptions are cited elsewhere in this report.

- Unless otherwise stated in this report, the valuation of the business has not considered or incorporated the potential economic gain or loss resulting from contingent assets, liabilities or events existing as of the Valuation Date.
- Management is assumed to be competent, and the ownership to be in responsible hands, unless otherwise noted in this report. The quality of the business management can have a direct effect on the viability and value of the business/asset being assessed.
- Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business because of future country, provincial or local legislations/regulations, including any environmental or ecological matters or interpretations thereof.

- All facts and data set forth in our report are true and accurate to the best of our knowledge and belief. No investigation of legal fees or title of the business has been made, and the owner's claim to the business has been assumed valid. No consideration has been given to liens or encumbrances that may be against the business except as specifically stated (if any) in the auditors' report.
- During the course of the valuation, we have considered information provided by the Project and other third parties. We believe these sources to be reliable, but no further responsibility is assumed for their accuracy. We have had verbal conversations with the current management of the Project concerning the past, present, and prospective operating results of the Project. We assume that there are no hidden or unexpected conditions associated with the businesses that might adversely affect the reported values.
- This valuation is based upon data, conditions, hypotheses and assumption stated herein and as presented to us by the Project and other third parties, upon which we relied.
- This appraisal reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions. We have no responsibility or obligation to update this report for events or circumstances occurring subsequent to the Valuation Date.

CONCLUSION OF VALUE

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Project, the Instructing Party and/or APA.

Based on the valuation methodology adopted, we are of the opinion that the Fair Value of Yiduoyan Marble Project as of 30 June 2023 is stated as **RMB120,000,000 (RENMINBI ONE HUNDRED AND TWENTY MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interests in the Project, the Instructing Party or the value reported.

Yours faithfully,
For and on behalf of
AP Appraisal Limited

Paul Hung MRICS ASA MAusIMM
Director – Valuation & Advisory Services

Note: Mr. Paul Hung is a Registered Surveyor of Royal Institution of Chartered Surveyors. He has over 10 year's valuation experience in the Greater China Region. He is a member of Australasian Institute of Mining and Metallurgy. He fulfilled the requirements of Competent Evaluators according to the chapter 18 of the Hong Kong Stock Exchange listing rules.

APPENDIX I – DISCOUNTED CASHFLOW SUMMARY IN RELATION TO THE MINING RIGHT OF PROJECT YIDUOYAN AS OF 30 JUNE 2023

Yiduoyan Marble Project		30/6/2023														
Valuation date:																
Period		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Year start date		1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030	1/1/2031	1/1/2032	1/1/2033	1/1/2034	1/1/2035	1/1/2036	1/1/2037
Year end date		31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030	31/12/2031	31/12/2032	31/12/2033	31/12/2034	31/12/2035	31/12/2036	31/12/2037
Multi-period	Excess Earnings Method															
Marble Mined	m ³	-	20,000	40,000	80,000	160,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Sales volume	m ³	-	4,400	8,800	17,600	35,200	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000
Sales volume	m ²	44,000	88,000	176,000	352,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000
Average Unit price (Excluding VAT)	RMB/m ²	209	209.0	214.2	219.6	225.1	230.7	236.5	242.4	248.4	254.6	261.0	267.5	274.2	281.1	288.1
Revenue	RMB'000	-	9,196	18,852	38,646	79,225	101,507	104,044	106,645	109,312	112,044	114,945	117,717	120,659	123,676	126,768
Less: VAT and surcharges (3.1% of revenue)	RMB'000	-	(285)	(584)	(1,198)	(2,456)	(3,147)	(3,255)	(3,306)	(3,389)	(3,473)	(3,560)	(3,649)	(3,740)	(3,834)	(3,930)
Less: Renewal of the mining permit	RMB'000	(60,000)	-	-	-	(8,731)	(15,000)	(15,000)	-	-	-	-	-	-	-	-
Less: Mining Cost	RMB'000	-	(4,510)	(9,246)	(18,953)	(38,854)	(49,782)	(51,027)	(52,302)	(53,610)	(54,950)	(56,324)	(57,732)	(59,175)	(60,654)	(62,171)
Less: Resource Tax (6% of revenue)	RMB'000	-	(552)	(1,131)	(2,319)	(4,753)	(6,090)	(6,243)	(6,399)	(6,559)	(6,723)	(6,891)	(7,063)	(7,240)	(7,421)	(7,606)
EBIT	RMB'000	(60,000)	3,849	7,891	16,176	24,430	27,488	28,550	44,639	45,754	46,898	48,071	49,273	50,504	51,767	53,061
Less: Finance cost	RMB'000	-	-	(19,977)	(16)	(28)	(31)	(28)	(29)	(26)	(25)	(24)	(49)	(50)	(51)	(53)
EBT	RMB'000	(60,000)	3,849	(12,086)	16,160	24,401	27,457	28,522	44,610	45,728	46,873	48,047	49,224	50,454	51,716	53,008
Less: Contingency cost (2% of Total Cost)	RMB'000	-	(101)	(208)	(425)	(872)	(1,117)	(1,145)	(1,174)	(1,203)	(1,233)	(1,264)	(1,296)	(1,328)	(1,362)	(1,396)
Profit before Tax	RMB'000	(60,000)	3,748	(12,293)	15,734	23,529	26,339	27,377	43,436	44,525	45,640	46,782	47,928	49,126	50,354	51,613
Less: Income tax	RMB'000	-	-	-	-	-	736	(6,844)	(10,859)	(11,131)	(11,410)	(11,696)	(11,982)	(12,281)	(12,589)	(12,903)
Net Profit After Tax	RMB'000	(60,000)	3,748	(12,293)	15,734	23,529	27,075	20,532	32,577	33,394	34,230	35,087	35,946	36,844	37,766	38,710
Earnings attributable to Mining Right, prior to contributory charge	RMB'000	(60,000)	3,748	(12,293)	15,734	23,529	27,075	20,532	32,577	33,394	34,230	35,087	35,946	36,844	37,766	38,710
Fair Value of Contributory Assets (RMB'000)																
Fixed assets		-	26,260	54,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260
Net working capital		-	877	1,798	3,685	7,555	9,680	9,922	10,170	10,424	10,684	10,952	11,225	11,506	11,794	12,088
Assembled workforce		-	301	301	301	301	301	301	301	301	301	301	301	301	301	301
Less: Return on Contributory Assets		-	(1,663)	(3,435)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)
Fixed assets	6.33%	-	(23)	(48)	(98)	(201)	(258)	(264)	(271)	(278)	(284)	(292)	(299)	(306)	(314)	(322)
Net working capital	2.66%	-	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Assembled workforce	10.00%	-	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Debt-free surviving net cash flow	RMB'000	(60,000)	2,032	(15,807)	11,284	18,976	22,465	15,916	27,954	28,764	29,594	30,443	31,295	32,186	33,100	34,036
Debt-free surviving net cash flow after renewal cost	RMB'000	(60,000)	2,032	(15,807)	11,284	18,976	22,465	15,916	27,954	28,764	29,594	30,443	31,295	32,186	33,100	34,036
Discount Rate	10.00%															
IA Premium	2.00%															
Adopted Discount rate for Mining Right	12.00%															
Discount period		0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50	11.50	12.50	13.50	14.50
Mid-year convention		0.25	1.25	2.25	3.25	4.25	5.25	6.25	7.25	8.25	9.25	10.25	11.25	12.25	13.25	14.25
Discount Factor		1.00	0.87	0.77	0.69	0.62	0.55	0.49	0.44	0.39	0.35	0.31	0.28	0.25	0.22	0.20
Net Present Value of excess earnings	RMB'000	(60,000)	1,764	(12,249)	7,808	11,723	12,391	7,839	12,292	11,293	10,374	9,528	8,745	8,031	7,374	6,770
Total NPV of excess earnings	RMB'000	114,611														
Add: Tax amortization benefit		5,552														
Estimated Fair Value of Mining Right (rounded)		120,000														

Period	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Year start date	1/1/2038	1/1/2039	1/1/2040	1/1/2041	1/1/2042	1/1/2043	1/1/2044	1/1/2045	1/1/2046	1/1/2047	1/1/2048	1/1/2049	1/1/2050	1/1/2051	1/1/2052
Year end date	31/12/2038	31/12/2039	31/12/2040	31/12/2041	31/12/2042	31/12/2043	31/12/2044	31/12/2045	31/12/2046	31/12/2047	31/12/2048	31/12/2049	31/12/2050	31/12/2051	31/12/2052
Multi-period Excess Earnings Method															
Marble Mined	m ³	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Sales volume	m ³	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000
Sales volume	m ²	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000
Average Unit price (Excluding VAT)	RMB'000/m ³	295.3	302.7	310.3	318.0	326.0	334.1	351.0	359.8	368.8	378.0	387.5	397.2	407.1	417.3
Revenue	RMB'000	129,937	133,185	136,515	139,928	143,426	147,012	154,454	158,316	162,274	166,330	170,489	174,751	179,120	183,598
Less: VAT and surcharges (3.1% of revenue)	RMB'000	(4,028)	(4,129)	(4,232)	(4,338)	(4,446)	(4,557)	(4,788)	(4,908)	(5,080)	(5,156)	(5,285)	(5,417)	(5,553)	(5,692)
Less: Renewal of the mining permit	RMB'000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Mining Cost	RMB'000	(65,725)	(65,318)	(66,951)	(68,625)	(70,341)	(73,902)	(75,749)	(77,643)	(79,584)	(81,574)	(83,613)	(85,703)	(87,846)	(90,042)
Less: Resource Tax (6% of revenue)	RMB'000	(7,796)	(7,991)	(8,191)	(8,396)	(8,606)	(8,821)	(9,267)	(9,499)	(9,756)	(9,980)	(10,229)	(10,485)	(10,747)	(11,016)
EBIT	RMB'000	54,388	55,747	57,141	58,570	60,034	61,535	64,650	66,266	67,923	69,621	71,361	73,145	74,974	76,848
Less: Finance cost	RMB'000	(54)	(55)	(57)	(58)	(60)	(61)	(64)	(66)	(68)	(69)	(71)	(73)	(75)	(76)
EBT	RMB'000	54,334	55,692	57,084	58,511	59,974	61,473	64,586	66,200	67,855	69,552	71,290	73,073	74,899	76,772
Less: Contingency cost (2% of revenue)	RMB'000	(1,430)	(1,466)	(1,503)	(1,540)	(1,579)	(1,618)	(1,700)	(1,743)	(1,786)	(1,831)	(1,877)	(1,924)	(1,972)	(2,021)
Profit before Tax	RMB'000	52,903	54,226	55,581	56,971	58,395	61,351	62,885	64,457	66,069	67,721	69,414	71,149	72,928	74,751
Less: Income tax	RMB'000	(13,226)	(13,556)	(13,895)	(14,243)	(14,599)	(14,964)	(15,721)	(16,114)	(16,517)	(16,930)	(17,353)	(17,787)	(18,232)	(18,688)
Net Profit After Tax	RMB'000	39,677	40,669	41,686	42,728	43,796	44,891	47,164	48,343	49,552	50,790	52,060	53,362	54,696	56,063
Earnings attributable to Mining Right, prior to contributory charge	RMB'000	39,677	40,669	41,686	42,728	43,796	44,891	47,164	48,343	49,552	50,790	52,060	53,362	54,696	56,063
Fair Value of Contributory Assets (RMB'000)															
Fixed assets		68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260	68,260
Net working capital		12,391	12,700	13,018	13,343	13,677	14,019	14,729	15,097	15,474	15,861	16,258	16,664	17,081	17,508
Assembled workforce		301	301	301	301	301	301	301	301	301	301	301	301	301	301
Less: Return on Contributory Assets															
Fixed assets	6.58%	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)	(4,322)
Net working capital	3.15%	(338)	(338)	(347)	(355)	(364)	(373)	(392)	(402)	(412)	(422)	(433)	(444)	(455)	(466)
Assembled workforce	10.00%	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Debt-free surviving net cash flow	RMB'000	34,996	35,979	36,988	38,021	39,080	40,166	42,420	43,589	44,788	46,016	47,276	48,566	49,889	51,245
Discount Rate	10.00%														
IA Premium	2.00%														
Adopted Discount rate for Mining Right	12.00%														
Discount period		15.50	16.50	17.50	18.50	19.50	20.50	21.50	23.50	24.50	25.50	26.50	27.50	28.50	29.50
Mid-year convention		15.25	16.25	17.25	18.25	19.25	20.25	21.25	23.25	24.25	25.25	26.25	27.25	28.25	29.25
Discount Factor		0.18	0.16	0.14	0.13	0.11	0.10	0.09	0.07	0.06	0.06	0.05	0.05	0.04	0.04
Net Present Value of excess earnings	RMB'000	6,215	5,705	5,237	4,806	4,411	4,048	3,408	3,127	2,868	2,631	2,414	2,214	2,030	1,862

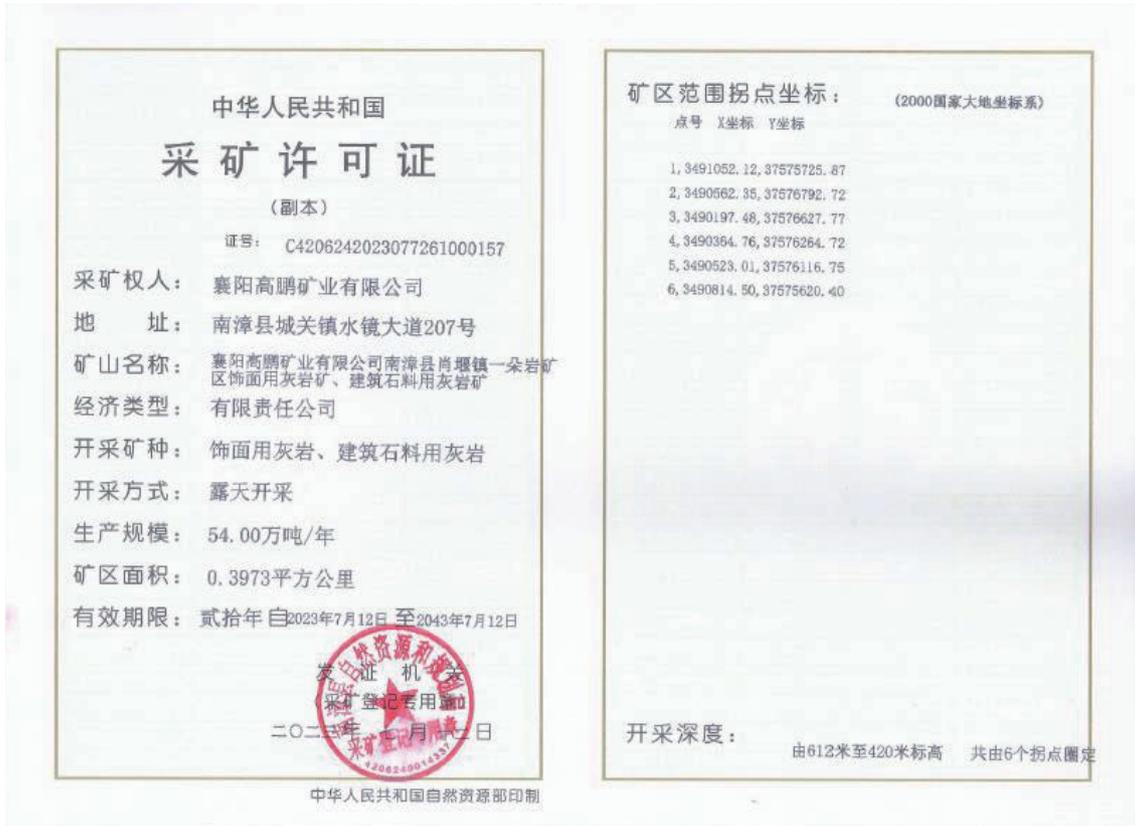
Period	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48
Year start date	1/1/2053	1/1/2054	1/1/2055	1/1/2056	1/1/2057	1/1/2058	1/1/2059	1/1/2060	1/1/2061	1/1/2062	1/1/2063	1/1/2064	1/1/2065	1/1/2066	1/1/2067	1/1/2068	1/1/2069	1/1/2070
Year end date	31/12/2053	31/12/2054	31/12/2055	31/12/2056	31/12/2057	31/12/2058	31/12/2059	31/12/2060	31/12/2061	31/12/2062	31/12/2063	31/12/2064	31/12/2065	31/12/2066	31/12/2067	31/12/2068	31/12/2069	31/12/2070
Multi-period Excess Earnings Method																		
Marble Mined	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Sales volume	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000	44,000
Sales volume	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000
Average Unit price (Excluding VAT)	427.7	458.4	449.4	460.6	472.1	483.9	496.0	508.4	521.1	534.1	547.5	561.2	575.2	589.6	604.3	619.4	634.9	650.8
Revenue	188,188	192,892	197,715	202,657	207,724	212,917	218,240	223,696	229,288	235,021	240,896	246,918	253,091	259,419	265,904	272,552	279,366	286,350
Less: VAT and surcharges (3.1% of revenue)	(5,834)	(5,980)	(6,129)	(6,282)	(6,439)	(6,600)	(6,765)	(6,935)	(7,108)	(7,286)	(7,468)	(7,654)	(7,846)	(8,042)	(8,243)	(8,449)	(8,660)	(8,877)
Less: Renewal of the mining permit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Mining Cost	(92,293)	(94,600)	(96,965)	(99,389)	(101,874)	(104,421)	(107,032)	(109,707)	(112,450)	(115,261)	(118,143)	(121,096)	(124,124)	(127,227)	(130,408)	(133,668)	(137,009)	(140,435)
Less: Resource Tax (6% of revenue)	(11,291)	(11,574)	(11,863)	(12,159)	(12,463)	(12,775)	(13,094)	(13,422)	(13,757)	(14,101)	(14,454)	(14,815)	(15,185)	(15,565)	(15,954)	(16,353)	(16,762)	(17,181)
EBIT	78,770	80,739	82,757	84,826	86,947	89,121	91,349	93,632	95,973	98,372	100,832	103,353	105,936	108,585	111,299	114,082	116,934	119,857
Less: Finance cost	(78)	(80)	(82)	(84)	(86)	(89)	(91)	(93)	(95)	(98)	(100)	(103)	(105)	(108)	(111)	(113)	(116)	(119)
EBT	78,691	80,659	82,675	84,742	86,860	89,032	91,258	93,539	95,878	98,275	100,731	103,250	105,831	108,477	111,189	113,968	116,818	119,738
Less: Contingency cost (2% of Total Cost)	(2,072)	(2,123)	(2,177)	(2,231)	(2,287)	(2,344)	(2,403)	(2,463)	(2,524)	(2,587)	(2,652)	(2,718)	(2,786)	(2,856)	(2,927)	(3,000)	(3,075)	(3,152)
Profit before Tax	76,620	78,535	80,498	82,511	84,574	86,688	88,855	91,077	93,354	95,687	98,080	100,532	103,045	105,621	108,261	110,968	113,742	116,586
Less: Income Tax	(19,155)	(19,634)	(20,125)	(20,628)	(21,145)	(21,672)	(22,214)	(22,769)	(23,338)	(23,922)	(24,520)	(25,133)	(25,761)	(26,405)	(27,065)	(27,742)	(28,436)	(29,146)
Net Profit After Tax	57,465	58,901	60,374	61,883	63,430	65,016	66,641	68,307	70,015	71,766	73,560	75,399	77,284	79,216	81,196	83,226	85,307	87,439
Earnings attributable to Mining Right prior to contributory change	57,465	58,901	60,374	61,883	63,430	65,016	66,641	68,307	70,015	71,766	73,560	75,399	77,284	79,216	81,196	83,226	85,307	87,439
Fair Value of Contributory Assets (RMB'000)	68,260																	
Fixed assets	17,945	18,394	18,854	19,325	19,808	20,304	20,811	21,331	21,865	22,411	22,972	23,546	24,135	24,738	25,356	25,990	26,640	27,306
Net working capital	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301
Assembled workforce	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301	301
Less: Return on Contributory Assets	(4,322)	(2,161)																
Fixed assets	(502)	(490)	(478)	(465)	(452)	(441)	(431)	(422)	(413)	(405)	(397)	(389)	(382)	(375)	(368)	(362)	(356)	(350)
Net working capital	(478)	(490)	(502)	(515)	(527)	(541)	(554)	(568)	(582)	(597)	(612)	(627)	(643)	(659)	(675)	(692)	(709)	(727)
Assembled workforce	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Debt-free surviving net cash flow	52,635	54,060	55,520	57,017	58,551	60,124	61,736	63,388	65,081	66,817	68,596	70,420	72,289	74,205	76,169	78,182	80,246	84,521
Debt-free surviving net cash flow after renewal cost	52,635	54,060	55,520	57,017	58,551	60,124	61,736	63,388	65,081	66,817	68,596	70,420	72,289	74,205	76,169	78,182	80,246	84,521
Discount Rate	10.00%																	
IA Premium	2.00%																	
Adopted Discount rate for Mining Right	12.00%																	
Discount period	30.50	31.50	32.50	33.50	34.50	35.50	36.50	37.50	38.50	39.50	40.50	41.50	42.50	43.50	44.50	45.50	46.50	47.50
Mid-year convention	30.25	31.25	32.25	33.25	34.25	35.25	36.25	37.25	38.25	39.25	40.25	41.25	42.25	43.25	44.25	45.25	46.25	47.25
Discount Factor	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.01	0.00									
Net Present Value of excess earnings	1,708	1,566	1,436	1,317	1,207	1,107	1,015	930	853	782	717	657	602	552	506	463	425	399

APPENDIX II – SENSITIVITY ANALYSIS IN RELATION TO THE FAIR VALUE OF THE MINING RIGHT OF PROJECT YIDUOYAN

Appendix Table II-1: Sensitivity Analysis for Fair Value (RMB'000) of the Mining Right of Project Yiduoyan

Discount rate	Unit Price (RMB)				
	189	199	209	219	229
11.00%	90,000	119,000	148,000	177,000	206,000
11.50%	79,000	106,000	133,000	161,000	188,000
12.00%	69,000	95,000	120,000	146,000	171,000
12.50%	60,000	84,000	108,000	132,000	156,000
13.00%	52,000	75,000	97,000	120,000	142,000

APPENDIX III – COPY OF MINING LICENSE FOR PROJECT YIDUOYAN



APPENDIX IV – BREAKDOWN OF INVESTED FIXED ASSETS IN PROJECT YIDUOYAN AS OF 30 JUNE 2023

Asset Name	Assets tag	Model	Qty	RMB
Buildings				
Reservoirs and air compressors				6,500
Power distribution project in mining area	GPK024		1	–
Machinery				
Hong Wu Huan 3.0/5 diesel	GPK001-1/-2	Hong Wu Huan 3.0/5 diesel	2	200
Hong Wu Huan air compressor – diesel to electric (motor) 15KW	GPK001-1	Diesel to electric (motor) 15KW	2	–
Air compressor 1.8/5	GPK002	1.8/5	1	–
Diesel to Electric (Motor) 11KW	GPK001-1	Diesel to electric (motor) 11KW	1	–
Screw air compressor 37KW direct current	GPK005	37KW direct current	1	600
Diamond wire saw machine WS37E	GPK003	WS37E	1	1,300
Horizontal DTH drilling HD75	GPK004	HD75	1	300
Core cutting machine NS-350	GPK008	NS-350	1	100
Deep well pump 100QJ3-480/78-7.5	GPK009	100QJ3-480/78-7.5	1	100
Horizontal DTH drilling HD75	GPK010	HD75	1	300
Fully automatic wire saw machine WS55C	GPK011-1/-2	WS55C	2	5,000
Komatsu excavator PC400-8	GPK012	PC400-8	1	–
Fully automatic wire saw machine WS75C	GPK013	WS75C	1	3,200
Horizontal DTH drilling HD75	GPK014	HD75	1	–
Deep well pump 5.5KW	GPK018	5.5KW	1	100
Diamond beaded wire saw machine MTB75B	GPK019	MTB75B	1	500
Diamond beaded wire saw machine MTB55B	GPK020	MTB55B	1	400
Water tank	GPK022	2	–	–
Shield welding machine 350	GPK023	350	1	–
Horizontal DTH drilling	GPK025		1	12,400

Asset Name	Assets tag	Model	Qty	RMB
Motor vehicles				
Strip stone forklift XG9280Y	GPK021	XG9280Y	1	13,300
Strip stone forklift is equipped with air conditioning	GPK021		1	–
Dump truck Haoyun brand ZZ3255M2845C	GPK015	Hao Yun Pai ZZ3255M2845C	1	5,600
Motor vehicle GAC7180B8A4	GPB005	GAC7180B8A4	1	2,900
Auto Isuzu brand QL11.0*50m	GPB001	Isuzu QL11.0*50m	1	2,500
Qingling pickup truck	GPK026	Qingling Isuzu 3.0T Manual four-wheel drive diesel version	1	77,700
Office equipment & Furniture and fixtures				
Dell desktop computer	GPB010	Dell Desktop	1	–
HP MFP LaserJet M1218nfs MFP Black	GPB013	LaserJet M1218nfs MFP 黑	1	–
HP All-in-One Print Scanner Officejet 7500A	GPB014	officejet 7500A	1	–
Shenzhou desktop type computer	GPB006	Shenzhou Desktop	1	–
Lenovo desktop computer	GPB002	Lenovo Desktop	1	–
Dell desktop computer	GPB004	Dell Desktop	1	–
Notebook	GPB022	Thinkpad E450	1	–
Couch	GPB003	Couch	1	–
Air conditioning cygnet 32GW/A3(D)-R3	GPB007	Cygent 32GW/ A3(D)-R3	3	100
Air conditioning cygnet 35GW/A3(D)-R3	GPB009	Cygent 35GW/ A3(D)-R3	1	–
TCL Colour TV	GPB018	TCL	1	500
Air conditioning Haier 36GW/ZER13-DS	GPB019	Haier 36GW/ ZER13-DS	1	–
Midea Cygnet air conditioner KFR-32GW/XA3CD-R3	GPK016	KFR-32GW/XA3CD-R3	3	100
TCL air conditioner KFRD-25GW/BR331	GPK017	KFRD-25GW/BR331	3	–
Gree KFR-35GW/(large 1.5P)	GPB020	Gree KFR-35GW/ (1.5P Large)	1	–
Video conferencing equipment			1	12,800
Mine infrastructure				
Upfront mine expenditures				4,813,000
Metallurgical earthwork				2,619,800
Earthwork				3,705,300
Earthwork				975,400
Total				12,260,000

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN
CONNECTION WITH THE VALUATION OF THE MINING RIGHT OF THE
YIDUOYAN MARBLE PROJECTTO THE BOARD OF DIRECTORS OF FUTURE BRIGHT MINING HOLDINGS
LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation (the "**Valuation**") dated 7 November 2023 prepared by AP Appraisal Limited in respect of the appraisal of the fair value of the mining right of Yiduoyan Marble Project (the "**Mining right**") is based. The Valuation is set out on pages III-1 to III-32 of the Circular of Future Bright Mining Holdings Limited (the "**Company**") dated 7 November 2023 (the "**Circular**") in connection with the renewal of the mining permit of the Yiduoyan project and the transfer agreement. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibilities for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows including the bases and assumptions set out on pages III-26 to III-28 of the Circular on which the discounted future estimated cash flows are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 (HKSQM), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the assumptions on which the Valuations are based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out on pages III-26 to III-28 of the Circular. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Mining right.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the directors of the Company as set out on pages III-26 to III-28 of the Circular.

Lau & Au Yeung C.P.A. Limited

Certified Public Accountants

Au Yeung Tin Wah

Practising Certificate Number: P02343

Hong Kong, 7 November 2023



建泉融資有限公司
VBG Capital Limited

21/F., Grand Millennium Plaza,
181 Queen's Road Central
Hong Kong

7 November 2023

Future Bright Mining Holdings Limited

Unit 8101, Level 81
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Attn: Board of Directors

Dear Sirs,

Reference is made to the circular of Future Bright Mining Holdings Limited (the “**Company**”) dated 7 November 2023 (the “**Circular**”) in relation to the very substantial acquisition to the Company and the valuation report dated 7 November 2023 prepared by AP Appraisal Limited (the “**Valuation Report**”), the independent valuer of the Company (the “**Independent Valuer**”), which has adopted income approach in valuation of the Yiduoyan Project owned by Xiangyang Future Bright Mining Limited* (襄陽高鵬礦業有限公司) (the “**Valuation**”). The Valuation constitutes profit forecasts (the “**Profit Forecast**”) under Rule 14.61 of the Listing Rules. Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Circular.

We, as the financial adviser to the Company in relation to the Profit Forecast, have reviewed the Profit Forecast upon which the Valuation has been made, for which you as the directors of the Company (the “**Directors**”) are solely responsible. We have discussed with the management of the Company and the Independent Valuer the bases and assumptions upon which the Valuation has been prepared. We have also considered the Valuation Report regarding the estimated discounted cash flows in the future. The Profit Forecast is based on a number of bases and assumptions. Such bases and assumptions are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 7 November 2023, they do not represent forecasts of the actual cash flows to be recorded from the Yiduoyan Project, which may or may not achieve as expected.

On the basis of the foregoing and without giving any opinion on the reasonableness of the Valuation methods, bases and assumptions selected by the Independent Valuer, for which the Independent Valuer and the Company are responsible, we are satisfied with the Profit Forecast, for which you as the Directors are solely responsible, have been made after due and careful enquiry by you.

The work undertaken by us in giving the above view has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work or this letter.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Hui Ringo Wing Kun
Executive Director

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/name of associated corporation	Nature of interest	Number of Shares		Approximate % of shareholding
			Long Position	Short Position	
Li Yuguo	The Company	Beneficial owner and interest in controlled corporation	477,799,000 <i>(Note 1)</i>	–	54.44 <i>(Note 2)</i>

Note:

- These 477,799,000 shares including (i) 20,152,000 shares owned by Mr. Li Yuguo as beneficial owner and (ii) 457,647,000 shares directly held by Zhong Ke Jiu Tai Technology Group Limited, which is in turn wholly-owned by Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited. Mr. Li Yuguo is the beneficial owner of the entire issued share capital of Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited.
- This is calculated based on a total number of 877,716,000 issued shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed below, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders' Interests and Short Positions in the Shares and underlying shares of the Company

As at the Latest Practicable Date, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Substantial Shareholder	Long/short position	Capacity and nature of interest	Number of Shares	Approximate	
				% of shareholding	
Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited	Long position	Interest in controlled corporation	457,647,000 <i>(Note 1)</i>	52.14 <i>(Note 2)</i>	
Zhong Ke Jiu Tai Technology Group Limited	Long position	Beneficial owner	457,647,000 <i>(Note 1)</i>	52.14 <i>(Note 2)</i>	

Note:

- These 457,647,000 Shares are registered in the name of Zhong Ke Jiu Tai Technology Group Limited, which is directly wholly-owned by Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited. Mr. Li Yuguo is the beneficial owner of the entire issued share capital of Zhong Ke Jiu Tai Resources Use Technology Holdings Company Limited.
- This is calculated based on a total number of 877,716,000 issued shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, no person or company (not being a Director or chief executive of the Company) had or was deemed to have any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to 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 the Company or any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, save as disclosed in this circular:

- (a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested, either directly or indirectly, in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in any business which competes or may compete, either directly or indirectly, with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

7. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there were no material adverse changes in the financial or trading positions of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

There is no material contract (not being contracts entered into in the ordinary course of business) entered into by members of the Group within two years immediately preceding the date of this circular.

9. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
AP Appraisal Limited	Competent Person and independent Valuer
Lau & Au Yeung C.P.A. Limited	Certified Public Accountants
VBG Capital Limited	a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group, nor did it have any direct or indirect interests in any assets which had been acquired, disposed of or leased to or which were proposed to be acquired, disposed of or leased to any member of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

10. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents are available on display on the website of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.futurebrightltd.com>) from the date of this circular up to 14 days thereafter:

- (a) the Transfer Agreement;
- (b) the interim report of the Company for the six months ended 30 June 2023;
- (c) the annual reports of the Company for the each of the three financial years ended 31 December 2020, 2021, and 2022, respectively;
- (d) the Competent Person's Report prepared by AP Appraisal Limited, the text of which is set out in Appendix II to this circular;
- (e) the Valuation Report prepared by AP Appraisal Limited, the text of which is set out in Appendix III to this circular;
- (f) the report on the calculations of discounted future estimated cash flows in connection with the Valuation of the mining right of the Yiduoyan Project prepared by Lau & Au Yeung C.P.A. Limited, the text of which is set out in Appendix IV to this circular;
- (g) the letter from VBG Capital Limited, the text of which is set out in Appendix V to this circular;
- (h) the written consents referred to in the paragraph headed "9. Qualification and Consent of Experts" of this appendix; and
- (i) this circular.

11. GENERAL

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is Unit 8101, Level 81, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.
- (c) The headquarters and principal place of business of the Company in the PRC is No. 207, Shuijing Avenue, Chengguan Town, Nanzhang County, Xiangyang City, Hubei Province, the PRC.
- (d) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (e) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The company secretary of the Company is Mr. Wu Ho Wai. He is a fellow member of the Association of Chartered Certified Accountants and also a member of the Hong Kong Institute of Certified Public Accountants.
- (g) The English text of this circular, the accompanying form of proxy and the notice of EGM shall prevail over the Chinese text in case of inconsistency.

NOTICE OF EGM

Future Bright Mining Holdings Limited 高鵬礦業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2212)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of Future Bright Mining Holdings Limited (the “Company”) will be held at Units 1302-03, 13/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 27 November 2023 at 11:00 a.m. for considering and, if thought fit, passing the following resolution of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 7 November 2023 (the “Circular”)):

ORDINARY RESOLUTION

“THAT:

the entering of the Transfer Agreement (as defined in the Circular and a copy of which has been produced to the EGM) and the Transaction be and are hereby approved, confirmed and ratified in all respects; and

any action(s) taken by any Director(s) in connection with or contemplated by the Transfer Agreement and the Transaction prior to the date of this resolution be and is(are) hereby approved, confirmed, ratified and adopted in all respects as fully as if such action(s) had been presented to for approval, and approved by, the shareholders of the Company prior to such action(s) being taken.”

By order of the Board
Future Bright Mining Holdings Limited
Li Yuguo
Executive Director

Hong Kong, 7 November 2023

As at the date of this notice, the executive Directors are Ms. Bao Rongrong, Mr. Li Yuguo, Mr. Lyu Bin, Mr. Yang Jiantong and Mr. Yang Xiaoqiang (the vice chairman); and the independent non-executive Directors are Prof. Lau Chi Pang J.P., Mr. Wang Xiaolong, Ms. Wong Wan Lung and Mr. Zhang Yijun.

NOTICE OF EGM

Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint another one or more proxies (if such member holds two or more shares of the Company) to attend and to vote in his stead. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending the EGM and voting in person should he so wish. In such event, his form of proxy will be deemed to be revoked.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised on its behalf.
3. Where there are joint holders of any share of the Company, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. A form of proxy for use at the EGM or any adjournment thereof is enclosed.
5. In order to be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event by 11:00 a.m. on Saturday, 25 November 2023, being not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude any shareholder of the Company from attending and voting at the EGM or any adjourned meeting.
6. To ascertain the members' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 22 November 2023 to Monday, 27 November 2023, both days inclusive, during which period no transfer of shares of the Company can be registered. Shareholders whose names appear on the register of members of the Company on Monday, 27 November 2023 will be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the meeting, all completed share transfer forms accompanied by the relevant share certificates shall be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 November 2023.

Members of the Company or their proxies shall produce documents of their proof of identity when attending the EGM.
7. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the EGM will be adjourned in accordance with the articles of association of the Company and the shareholders will be informed of the date, time and place of the adjourned meeting and, if necessary, be given notice thereof pursuant to the articles of association of the Company.