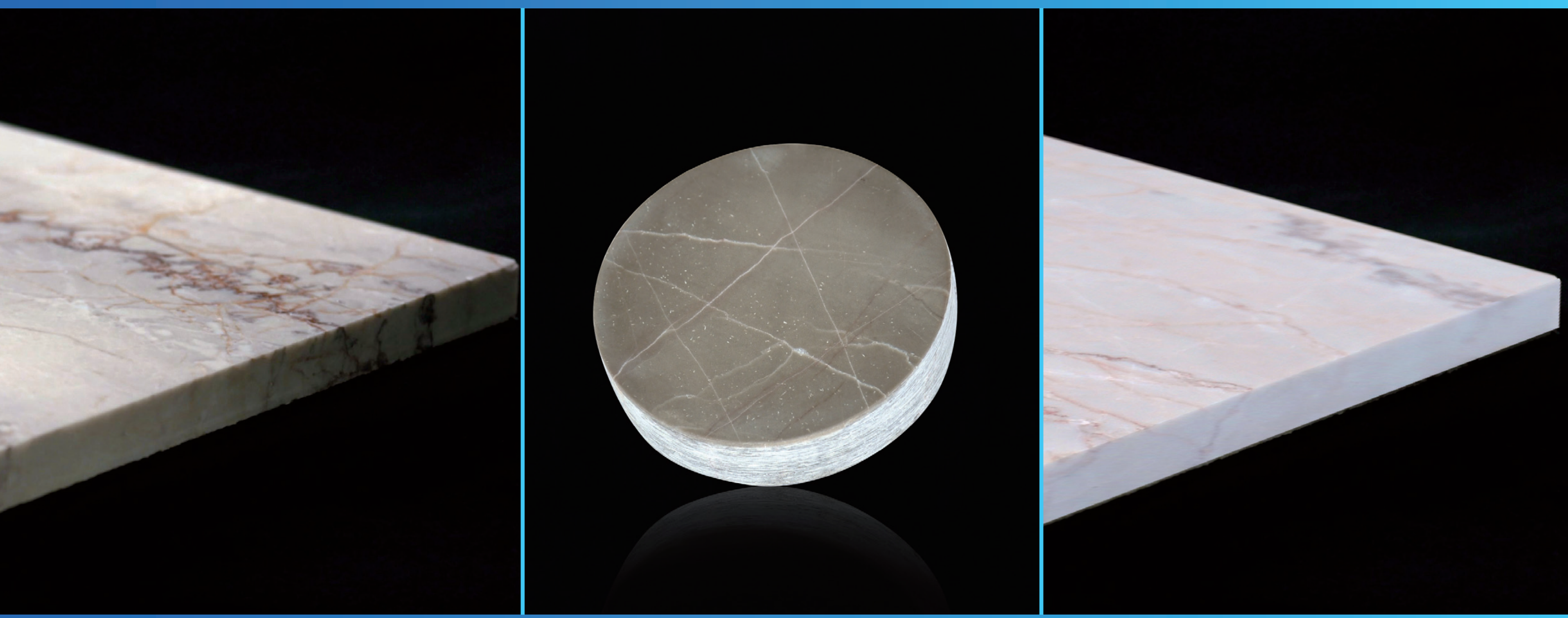
Flying Mining Limited
翔輝礦業股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1625

GLOBAL OFFERING



Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Sole Global Coordinator

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

Joint Bookrunners and Joint Lead Managers

國泰君安國際
GUOTAI JUNAN INTERNATIONAL
Guotai Junan Securities (Hong Kong) Limited

富滙證券
WealthLink
Securities Limited

中國泛海證券
OCEANWIDE SECURITIES

聯合證券
Head & Shoulders Securities

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

Flying Mining Limited
翔輝礦業股份有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	390,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	39,000,000 Shares (subject to adjustment)
Number of International Offer Shares	:	351,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$0.62 per Offer Share payable in full on application subject to refund on final pricing, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%
Nominal value	:	US$0.01 per Share
Stock code	:	1625

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中國泛海證券 OCEANWIDE SECURITIES

聯合證券 Head & Shoulders Securities

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

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

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, 24 October 2017 and, in any event, not later than Friday, 27 October 2017. The Offer Price will be not more than HK$0.62 and is currently expected to be not less than HK$0.50. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$0.62 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK$0.62.

*The Sole Global Coordinator (for itself and on behalf of the Underwriters) may reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at **www.flyingmining.com** and the website of the Stock Exchange at **www.hkexnews.hk** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Friday, 27 October 2017, the Global Offering will not proceed and will lapse.*

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in our Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered to outside the United States in accordance with Regulation S.

18 October 2017

*If there is any change in the following expected timetable, our Company will issue an announcement to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.flyingmining.com**.*

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2] . . . .11:30 a.m. on Monday, 23 October 2017

Application lists open[3] . . . . .11:45 a.m. on Monday, 23 October 2017

Latest time for lodging **WHITE** and **YELLOW** Application Forms[4]. . . . . .12:00 noon on Monday, 23 October 2017

Latest time to give **electronic application instructions** to HKSCC[4]. . . . . .12:00 noon on Monday, 23 October 2017

Latest time to give complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . .12:00 noon on Monday, 23 October 2017

Application lists close . . . . .12:00 noon on Monday, 23 October 2017

Expected Price Determination Date[5] . . . . .on or around Tuesday, 24 October 2017

(1) Announcement of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . .Monday, 30 October 2017

(2) Results of allocations (with successful applicants' identification document numbers or Hong Kong business registration numbers) in the Hong Kong Public Offering will be available through a variety of channels as described in the section headed "How to apply for the Hong Kong Offer Shares — 11. Publication of results" in this prospectus from. . . . . .Monday, 30 October 2017

A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.flyingmining.com**[6] from	Monday, 30 October 2017
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID function"	Monday, 30 October 2017
Despatch/collection of Share certificates of the Offer Shares or Deposit of Share certificates of Offer Shares into CCASS in respect of wholly or partially successful applications under the Hong Kong Public Offering on or before[7][9]	Monday, 30 October 2017
Despatch/collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) and wholly and partially unsuccessful applications under the Hong Kong Public Offering on or before[8][9]	Monday, 30 October 2017
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Tuesday, 31 October 2017

Notes:

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

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

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 23 October 2017, the application lists will not open on that day. For further details, please refer to the section headed "How to apply for the Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Monday, 23 October 2017, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for the Hong Kong Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Tuesday, 24 October 2017 and, in any event, not later than Friday, 27 October 2017. If for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us by Friday, 27 October 2017, the Global Offering will not proceed and will lapse.

(6) Neither the website of our Company nor any of the information contained on the website of our Company forms part of this prospectus.

(7) Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Tuesday, 31 October 2017 provided that (i) the Global Offering has become unconditional in all respects and (ii) none of the Underwriting Agreements has been terminated in accordance with its terms.

(8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheques.

(9) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect any refund cheques and share certificates in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Monday, 30 October 2017. Applicants being individuals who are eligible for personal collection may not authorise any other person to make collection on their behalf.

Applicants being corporations who are eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering can collect their share certificates (if any) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Monday, 30 October 2017.

Applicants who have applied through the **HK eIPO White Form** service and paid the application monies from a single bank account, e-Auto Refund payment instructions (if any) will be despatched to their application payment bank account on or before Monday, 30 October 2017. Applicants who apply through the **HK eIPO White Form** service and used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to the address specified in their **electronic application instruction** to the **HK eIPO White Form** Service Provider on or before Monday, 30 October 2017 at their own risk.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus for details.

Uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the section headed "How to apply for the Hong Kong Offer Shares — 5. Applying through **HK eIPO White Form** service" in this prospectus.

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

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information not given or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

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

There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Shares.

OVERVIEW

We are a marble mining and processing company in China. Our Shiqian Project, which consists of our Leishoushan Project and our Processing Plant, is strategically located in Guizhou Province, one of China's major marble producing regions. Such geographic location allows us to benefit from Guizhou government's support for dimension stone production and development.

Our Leishoushan Project is located approximately 32 km to the northeast of Shiqian County, or approximately 238 km to the northeast of Guiyang City, capital of Guizhou Province. Access to our Leishoushan Project from Shiqian is by a series of paved provincial roads through Pingdichang Township. Shiqian is connected to Guiyang via Guiweng National Highway and then Anjiang National Highway for approximately 200 km. Our Processing Plant, situated beside Yanrong Highway, is approximately 26 km away from our Leishoushan Project site and connected to the site through paved provincial roads.

During the Track Record Period, we focused on preparing our Shiqian Project for commercial production, and carried out limited mine construction from March 2014 to June 2015. By February 2017, we had obtained all material approvals and licences required for commercial production of our Leishoushan Project and Phase 1 of the Processing Plant. Our Shiqian Project commenced limited commercial production in April 2017. As at the Latest Practicable Date, our Processing Plant had an annual processing capacity of 600,000 m^2 of marble slabs and shaped stones. We hold a mining licence for our Leishoushan Project which is valid for a term of 10 years commencing on 15 October 2012, which can be extended for another 10 years provided that we comply with the requirements for extension under the relevant PRC laws. The Mining Licence Area is 1.0781 km^2, and the approved mining depth under this licence is 810 m to 980 m ASL. The approved annual production volume under this licence is 60,000 m^3 of marble blocks. We adopt the open-pit mining method for the extraction of marbles at our Leishoushan Project, which allows us to operate at a relatively low cost. According to the Independent Technical Consultant, the estimated mine life of our Leishoushan Project was approximately 40 years based on the Probable Reserves of 2.23 million m^3 and an anticipated annual production volume of 60,000 m^3 of marble blocks upon implementation of our ramp-up plan. We currently intend to extend the mining licence during the mine life of our Leishoushan Project.

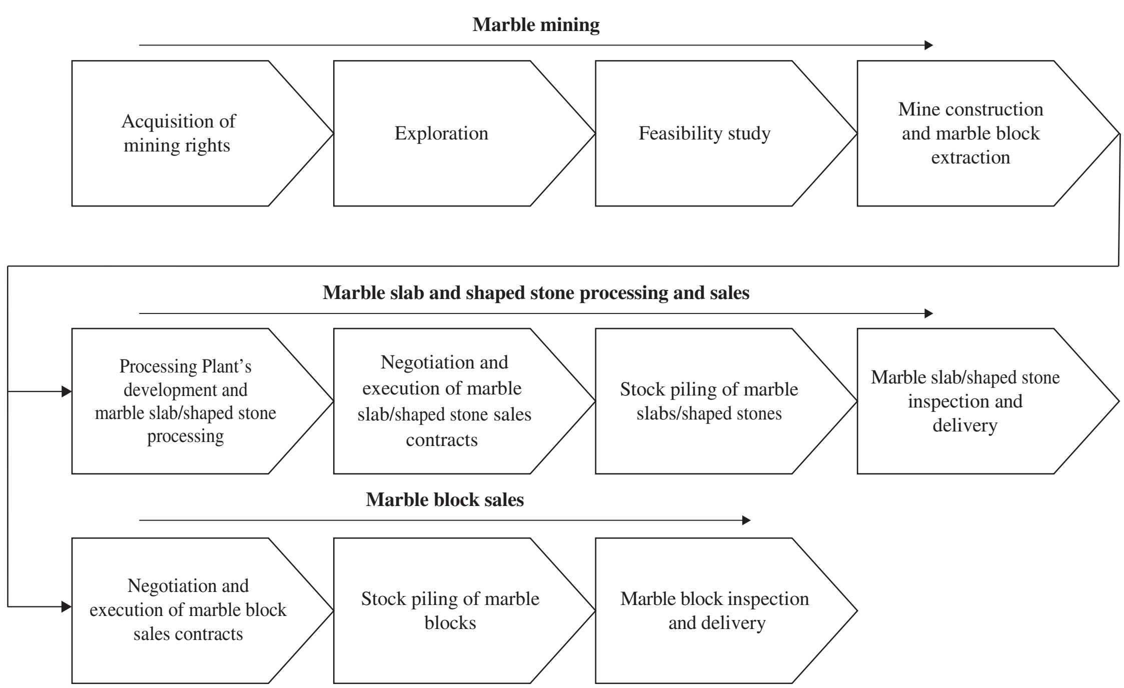
From 2018 onwards, we plan to sell approximately 30% of the marble blocks mined from our Leishoushan Project to customers, and process the remaining 70% marble blocks into marble slabs and shaped stones at our Processing Plant for onward sales. We have determined such product mix after taking into account market demands for different types of our products. We believe such product mix will enable us to optimise our profitability. We may make adjustments to such 30:70 ratio should the market demand for our marble blocks, marble slabs and shaped stones change in the future.

We expect to carry out marketing activities primarily from Xiamen City of Fujian Province, one of China's most important marble distribution and trading centres, which allows us to benefit from the thriving marble trading market and large potential customer base in the Southeast China region.

OUR BUSINESS MODEL

We are a marble mining and processing company in China. Our businesses encompass marble block mining at our Leishoushan Project; processing a portion of the marble blocks mined at our Leishoushan Project into marble slabs and shaped stones at our Processing Plant; as well as selling the processed marble slabs and shaped stones and the remaining marble blocks to customers. We plan to sell our products directly to end customers through our in-house sales efforts. We believe our vertically integrated operations will enable us to capture the opportunities in the marble industry and enhance our profitability.

The following diagram illustrates our business model:



For further details, please refer to the section headed "Business — Our business model" in this prospectus.

We price our products primarily based on their appearance, quality, specifications and quantity. We also take into account our production costs and make references to the market prices of our competitors' products of the same colours and similar appearances and quality. We offer discounts to customers based on the quantities of their purchases. For further details, please refer to the section headed "Business — Sales and marketing — Pricing" in this prospectus.

OUR MINERAL RESOURCES AND MINING RIGHTS

According to the Independent Technical Consultant, as at 30 April 2017, the estimated Resources and Probable Reserves of our Leishoushan Project under the JORC Code were 56.98 million m^3 and 2.23 million m^3, respectively. For our Leishoushan Project, no Measured Resource and no Proved Reserve have been defined as the geological explorations undertaken by Gansu Geological Team at our Leishoushan Project were only sufficient to define our marble Resources as "Indicated" and "Inferred" categories and our Reserves as "Probable" category, which are sufficient for the basis for mine planning according to the JORC Code. For further details, please refer to the section headed "Business — Our mineral resources and mining rights — Resources and Reserves" in this prospectus. The following table sets forth the estimated Resources and Probable Reserves of our Leishoushan Project by product type as at 30 April 2017:

Resources category/ Reserves	Royal Beige marble	Percentage in relevant Resources category/ total Reserves	Carlo Rose marble	Percentage in relevant Resources category/ total Reserves	Athens Grey marble	Percentage in relevant Resources category/ total Reserves	Total
	(million m^3)		*(million m^3)*		*(million m^3)*		*(million m^3)*
Resources							
Indicated	7.59	22.2%	11.18	32.6%	15.52	45.2%	34.29
Inferred	2.74	12.1%	3.08	13.6%	16.87	74.3%	22.69
Total	**10.33**		**14.26**		**32.39**		**56.98**
Probable Reserves	0.75	33.5%	0.97	43.3%	0.52	23.2%	2.23

The following table sets forth particulars of our mining licence:

Name of mine:	Leishoushan Marble Mine of Pingdichang Township, Shiqian County, Guizhou Province
Holder of mining licence:	Shiqian Investment
Mining licence number:	C5222002015077130138974
Type of mineral:	Marble
Mining method:	Open pit
Approved production volume:	60,000 m^3 per year
Mining Licence Area:	1.0781 km^2
Mining depth:	810 m to 980 m ASL
Period of validity:	15 October 2012 to 15 October 2022
Issuing authority:	Tongren City State Land Resources Bureau

For further details about other major licences, permits and approvals obtained by us for our business operations, please refer to the section headed "Business — Our mineral resources and mining rights — Major licences, permits and approvals — Other major licences, permits and approvals" in this prospectus.

PLANNED PRODUCTION SCHEDULE

We plan to ramp up the operations of our Leishoushan Project and our Processing Plant from 2017 to 2019. The strip ratio over the mine life of our Leishoushan Project is 0.13. The following table sets forth the production volume of marble blocks of our Leishoushan Project and the processing output of marble slabs and shaped stones of our Processing Plant for the periods indicated:

	2017	2018	2019	2020
Total expected production volume of marble blocks (m^3)	11,500	20,000	42,000	60,000
Total expected processing output of marble slabs and shaped stones (m^2)	238,000	476,000	999,600	1,428,000

To meet the above production schedule, our Leishoushan Project is expected to reach an annual production capacity of 15,000 m^3, 25,000 m^3 and 55,000 m^3 in 2017, 2018 and 2019, respectively, and reach its full annual production capacity of 66,000 m^3 in 2020. Our Processing Plant is expected to maintain its current annual processing capacity of 600,000 m^2 in 2017 and 2018, respectively, and reach its full annual processing capacity of 1,800,000 m^2 by mid 2019.

For further details, please refer to the section headed "Business — Planned production schedule and development plan — Planned production schedule" in this prospectus.

DEVELOPMENT PLAN

In the first 16 years of the 40-year mine life of our Leishoushan Project, we plan to carry out mining activities in the Year 16 Pit Boundary Area. During the ramp-up period of our Leishoushan Project, we will carry out initial mining in the Phase 1 and Phase 2 mining areas. We have taken into account the Reserves within the Year 16 Pit Boundary Area in the formulation of such production schedule. We have leased the land within the Year 16 Pit Boundary Area from the relevant villagers' committees operating and managing such land and have obtained the requisite government approvals for the use of such land.

During the ramp-up period, we plan to complete full mine construction at our Leishoushan Project site in the first half of 2018. We expect to commence the development of Phase 2 of the Processing Plant in the third quarter of 2018 and complete the development in the first quarter of 2019.

For further details, please refer to the section headed "Business — Planned production schedule and development plan — Development plan" in this prospectus.

CAPITAL COSTS

According to the Independent Technical Consultant, the aggregate capital costs for the development of our Shiqian Project is approximately RMB233.7 million, of which an aggregate amount of approximately RMB80.6 million had already been incurred by us as at 30 April 2017, and the remaining amount of RMB153.1 million is expected to be incurred from 1 May 2017 to 31 December 2019 and fully financed by the net proceeds from the Global Offering.

The following table sets forth a breakdown of the actual and projected capital costs for the development of our Leishoushan Project and our Processing Plant by category for the periods indicated, which are based on the Independent Technical Report:

Cost item	Prior to 2014 (actual)	2014 (actual)	2015 (actual)	2016 (actual)	2017 (forecast)	2018 (forecast)	2019 (forecast)
	RMB million						
Mine construction and road	2.1	0.9	2.2	2.7	0.5	0.9	1.3
Mining equipment	0.2	9.1	0.1	0.2	6.7 *(Note)*	5.7	0.1
Mine supporting facilities	0.9	0.3	0.3	–	–	3.9	0.2
Mining licence fee	2.2	–	–	–	–	–	–
Technical studies and related works fee	0.7	0.2	0.1	–	–	–	0.3
Processing Plant's construction and equipment	6.2	12.6	3.0	1.4	6.3 *(Note)*	37.0	22.6
Processing Plant's supporting facilities	2.1	8.7	3.3	–	0.1	6.2	31.1
Land acquisition fee	1.4	–	–	10.9	–	–	10.0
Others	0.1	0.2	–	–	2.5	2.2	5.0
Sub-total	16.0	32.0	9.0	15.3	16.1	56.1	70.5
Contingency	–	–	–	–	1.2 *(Note)*	4.5	5.6
Rehabilitation fee	0.6	–	–	–	3.1	1.9	1.9
Total	**16.5**	**32.0**	**9.0**	**15.3**	**20.4**	**62.5**	**78.0**

Note: A total of RMB7.8 million had been incurred by us for the four months ended 30 April 2017, including RMB1.0 million for the purchase of mining equipment and RMB6.3 million for the purchase of processing equipment.

For further details, please refer to the section headed "Financial information — Commitments and contingent liabilities — Capital costs" in this prospectus.

FORECASTED OPERATING COSTS

According to the Independent Technical Consultant, our unit cash operating costs for marble blocks, marble slabs and shaped stones are estimated at approximately RMB1,052/m^3, RMB161/m^2 and RMB777/m^2, respectively, when our Leishoushan Project reaches its full target annual production volume of 60,000 m^3 of marble blocks and our Processing Plant reaches its full processing output of 1,428,000 m^2 of marble slabs and shaped stones by 2020.

The following table sets forth a breakdown of our projected operating costs for the years indicated, which are based on the Independent Technical Report:

Product	Unit	2017	2018	2019	2020
Block	*m^3*	4,500	6,000	12,600	18,000
Slab	*m^2*	228,000	456,000	957,600	1,368,000
Shaped stone	*m^2*	10,000	20,000	42,000	60,000
Workforce employment					
Block	*RMB/m^3*	139.1	106.6	74.0	70.0
Slab	*RMB/m^2*	37.8	35.7	33.7	33.0
Shaped stone	*RMB/m^2*	127.0	104.1	81.2	74.1
Consumables					
Block	*RMB/m^3*	240.5	184.2	128.0	121.1
Slab	*RMB/m^2*	66.5	63.0	59.4	58.3
Shaped stone	*RMB/m^2*	220.8	181.2	141.6	129.3
Fuel, electricity, water and other services					
Block	*RMB/m^3*	295.5	226.3	157.2	148.7
Slab	*RMB/m^2*	29.9	25.6	21.2	19.8
Shaped stone	*RMB/m^2*	219.5	170.8	122.1	107.0
On and offsite administration					
Block	*RMB/m^3*	333.9	302.8	257.1	257.0
Slab	*RMB/m^2*	21.0	19.1	16.2	14.7
Shaped stone	*RMB/m^2*	235.3	213.3	181.2	165.3
Environmental protection and monitoring					
Block	*RMB/m^3*	17.1	13.1	9.1	8.6
Slab	*RMB/m^2*	1.1	0.8	0.6	0.5
Shaped stone	*RMB/m^2*	12.0	9.2	6.4	5.5
Transportation of workforce					
Block	*RMB/m^3*	–	–	–	–
Slab	*RMB/m^2*	–	–	–	–
Shaped stone	*RMB/m^2*	–	–	–	–
Product marketing and transport					
Block	*RMB/m^3*	184.2	184.2	184.2	213.8
Slab	*RMB/m^2*	11.6	11.6	11.6	12.3
Shaped stone	*RMB/m^2*	129.8	129.8	129.8	137.5
Non-income taxes, royalties and other governmental charges					
Block	*RMB/m^3*	118.0	118.0	118.0	137.0
Slab	*RMB/m^2*	7.4	7.4	7.4	7.8
Shaped stone	*RMB/m^2*	83.2	83.2	83.2	88.1
Contingency allowance					
Block	*RMB/m^3*	132.8	113.5	92.8	95.6
Slab	*RMB/m^2*	17.5	16.3	15.0	14.6
Shaped stone	*RMB/m^2*	102.8	89.2	74.5	70.7
Total operating cash cost					
Block	*RMB million*	6.6	7.5	12.9	18.9
Slab	*RMB million*	44.0	81.5	158.1	220.4
Shaped stone	*RMB million*	11.3	19.5	34.4	46.6
Total	*RMB million*	61.9*(Note)*	108.5	205.4	286.0
Total unit operating cash cost					
Block	*RMB/m^3*	1,461.1	1,248.7	1,020.5	1,051.8
Slab	*RMB/m^2*	192.9	179.5	165.1	161.1
Shaped stone	*RMB/m^2*	1,130.4	980.7	819.9	777.4

Note: In April 2017, a total operating cash cost of approximately RMB2.8 million was incurred.

For further details, please refer to the section headed "Financial information — Commitments and contingent liabilities — Forecasted operating costs" in this prospectus.

SENSITIVITY ANALYSIS

A sensitivity analysis for our after-tax NPV has been undertaken by the Independent Technical Consultant with respect to the capital cost, and operating cost, production rate and sales prices. In the analysis, a discount rate of 10% was adopted by the Independent Technical Consultant, based on the considerations of the real, risk-free, long-term interest rate (3.0% for the 5-year PRC Government Bond Rate), mining project risk (2% to 4%) and country risk (2% to 4%), and the determination of the discount rate is considered by the Independent Technical Consultant to be appropriate. According to the Independent Technical Consultant, the marble price is based on the assumptions presented in the feasibility study report prepared by Suzhou Sinoma; a straight line depreciation method was used; and any finance costs or company debts have not been taken into account in this analysis. The results show that of the various parameters, the operating cost is the most sensitive parameter while the capital cost is the least sensitive parameter.

The following table sets forth a sensitivity analysis for our after-tax NPV prepared by the Independent Technical Consultant:

	After-tax NPV variation *(RMB million)*										
Parameters	+25%	+20%	+15%	+10%	+5%	0%	-5%	-10%	-15%	-20%	-25%
Operating cost	668	917	1,156	1,385	1,604	1,813	2,012	2,201	2,380	2,548	2,707
Capital cost	1,766	1,776	1,785	1,794	1,804	1,813	1,822	1,832	1,841	1,851	1,860
Blocks sales price	1,906	1,887	1,869	1,850	1,832	1,813	1,795	1,776	1,757	1,739	1,720
Slab sales price	2,185	2,111	2,036	1,962	1,887	1,813	1,739	1,664	1,590	1,516	1,441
Shaped stone sales price	2,175	2,102	2,030	1,958	1,885	1,813	1,741	1,669	1,596	1,524	1,452

For further details, please refer to the section headed "Business — Planned production schedule and development plan — Sensitivity analysis" in this prospectus.

Please also refer to the table which sets forth the impact of an increase in labour cost, consumable cost and fuel and power cost and a decrease in the price of our marble blocks, marble slabs and shaped stones on our cash operating cost for the year ending 31 December 2017 in the section headed "Business — Planned production schedule and development plan — Sensitivity analysis" in this prospectus.

OUR PRODUCTS AND PRODUCTION

Our Leishoushan Project contains marble resources of three branch colours, which are commercially named as Royal Beige, Carlo Rose and Athens Grey. Our principal products are marble blocks mined from our Leishoushan Project and marble slabs and shaped stones processed at our Processing Plant. According to the Independent Technical Consultant, approximately 38 m^2 of marble slabs with a thickness of 18 mm or shaped stone products with a total surface area of 10 m^2 can usually be produced from a cubic metre of marble block. According to the Independent Technical Consultant, certain physical tests have been performed on our products and overall, the results of the tests indicate that the marble samples from our Leishoushan Project meet the appropriate Chinese standard specifications. From 2018 onwards, we plan to sell approximately 30% of the marble blocks mined from our Leishoushan Project to customers, and process the remaining 70% marble blocks into marble slabs and shaped stones at our Processing Plant for onward sales. We may make adjustments to such 30:70 ratio should the market demand for our marble blocks, marble slabs and shaped stones change in the future.

We use machinery and equipment such as diamond wire saws, drills, forklifts and wheel loaders and flatbed trucks in our mining operations. Our mining processes comprise isolating a large primary block from the main rock mass and then dividing and reshaping it into a transportable size. We use machinery and equipment such as trimming machines, gang saws, polishing machines and stone cutters in our marble slab processing. Our marble slab processing process comprises cutting marble blocks into slabs, applying mesh and glue to treat fractures and blisters on the surface and to reinforce the strength of the slabs, as well as smoothing and polishing the slabs and giving them a consistent thickness. Different equipment such as stone cutters or diamond wire saws is required for our shaped stone processing, and our shaped stone processing process comprises marble block cutting followed by shaping, rubbing, and polishing.

For further details, please refer to the sections headed "Business — Our products" and "Business — Production" in this prospectus.

CUSTOMERS

We will establish a sales team to be responsible for the sales and marketing of our products and dealing with customers. As at the Latest Practicable Date, we had entered into legally binding sales contracts with a total of five customers, including three One-off Sales Contracts, nine Framework Sales Contracts, 34 individual sales contracts entered into pursuant to the Framework Sales Contracts and one purchase order. Under the One-off Sales Contracts, we and our customers agreed to one-off sales of marble blocks with an aggregate sales volume of 1,500 m^3. The price of our marble blocks under the One-off Sales Contracts ranged from RMB2,700/m^3 to RMB4,950/m^3, depending on the product quality. The customers had taken delivery of the products under the One-off Sales Contracts as at 30 April 2017. Under our Framework Sales Contracts, our customers have committed to a minimum purchase quantity of our products for 2017 and 2018. The aggregate Minimum Purchases committed by these customers for 2017 are 3,000 m^3 for marble blocks, 228,000 m^2 for marble slabs and 9,000 m^2 for shaped stones, and the aggregate Minimum Purchases committed by these customers for 2018 are 5,400 m^3 for marble blocks, 410,000 m^2 for marble slabs and 18,000 m^2 for shaped stones. Such Minimum Purchases, together with the aggregate sales volume of 1,500 m^3 under the One-off Sales Contracts, represent 90% to 100% of our anticipated annual production volume of marble blocks for direct sales and anticipated annual processing output of marble slabs and shaped stones for each of 2017 and 2018. Our customers are mainly engaged in the processing and sale of dimension stone products or commodity trading. They are all Independent Third Parties.

For further details, please refer to the section headed "Business — Sales and marketing — Customers" in this prospectus.

SUPPLIERS

We source machinery and equipment, raw materials, construction materials, construction and engineering services and labour services from domestic suppliers. We generally do not enter into any long-term agreements with our suppliers. We select suppliers primarily based on their product quality and prices. We also take into account the reliability of on-time delivery and the service quality of potential suppliers. During the three years ended 31 December 2016 and the four months ended 30 April 2017, purchases from our five largest suppliers were approximately RMB21.5 million, RMB6.3 million, RMB3.9 million and RMB12.3 million, representing 66.9%, 70.9%, 74.2% and 91.5% of our total purchases, respectively, and purchases from our largest supplier were approximately RMB8.4 million, RMB2.7 million, RMB1.9 million and RMB6.3 million, representing 26.1%, 30.6%, 35.1% and 47.0% of our total purchases for the same periods, respectively. Our five largest suppliers during the Track Record Period were mainly suppliers of machinery, equipment and construction material. All of them are Independent Third Parties. We have maintained business relationships with our five largest suppliers during the Track Record Period for a period of approximately seven months to four years. For further details, please refer to the section headed "Business — Suppliers" in this prospectus.

CONTRACTORS

We have engaged a contractor to perform blasting operations for us. The blasting operation agreement entered into between us and the contractor is for a term of three years commencing on 26 May 2016 and ending on 25 May 2019. Blasting operations form part of topsoil stripping process of our mining operations. We have engaged the contractor to perform blasting operations for us primarily because the contractor possesses the requisite qualifications. We have also engaged a security company to provide security services at our Processing Plant for a term from 6 March 2017 to 31 December 2017. In addition, we have engaged a mining company to provide us with marble mining service and two workforce solution companies to provide us with labour services to undertake marble slab and shaped stone processing so as to reduce capital expenditures and control production costs. For the three years ended 31 December 2016 and the four months ended 30 April 2017, our total subcontracting fees amounted to RMB15,167, RMB46,000, RMB66,000 and RMB2.3 million, respectively. We did not commence commercial production for the three years ended 31 December 2016 and as a result, did not incur any cost of sales during the same periods. Our Shiqian Project commenced limited commercial production in April 2017. As such, we incurred cost of sales of approximately RMB3.0 million for the four months ended 30 April 2017. All of the contractors engaged by us are Independent Third Parties. We have maintained business relationships with our current contractors for a term of approximately seven months to two years. For further details, please refer to the section headed "Business — Suppliers — Contractors" in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that our Group has the following competitive strengths, details of which are set out in the section headed "Business — Our competitive strengths" in this prospectus:

- a large quantity of marble resources in the fast growing marble industry in China;
- our strategic geographic locations ensuring cost advantages and convenient access to distribution channels;
- a strong government support for dimension stone production and development;
- a competitive product portfolio that meets customers' tastes and preferences;
- our vertically integrated business model that helps enhance profitability;
- an open-pit mining method and satisfactory topographic conditions that allow us to operate at comparatively low cost; and
- our management team consisted of professionals with extensive industry experience.

OUR STRATEGIES

We aim to become a leading vertically integrated marble company in China. To achieve this objective, we plan to implement the following strategies, details of which are set out in the section headed "Business — Our strategies" in this prospectus:

- develop our Shiqian Project;
- enhance market recognition of our products through expanded marketing efforts;
- widen our customer base and enhance our sales network; and
- strengthen our research and development and devote efforts to product standardisation.

COMPETITIVE LANDSCAPE

China's marble industry is highly fragmented. According to the Frost & Sullivan Report, there are approximately 9,000 marble companies in China, a majority of which are small and medium-sized companies with low productivity level. Companies with larger operation scales, however, have begun to enter the mid-range and high-end markets after they have incorporated advanced technologies and upgraded processing equipment into their production lines. Market participants compete in the areas of resource, product price, research and development capability, target market, value chain coverage and product integration. We have competitive advantages in areas such as product quality, product popularity, vertically integrated business model by processing marble blocks mined from our Leishoushan Project at our Processing Plant to gain cost advantage and ensure quality control, and our leading position in terms of Resources and technology according to the Frost & Sullivan Report. For further details, please refer to the section headed "Industry overview — Competition analysis for China marble industry — Competitive landscape" in this prospectus.

RISK FACTORS

There are certain risks and uncertainties involved in our business and operations, some of which are beyond our control. We have broadly categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Shares and the Global Offering. The key risks associated with our business and operations include but are not limited to the following:

- as a mining company at the development stage, we have a limited operating history and our past performance may not be indicative of our future business and prospects. We also cannot guarantee that we will generate revenue at a profit and grow our business as planned;
- we depend on a single marble project, Shiqian Project, for our cash flow from operating activities and our business operation is exposed to uncertainties in relation to our ramp-up plan. There may be unforeseen delay in implementing our ramp-up plan;
- we derive revenue from a limited number of products and any change in customer preferences could materially affect our growth and profitability;
- the quality of our marble products is subject to uncertainties and may experience variability;
- we operate in an industry with an inherent high level of risks, and our operations may be disrupted and we may be unable to bring our Shiqian Project into commercial production as planned; and
- our historical financial condition and results of operation for only one-month limited commercial production towards the end of the Track Record Period may not be indicative of our future performance.

For further details about the risks and uncertainties involved in our business and operations and relating to investment in our Shares, please refer to the section headed “Risk factors” in this prospectus.

SUMMARY FINANCIAL INFORMATION

During the Track Record Period, we focused on preparing our Shiqian Project for commercial production. We did not generate any revenue for the three years ended 31 December 2016. We started to generate revenue of approximately RMB10.7 million for the four months ended 30 April 2017 as our Shiqian Project commenced limited commercial production in April 2017. We incurred a net loss of approximately RMB3.0 million, RMB3.4 million, RMB12.4 million and RMB0.6 million for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively. The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	Year ended 31 December			Four months ended 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	–	–	–	10,676
Cost of sales	–	–	–	(3,043)
Gross profit	–	–	–	7,633
Profit/(loss) before tax	(3,651)	(4,317)	(14,567)	584
Income tax credit/(expense)	689	951	2,215	(1,184)
Loss for the year/period attributable to owners of the parent	(2,962)	(3,366)	(12,352)	(600)

The following table sets forth a summary of our consolidated statements of financial position at the dates indicated.

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	49,846	58,454	72,730	78,353
Total current assets	179	306	4,024	22,919
Total current liabilities	52,171	64,006	45,663	17,879
Net current assets/(liabilities)	(51,992)	(63,700)	(41,639)	5,040
Total assets less current liabilities	(2,146)	(5,246)	31,091	83,393
Total non-current liabilities	1,050	1,316	1,618	4,339
Net assets/(liabilities)	(3,196)	(6,562)	29,473	79,054

The above summaries of financial information should be read in conjunction with the financial information included in the accountants' report, including the notes thereto, the text of which is set out in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

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

	As at 31 December			As at 30 April
	2014	2015	2016	2017
Gearing ratio*(Note 1)*	NM*(Note 2)*	NM*(Note 2)*	134.1%	9.5%
Current ratio*(Note 3)*	0.3%	0.5%	8.8%	128.2%
Quick ratio*(Note 4)*	0.3%	0.5%	8.8%	127.0%

	Year ended 31 December			Four months ended 30 April
	2014	2015	2016	2017
Gross profit margin*(Note 5)*	NA*(Note 6)*	NA*(Note 6)*	NA*(Note 6)*	71.5%

Notes:

1. Total debt divided by total equity. Total debt represents amounts due to Mr. Lin, our ultimate Controlling Shareholder and Fujian Panxing, our related party.
2. NM means not meaningful. We recorded negative equity as at such dates and as a result, the calculation of our gearing ratio as at such dates based on our total debt divided by our total equity would not produce any meaningful results.
3. Current assets divided by current liabilities.
4. Current assets less inventories and divided by current liabilities.
5. Gross profit margin is calculated by dividing the gross profit for the year/period by total revenue for the year/period and multiplied by 100%.
6. NA means not applicable. Our Shiqian Project only commenced limited commercial production in April 2017 and as a result, we did not generate any revenue for the three years ended 31 December 2016.

For further details, please refer to the section headed "Financial information — Key financial ratios" in this prospectus.

NET CURRENT LIABILITY POSITION

We had a net current liability position as at 31 December 2014, 2015 and 2016, primarily because we received advances from Mr. Lin, our ultimate Controlling Shareholder and Fujian Panxing, our related party during the Track Record Period. As at 31 December 2014, 2015 and 2016, our net current liabilities amounted to approximately RMB52.0 million, RMB63.7 million and RMB41.6 million, respectively. We received further advances in the amount of RMB50 million from Mr. Lin for the settlement of the consideration for the acquisition of Shiqian Investment, and received additional contribution of approximately RMB50 million from Mr. Lin for the satisfaction of our Group's working capital requirements. The additional contribution by Mr. Lin to our Group was used to settle the amounts due to Mr. Lin, our ultimate Controlling Shareholder and Fujian Panxing, our related party. Such further advances and additional contribution were waived by him in March 2017. As a result of the settlement of the amounts due to our ultimate Controlling Shareholder and our related party, we recorded net current assets of approximately RMB5.0 million as at 30 April 2017. For further details, please refer to the section headed "Financial information" in this prospectus.

THE PRE-IPO INVESTMENT

On 8 January 2016, Mr. Lin and Mr. Lai entered into the Pre-IPO Equity Transfer Agreement, pursuant to which Mr. Lin transferred 5% equity interest in Shiqian Investment to Mr. Lai at a total consideration of RMB2.5 million. The Pre-IPO Investment was a share transfer between Mr. Lin and Mr. Lai and as a result, we did not receive any proceeds from the Pre-IPO Investment.

SHAREHOLDER INFORMATION

Immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme), Xinghui Development will be directly interested in 67.5% of the total number of issued Shares. Since Xinghui Development, which is wholly owned by Mr. Lin, will continue to control more than 30% of the voting power at general meetings of our Company, Xinghui Development and Mr. Lin will be our Controlling Shareholders after the Global Offering. For further details, please refer to the sections headed "Relationship with Controlling Shareholders" and "Substantial shareholders" in this prospectus.

Apart from our Group, our Controlling Shareholders and their respective close associates are currently conducting other businesses or holding interest directly or indirectly in certain companies which are principally engaged in the businesses of wholesale of oil products that did not form part of our business as at the Latest Practicable Date. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

Mr. Lai, the sole shareholder of Xingjin Development, will be indirectly interested in approximately 3.75% of our Company upon Listing (assuming the Over-allotment Option is not exercised). For further details about the Pre-IPO Investment by Mr. Lai, please refer to the section headed "History, development and Reorganisation — The Pre-IPO Investment" in this prospectus.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to implement our development plan for our Shiqian Project, and expect to incur capital costs of approximately RMB20.4 million for the development of our Shiqian Project in

2017. For the four months ended 30 April 2017, we incurred capital costs of approximately RMB7.8 million in connection with the procurement of new equipment for our Shiqian Project. We received further advances and additional contribution in an aggregate amount of approximately RMB100 million from Mr. Lin, our ultimate Controlling Shareholder and this amount was waived by him in March 2017.

As at 30 April 2017, we had performed our obligation to deliver our products to the customers under the One-off Sales Contracts. In addition, we had also entered into 34 individual sales contracts with our customers pursuant to the Framework Sales Contracts and one purchase order as at the Latest Practicable Date.

As far as we are aware, subsequent to the Track Record Period and up to the date of this prospectus, there had been no change in the general economic and market conditions in the marble industry in the PRC that had materially and adversely affected our business operations or financial conditions.

Notwithstanding the above, we currently expect that our financial results for the year ending 31 December 2017 will be adversely impacted by our non-recurring Listing expenses recognised and to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income. Please refer to the section headed "Financial information — Listing expenses" in this prospectus for further details on our Listing expenses.

Potential investors should note that our financial information subsequent to the Track Record Period and up to the date of this prospectus is unaudited and may be subject to adjustments based on the audit.

According to the Independent Technical Consultant, there had been no material change to the Resource and Reserve estimates of our Leishoushan Project since 30 April 2017, which is the effective date of the Independent Technical Report, and up to the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 6 October 2017. Under the Share Option Scheme, the eligible participants of the scheme, including Directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date, being 156,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). For further details, please refer to the section headed "Statutory and general information — Other information — 13. Share Option Scheme" in Appendix VI to this prospectus.

LISTING EXPENSES

Our Listing expenses mainly comprise professional fees paid to the legal advisers and our reporting accountants for their services rendered in relation to the Listing. The total amount of Listing expenses that will be borne by us in connection with the Listing is estimated to be approximately RMB45.4 million (based on the mid-point of our indicative price range for the Global Offering), of which approximately RMB23.0 million is expected to be accounted for as a deduction from equity and the remaining amount of approximately RMB22.4 million was, or is expected to be, charged to our profit or loss contained in the consolidated statements of profit or loss and other comprehensive income, to which approximately RMB0.7 million, RMB8.2 million and RMB4.8 million were charged for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering which we will receive, assuming an Offer Price of HK$0.56 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$176.7 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes:

- approximately 11.7% of the net proceeds from the Global Offering (approximately HK$20.6 million) to fund the capital cost for development of our Leishoushan Project;

- approximately 61.7% of the net proceeds from the Global Offering (approximately HK$109.1 million) to fund the development of our Processing Plant;

- approximately 6.3% of the net proceeds from the Global Offering (approximately HK$11.2 million) to pay for the land acquisition fee for our Processing Plant;

- approximately 4.4% of the net proceeds from the Global Offering (approximately HK$7.8 million) to settle the rehabilitation security deposit and environmental recovery deposit;

- approximately 6.3% of the net proceeds from the Global Offering (approximately HK$11.2 million) to fund the costs for administration and supervision for construction of our Shiqian Project, employee training, purchase of furniture and the fee for conducting the exploration and technical studies for development of our Leishoushan Project;

- approximately 6.9% of the net proceeds from the Global Offering (approximately HK$12.2 million) to be reserved as contingency allowance in case of any unforeseen events which may occur during the course of development of our Shiqian Project;

- approximately 2.3% of the net proceeds from the Global Offering (approximately HK$4.0 million) to fund our sales and marketing salaries of our sales staff; and

- approximately 0.4% of the net proceeds from the Global Offering (approximately HK$0.6 million) for working capital and other general corporate purposes.

For further details, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

OFFER STATISTICS

We expect to issue 390,000,000 Shares under the Global Offering assuming the Over-allotment Option is not exercised.

	Based on Offer Price of HK$0.50 per Share	**Based on Offer Price of HK$0.62 per Share**
Market capitalisation of the Shares *(Note 1)*	HK$780.0 million	HK$967.2 million
Unaudited pro forma adjusted consolidated net tangible assets per Share *(Note 2)*	HK$0.17	HK$0.19

Notes:

1. The calculation of the market capitalisation of the Shares is based on the respective Offer Price of HK$0.50 and HK$0.62 per Share and 390,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering but has not taken into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate given to our Directors to allot and issue or repurchase Shares pursuant to the Repurchase Mandate.

2. Please refer to the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus for further details about the assumption used and the calculation method.

DIVIDEND

The payment and amount of any dividends to our Shareholders will be at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our Shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant. The payment of any dividends will also be subject to the Cayman Islands Companies Law and our constitutional documents, which indicate that payment of dividends out of our Share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividends are to be paid. We have no plan to declare or pay any dividends prior to the Listing.

We do not have any dividend policy. Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our operating subsidiaries. For further details, please refer to the section headed "Financial information — Dividend" in this prospectus.

NON-COMPLIANCE INCIDENTS

During the Track Record Period and up to the Latest Practicable Date, we had an incident of non-compliance which we consider to be of significance to our business operations. Shiqian Investment, our PRC subsidiary, failed to obtain consent from the relevant PRC forestry authority before using a parcel of forest land with an area of 32.868 mu (equivalent to approximately 21,912 m^3) in accordance with the PRC law. As at the Latest Practicable Date, we had fully settled the administrative penalty of RMB300,000 on 14 October 2013, and further obtained a confirmation letter issued by Shiqian County Forest Bureau on 28 June 2017, which confirmed that Shiqian Investment had ceased the aforesaid non-compliance and had fully settled the aforesaid administrative penalty. For further details about our non-compliance incident, please refer to the section headed "Business — Legal proceedings and compliance" in this prospectus.

WAIVER APPLICATIONS

We have applied for, and the Stock Exchange has granted us a waiver from strict compliance with Rules 8.05(1)(a) and 8.05(1)(b) of the Listing Rules pursuant to Rules 8.05B(1) and 18.04 of the Listing Rules. We have also applied for, and the Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules.

For further details, please refer to the section headed "Waivers from strict compliance with the Listing Rules" in this prospectus.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Save for the listing expenses as disclosed in the paragraph headed "Listing expenses" in this section above which will have a material adverse impact on our Group's financial position for the year ending 31 December 2017, our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 30 April 2017, the date of the latest audited financial statements of our Company, and there has been no events since 30 April 2017 which would materially affect the information shown in the accountants' report of the Company set out in Appendix I to this prospectus.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of technical terms" in this prospectus.

"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) or **GREEN** application form(s), or where the context requires, any of them, relating to the Hong Kong Public Offering;
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on 6 October 2017, which shall become effective upon commencement of trading of our Shares on the Stock Exchange, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in the section headed "Summary of the constitution of our Company and the Cayman Islands Companies Law — 2. Articles of Association" in Appendix V to this prospectus;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audit Committee"	the audit committee of the Board;
"Board"	the board of Directors;
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business;
"BVI"	the British Virgin Islands;
"CAGR"	compound annual growth rate;

"Capitalisation Issue"	the issue of 1,165,000,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed "Statutory and general information — Further information about our Company — 3. Resolutions in writing of our Shareholders passed on 6 October 2017" in Appendix VI to this prospectus;
"Cayman Islands Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, consolidated or otherwise modified from time to time;
"CBDA"	China Building Decoration Association (中國建築裝飾協會);
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant;
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
"CCASS Participant"	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant;
"China", "PRC" or "Mainland"	the People's Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated), excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"close associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time;
"Company" or "our Company"	Flying Mining Limited (翔輝礦業股份有限公司), formerly known as Panxing China Ltd and Flying Global Co., Ltd, a company incorporated in the Cayman Islands on 30 March 2016 as an exempted company with limited liability;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and in the context of this prospectus, means Xinghui Development and/or Mr. Lin;
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"CSMA"	China Stone Material Association (中國石材協會);
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets;
"Deed of Indemnity"	the deed of indemnity dated 6 October 2017 executed by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries stated therein), details of which are set out in the section headed "Statutory and general information — Other information — 14. Estate duty, tax and other indemnities" in Appendix VI to this prospectus;
"Deed of Non-competition"	the deed of non-competition dated 6 October 2017 executed by each of our Controlling Shareholders in favour of our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" in this prospectus;
"Director(s)" or "our Directors"	the director(s) of our Company;
"EIT"	the PRC Enterprise Income Tax;

"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted by the National People's Congress of the PRC;
"EIT Rules"	the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例);
"Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange;
"Final Pit Boundary Area"	the mining area of approximately 442,693 m^2 which comprises the Year 16 Pit Boundary Area and falls within the Mining Licence Area of 1.0781 km^2, and where we plan to carry out mining activities during the 40-year mine life of our Leishoushan Project;
"Flying Global BVI"	Flying Global Co., Limited (翔輝國際股份有限公司), a company incorporated in the BVI with limited liability on 2 June 2016, which is owned as to 100% by our Company;
"Flying Mining"	Hongkong Flying Mining Limited (香港翔輝礦業有限公司), formerly known as Panxing Mining Limited (盤興礦業有限公司), a company incorporated in Hong Kong with limited liability on 24 June 2016, which is owned as to 100% by Flying Global BVI;
"Framework Sales Contracts"	nine framework sales contracts entered into between Shiqian Investment and five customers pursuant to which our customers had agreed to purchase from us certain quantity of marble blocks, marble slabs and shaped stones over a period of time, details of which are set out in the section headed "Business — Sales and marketing — Customers — Framework Sales Contracts" in this prospectus;
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant which is an Independent Third Party;

"Frost & Sullivan Report"	a commissioned market research report dated 18 October 2017 prepared by Frost & Sullivan;
"Fujian Panxing"	Fujian Panxing Group Co., Ltd.* (福建盤興集團有限公司), a company established in the PRC with limited liability on 10 August 2010, which is owned as to approximately 95% by Mr. Huang and 5% by Mr. Huang Jianfu (黃建福先生), who is the son of Mr. Huang;
"GDP"	gross domestic product;
"Global Offering"	the Hong Kong Public Offering and the International Offering;
"**GREEN** Application Form(s)"	the application form(s) to be completed by **HK eIPO White Form** Service Provider;
"Group", "our Group", "our", "we" or "us"	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or, as the case may be, the predecessors;
"Guotai Junan Capital" or "Sole Sponsor"	Guotai Junan Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO, acting as the sole sponsor to the Listing;
"Guotai Junan Securities" or "Sole Global Coordinator"	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO, acting as the sole global coordinator of the Global Offering;
"HK$" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong;
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be registered in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**;

"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designed by our Company, as specified on the designated website at **www.hkeipo.hk**;
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Offer Shares"	the 39,000,000 Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus;
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering" in this prospectus;
"Hong Kong Share Registrar"	Tricor Investor Services Limited;
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus;
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 17 October 2017 relating to the Hong Kong Public Offering entered into between, among others, our Company, our Controlling Shareholders, our executive Directors and the Hong Kong Underwriters;
"IFRS"	International Financial Reporting Standards;

"Independent Technical Consultant" or "SRK"	SRK Consulting (Hong Kong) Limited, an Independent Third Party;
"Independent Technical Report"	the independent technical report dated 18 October 2017 prepared by the Independent Technical Consultant as set out in Appendix IV to this prospectus;
"Independent Third Party(ies)"	a person or persons or a company or companies which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquires, is independent of and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive and substantial shareholders (within the meaning of the Listing Rules) of our Company, any of its subsidiaries or any of their respective associates (within the meaning of the Listing Rules);
"International Offer Shares"	the 351,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option, the number of which is subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus;
"International Offering"	the conditional offering of the International Offer Shares by the International Underwriters as described in the section headed "Underwriting" in this prospectus;
"International Underwriters"	the underwriters of the International Offering, who are expected to enter into the International Underwriting Agreement;
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering and to be entered into between, among others, our Company, our Controlling Shareholders, our executive Directors and the International Underwriters on or about the Price Determination Date;
"Joint Bookrunners"	Guotai Junan Securities, Wealth Link Securities Limited, Oceanwide Securities Company Limited and Head & Shoulders Securities Limited

"Joint Lead Managers"	Guotai Junan Securities, Wealth Link Securities Limited, Oceanwide Securities Company Limited and Head & Shoulders Securities Limited
"Latest Practicable Date"	9 October 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus;
"Leishoushan Project"	the Leishoushan mine project, a marble mine project located in Pingdichang Township, Shiqian County, Guizhou Province, the PRC;
"Listing"	listing of our Shares on the Main Board;
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange;
"Listing Date"	the date expected to be on or about 31 October 2017, on which dealings in our Shares first commence on the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
"M&A Rules"	the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly promulgated by MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on 8 August 2006 and amended by MOFCOM on 22 June 2009;
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange;
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, adopted on 6 October 2017, which shall become effective upon commencement of trading of our Shares on the Stock Exchange and as supplemented, amended or otherwise modified from time to time, a summary of which is set out in the section headed "Summary of the constitution of our Company and the Cayman Islands Companies Law — 1. Memorandum of Association" in Appendix V to this prospectus;

"MEP"	the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部);
"Mineral Company"	has the meaning ascribed to it under the Listing Rules;
"Mining Licence Area"	the area covered by the mining licence currently held by us;
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部);
"MLR"	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部);
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部);
"Mr. Huang"	Mr. Huang Zhongyi (黃忠義先生), being the sole shareholder of Panxing Development and hence, will be indirectly interested in approximately 3.75% of our Company upon Listing (assuming the Over-allotment Option is not exercised) by virtue of his interest in Panxing Development;
"Mr. Lai"	Mr. Lai Ching-Hsun (賴錦勳先生), our investor under the Pre-IPO Investment and the sole shareholder of Xingjin Development, and hence, will be indirectly interested in approximately 3.75% of our Company upon Listing (assuming the Over-allotment Option is not exercised) by virtue of his interest in Xingjin Development;
"Mr. Lin"	Mr. Lin Hui (林珲先生), our chairman, chief executive officer, executive Director and a Controlling Shareholder;
"NBSC"	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局);
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);
"Nomination Committee"	the nomination committee of the Board;

"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會), the national legislative body of the PRC;
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$0.62 and expected to be not less than HK$0.50, such price to be agreed upon by us and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date;
"Offer Share(s)"	the Hong Kong Offer Share(s) and the International Offer Share(s) together with, where relevant, any additional Shares to be issued and allotted pursuant to the exercise of the Over-allotment Option;
"One-off Sales Contracts"	three one-off sales contracts entered into between Shiqian Investment and three customers (all of whom have also entered into Framework Sales Contracts with Shiqian Investment) in relation to one-off sales of marble blocks with an aggregate sales volume of 1,500 m^3, details of which are set out in the section headed "Business — Sales and marketing — Customers — One-off Sales Contracts" in this prospectus;
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 58,500,000 additional Shares, representing 15% of the Shares initially being offered under the Global Offering at the Offer Price, to cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus;
"Panxing Development"	Panxing Development Limited (盤興發展有限公司), a company incorporated in the BVI with limited liability on 9 March 2016, which is wholly owned by Mr. Huang;
"PBOC"	the People's Bank of China (中國人民銀行);

"Phase 1 of the Processing Plant"	certain buildings and structures of our Processing Plant with an aggregate gross floor area of approximately 10,438 m^2, the development of which had been completed as at the Latest Practicable Date, including a workshop, an office building and certain ancillary facilities;
"Phase 2 of the Processing Plant"	certain buildings and structures of our Processing Plant with a planned gross floor area of approximately 38,743 m^2 which are expected to be developed after Listing;
"PRC Government" or "State"	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;
"PRC Legal Advisers"	Jingtian & Gongcheng, the legal advisers to our Company as to PRC laws;
"Pre-IPO Equity Transfer Agreement"	the equity transfer agreement dated 8 January 2016 entered into between Mr. Lin and Mr. Lai in relation to the Pre-IPO Investment;
"Pre-IPO Investment"	the investment by Mr. Lai in our Group under the Pre-IPO Equity Transfer Agreement, details of which are set out in the section headed "History, development and Reorganisation — The Pre-IPO Investment — The Pre-IPO Equity Transfer Agreement" in this prospectus;
"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price;
"Price Determination Date"	the date expected to be on or about 24 October 2017 but no later than 27 October 2017, on which the Offer Price is to be fixed by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) for the purposes of the Global Offering;
"Processing Plant"	a slab and shaped stone processing plant located 26 km away from our Leishoushan Project and owned by Shiqian Investment;
"Regulation S"	Regulation S under the U.S. Securities Act;

"Remuneration Committee"	the remuneration committee of the Board;
"Reorganisation"	the reorganisation arrangements undergone by our Group in preparation for the Listing as described in the section headed "History, development and Reorganisation" in this prospectus and in the section headed "Statutory and general information — Further information about our Company — 4. Group reorganisation" in Appendix VI to this prospectus;
"RMB" and "Renminbi"	the lawful currency of the PRC;
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration;
"SAFE Circular No. 37"	the Circular of the State Administration of Foreign Exchange on Issues Concerning the Administration of Foreign Exchange in Offshore Investments and Financing and Return Investments by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關 問題的通知) issued on 4 July 2014 by SAFE;
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局);
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會);
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局);
"SAWS"	the State Administration of Work Safety of the PRC (中華人民共和國國家安全生產監督管理總局);
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;

"Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of US$0.01 each;
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on 6 October 2017, the principal terms of which are summarised in the section headed "Statutory and general information — Other information — 13. Share Option Scheme" in Appendix VI to this prospectus;
"Shareholder(s)"	holder(s) of the Shares from time to time;
"Shiqian Investment"	Shiqian Panxing Investment Co., Ltd.* (石阡盤興投資有限公司), a company established in the PRC with limited liability on 8 August 2011, which is our indirect wholly owned subsidiary;
"Shiqian Project"	our Leishoushan Project and our Processing Plant;
"Stabilising Manager"	Guotai Junan Securities;
"State Council"	the State Council of the PRC (中華人民共和國國務院);
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Xinghui Development on or about the Price Determination Date;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules;

"Suzhou Sinoma"	Suzhou Sinoma Design and Research Institute of Non-metallic Minerals Industry Co., Ltd.* (蘇州中材非金屬礦工業設計研究院有限公司), an Independent Third Party which possesses a Class A engineering licence for dimension stone issued by the National Development and Reform Commission of China. The principal business of Suzhou Sinoma includes, among other things, the mining, processing, design and overall sub-contracting of stone projects, and the provision of technical consultancy to non-metallic mineral companies. Suzhou Sinoma is a subsidiary of Sinoma International Engineering Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600970)), which is a subsidiary of China National Materials Company Limited (a company listed on the Stock Exchange (stock code: 1893));
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time;
"Track Record Period"	the period comprising the three years ended 31 December 2016 and the four months ended 30 April 2017;
"Underwriters"	the Hong Kong Underwriters and the International Underwriters;
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
"United States" or "U.S."	the United States of America;
"US$" or "U.S. dollars"	the lawful currency for the time being of the United States;
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time;
"VAT"	Value Added Tax;
"WFOE"	wholly foreign owned enterprise;

"**WHITE Application Form(s)**"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name(s);
"Xinghui Development"	Xinghui Development Limited (興輝發展有限公司), a company incorporated in the BVI with limited liability on 9 March 2016, which is wholly owned by Mr. Lin, and is one of our Controlling Shareholders;
"Xingjin Development"	Xingjin Development Limited (興錦發展有限公司), a company incorporated in the BVI with limited liability on 9 March 2016, which is wholly owned by Mr. Lai;
"Year 16 Pit Boundary Area"	the mining area of 86,095 m^2 (the surface of the land falling within the Year 16 Pit Boundary Area to be leased by our Group has an area of 289.17 mu (equivalent to approximately 192,780 m^2)) which is part of the Final Pit Boundary Area and falls within the Mining Licence Area of 1.0781 km^2, and where we plan to carry out mining activities during the first 16 years of the 40-year mine life of our Leishoushan Project;
"**YELLOW** Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS; and
"%"	per cent.

Unless otherwise specified, all references to any shareholdings in our Company are based on the assumption that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised.

The English translation of terms or names in Chinese which are marked with "" is for identification purposes only. In the event of any inconsistency, the Chinese terms or names shall prevail.*

This glossary of technical terms contains terms used in this prospectus in connection with our Group and our business. Some of these terms may not correspond to the standard industry definitions.

"abrasion"	erosion of rock material by friction of solid particles moved by gravity, water, ice, or wind;
"ASL"	elevation above the sea level;
"Athens Grey"	a trade name of marble produced from our Leishoushan Project;
"block yield"	the percentage of the marble resources that can be mined out as marble blocks;
"bulk density"	property of mineral components which is defined by the weight of an object or material divided by its volume, including the volume of its pore spaces;
"calcite"	calcium carbonate minerals;
"Carlo Rose"	a trade name of marble produced from our Leishoushan Project;
"cm^3"	cubic centimetres;
"compressive strength"	the maximum load or compressive stress that can be applied to a material, such as a rock, under given conditions before failure occurs;
"deformation"	a general term for the process of folding, faulting, shearing, compression or extension of the rocks as a result of various Earth forces;
"dimension stone"	natural stone or rock that has been selected and fabricated to specific sizes or shapes;
"dolomite"	a sedimentary carbonate rock and a mineral, both composed of calcium magnesium carbonate $CaMg(CO_3)_2$ found in crystals, commercially referred to as marble;

"drill core"	a solid, cylindrical sample of rock produced by an annular drill bit, generally rotatively driven but sometimes cut by percussive methods;
"drilling"	a technique or process of making a circular hole in the ground with a drilling machine, which is typically used to obtain a cylindrical sample of rock or soil material;
"exploration"	activity to prove the location, volume and quality of a deposit;
"fault"	a fracture or fracture zone in rock along which movement has occurred;
"flexural strength"	a mechanical parameter for brittle material, defined as a material's ability to resist deformation under load. It is measured by applying a load to a specimen that is supported near ends;
"gloss"	surface shininess or lustre;
"ha"	hectare, one hectare equals to 10,000 m^2;
"hauling"	the drawing or conveying of the product of the mine from the working places to the bottom of the hoisting shaft, or slope;
"Indicated Resource" or "Indicated Mineral Resource"	part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit;
"Inferred Resource" or "Inferred Mineral Resource"	part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes;
"joint"	a fracture in rock which has no displacement;

"JORC Code"	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2012;
"karst"	a type of topography that is formed on limestone, gypsum, and other rocks by dissolution, and that is characterised by sinkholes, caves, and underground drainage;
"km"	kilometres;
"km^2"	square kilometres;
"kV"	kilovolts;
"kVA"	kilovolt-amperes;
"kw"	kilowatts;
"kWh"	kilowatt hours;
"limestone"	rocks of sedimentary origin that are primarily composed of calcium carbonate without or with limited magnesium;
"m"	metres;
"m^3"	cubic metres;
"m^2" or "sq.m."	square metres;
"marble"	rock geologically defined as metamorphosed limestone or dolomite that is thoroughly recrystallised and much or all of the sedimentary and biologic textures are obliterated. Commercially, in the dimension stone industry, and as used in this prospectus, marble also includes limestone and dolomite that is polishable. Many decorative marbles belong to this class;

"marble block"	marble stones of certain specifications, which are processed from untrimmed marble units which are stones of irregular shape directly separated from mines, and used for further processing into slabs;
"marble slab"	marble stones of certain specifications, which are processed from cutting, burnishing and polishing the marble blocks;
"Measured Resource" or "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 mine planning and final evaluation of the economic viability of the deposit;
"mine life"	the number of years that a mine is expected to continue operations based on the current mine plan;
"mining rights"	the rights to mine Mineral Resource and obtain mineral products in areas where mining activities are licensed;
"mm"	millimetres;
"Modifying Factors"	considerations of mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and government factors;
"MPa"	mega Pascal;
"mu"	mu, one mu equals to approximately 666.67 m^2;
"open-pit mining"	mining of a deposit from a pit open to surface and usually being carried out by stripping of overburden materials;
"Probable Reserve" or "Probable Ore Reserve"	the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve;

"Proved Reserve" or "Proved Ore Reserve"	the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors;
"Reserve" or "Ore Reserve"	the economically mineable part of a Measured and/or Indicated Resource;
"Resource" or "Mineral Resource"	concentration or occurrence of material of intrinsic economic interest upon or inside the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge;
"Royal Beige"	a trade name of marble produced from our Leishoushan Project;
"sedimentary rock"	a rock formed from the accumulation and consolidation of sediment, usually in layered deposits and which may consist of rock fragments of various sizes, remains or products of animals or plants, products of chemical action or of evaporation, or mixtures of these;
"sinkhole"	a depression in the land surface that results from the collapse or slow settlement of underground voids produced by solution weathering. The rock being dissolved is normally limestone but can also be salt, gypsum or dolostone;
"strip ratio"	the ratio of the volume of overburden required to be stripped to marble removed;
"texture"	the visible characteristics of a rock which include its grain size, grain orientation, rounding, angularity or presence of vesicles;
"tpa"	tonnes per annum;
"vein"	sheet-like body of minerals formed by fracture filling or replacement of lost rock;
"waste"	the part of an ore deposit that is too low in grade to be of economic value at the time of mining, but which may be stored separately for possible treatment later;

"weathering"	response of materials once in equilibrium within earth's crust to new conditions at or near contact with water, air, or living matter; and
"white series marble"	a colour series of marble which includes white marble and grey marble.

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our capital needs;
- our future production levels;
- future developments, trends and conditions of the industry in which we conduct business;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the market in which we operate;
- our future operating and other costs;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in the section headed "Financial information" in this prospectus with respect to trends in prices and volumes;
- operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical fact.

This prospectus contains certain statements that are "forward-looking" and uses forward-looking terminology such as "anticipate," "believe," "expect," "estimate," "may," "ought to," "should" or "will." Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of our Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard include those identified in the section headed "Risk factors" in this prospectus. Actual results may differ materially from information contained in forward-looking statements as a result of numerous factors, including, without limitation, those described in the section headed "Risk factors" in this prospectus and the following:

- supply and demand changes in white series marble;
- changes in prices of marble;
- uncertainties relating to the quality of our marble mine and hence our product;
- the exploration of marble resources and development of mining facilities;
- our plans and objectives for future operations and expansion;
- our relationship with, and other conditions affecting, our customers and suppliers;
- risks inherent to our mining and production;
- competition;
- the effects of changes in currency exchange rates;
- environmental laws and regulations;
- future legislation, including regulations and rules as well as changes in enforcement policies;
- changes in political, economic, legal and social conditions, including the government's specific policies with respects to the mining industry;
- economic growth, inflation, foreign exchanges and the availability of credit;
- our liquidity and financial condition; and
- the other risk factors discussed in this prospectus as well as other factors beyond our control.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

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

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

RISKS RELATING TO OUR BUSINESS

As a mining company at the development stage, we have a limited operating history and our past performance may not be indicative of our future business and prospects. We also cannot guarantee that we will generate revenue at a profit and grow our business as planned.

We are a mining company at the development stage and have a limited operating history. In August 2013, Mr. Lin, our Controlling Shareholder, acquired a 95% equity interest in Shiqian Investment, our sole PRC operating subsidiary which owns our Shiqian Project and the mining rights in respect of our Leishoushan Project.

During the Track Record Period, we focused on preparing our Shiqian Project, including the construction of our Leishoushan Project, for commercial production, and incurred a net loss of approximately RMB3.0 million, RMB3.4 million, RMB12.4 million and RMB0.6 million for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively. We started to generate revenue of approximately RMB10.7 million for the four months ended 30 April 2017 as our Shiqian Project commenced limited commercial production in April 2017. We carried out limited mine construction from March 2014 to June 2015. Our Shiqian Project commenced limited commercial production in April 2017 and we expect to ramp up our operations from 2017 to 2019, and reach a full production volume of 60,000 m^3 of marble blocks and a full processing output of 1,428,000 m^2 of marble slabs and shaped stones by 2020. The fact that we are a mining company at development stage makes the evaluation of our business and prediction of our future operating results and prospects difficult. We believe that period-to-period comparisons of our results may not be meaningful and the results for any period should not be relied upon as an indication of our future performance. We also cannot guarantee that we will generate revenue at a profit and grow our business as planned.

In addition, we have encountered and may continue to encounter risks and uncertainties frequently faced by companies in the early stages of mine development, including those relating to:

- our ability to manage large-scale mining operations and to maintain effective cost control;
- our ability to expand our mining capacities according to our development plan;
- our ability to develop and maintain internal systems and procedures to ensure compliance with the extensive regulatory requirements applicable to the mining industry in the PRC;
- our ability to respond to changes in our regulatory environment;
- our ability to manage the logistics, utility and supply needs of our expanded operations; and
- our ability to implement, monitor and enhance our internal control system.

We depend on a single marble project, Shiqian Project, for our cash flow from operating activities and our business operation is exposed to uncertainties in relation to our ramp-up plan. There may be unforeseen delay in implementing our ramp-up plan.

Currently, we have only one marble project, namely the Shiqian Project which comprises our Leishoushan Project and our Processing Plant. As at the Latest Practicable Date, we expected that our Leishoushan Project would be our only operating mining project in the near term, and we expected that it would continue to be so in the near term and that we would depend on our Leishoushan Project and our Processing Plant to generate substantially all of our operating revenue and cash flows in the near term.

The operations of our Leishoushan Project are subject to a number of operating risks and hazards associated with our mining operations, which are described elsewhere in this section. There is no assurance that we will successfully ramp up as planned to achieve our production targets. Our ramp-up plan of our Shiqian Project requires significant development and construction and may take longer than expected to complete. For example, our development and construction may experience technical difficulties or other challenges and hence, there may be unforeseen delays before our mining and marble slab and shaped stone processing facilities are able to operate at their planned capacity in a timely manner. In addition, our estimates of the required capital and operating expenditure may prove not to be consistent with the actual amounts required. Consequently, we may not be able to extract the marble resources of our Leishoushan Project in a profitable manner. If we fail to ramp up or achieve our production targets in a timely manner or derive the expected economic benefits from our Shiqian Project due to any delay or difficulty in its development, or if any event occurs which causes our Shiqian Project to operate at a less-than-optimal capacity, or there is any other negative development as described elsewhere in this section, our business, financial condition and results of operations could be materially and adversely affected.

Furthermore, as our Shiqian Project was in the construction and development stage during the Track Record Period, we experienced a net loss of approximately RMB3.0 million, RMB3.4 million, RMB12.4 million and RMB0.6 million for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively. We expect to continue to incur increased costs and operating expenses as we continue to implement our development and expansion plans during our ramp-up process. If we do not achieve commercial, legitimate or full production on schedule or generate the revenue that we anticipate from production, our future losses may be greater than anticipated and we may not achieve profitability in the time frame we anticipate.

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

Our principal products are marble blocks mined from our Leishoushan Project and marble slabs and shaped stones processed from our marble blocks at our Processing Plant. Our marble blocks, marble slabs and shaped stones are limited to three branch colours, namely Royal Beige, Carlo Rose and Athens Grey. While beige marble is preferred by customers and has wide applications, red and grey marbles enjoy lower level of popularity among customers. As our business and profitability are dependent on a limited number of products, any adverse change in customers' preference, demand and market prices for marble products could result in a decrease in our sales in the relevant markets and could adversely affect our revenue and profitability. The demand for marble dimension stone is based on appearance, including colour, pattern, texture and colour variability and these characteristics are not easy to measure objectively. Although the market demand for and the market price of beige marble products are relatively high compared to products of other colours, there can be no assurance that such trend will continue, and any change in market demand, customer preference or market prices for beige marble products could have a material adverse effect on our results of operations.

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

In April 2017, our Shiqian Project commenced limited commercial production. Since marble is a naturally occurring mineral, the colour, pattern, texture, quality and other characteristics of our marble blocks to be produced in the future may differ from those indicated by the limited number of records of drill core results or samples currently available to us. We cannot assure you that the colour, pattern, texture, quality and other characteristics of the marble blocks mined from our Leishoushan Project will be consistent with or similar to the estimation made by the Independent Technical Consultant. As at the Latest Practicable Date, we had entered into legally binding sales contracts with a total of five customers, including three One-off Sales Contracts, nine Framework Sales Contracts, 34 individual sales contracts entered into pursuant to the Framework Sales Contracts and one purchase order. However, we had only delivered limited amounts of products to our customers under the One-off Sales Contracts, the individual sales contracts and the purchase order as at the Latest Practicable Date. If our products cannot meet our customers' requirements due to inferior product quality, our reputation may be damaged and we may lose customers' orders, which, in turn, may materially and adversely affect our business and results of operations.

In addition, the mineralogical and chemical composition, bulk density, hardness and water absorption, mechanical properties and radioactivities of marble ultimately mined may differ from those indicated by drill core results as stated in the Independent Technical Report. There can be no assurance that the block yield derived from drilling and sampling will be duplicated under on-site conditions or in production scale operations. In the event that the marble mined at our Leishoushan Project is of a lower quality than expected, the demand for, and realisable price of, our marble products may decrease, which could materially and adversely affect our business and results of operations.

We may not be able to achieve our anticipated market prices of our marble products, in particular our Athens Grey marble products.

Under the One-off Sales Contracts, the Framework Sales Contracts and the individual sales contracts pursuant to the Framework Sales Contracts, the price ranges of our Royal Beige and Carlo Rose marble products are RMB2,700/m^3 to RMB5,500/m^3 for marble blocks, RMB200/m^2 to RMB290/m^2 for marble slabs and RMB2,200/m^2 to RMB2,980 m^2 for shaped stones. We will only commence the production of Athens Grey marble products in 2021 and as a result, the market prices of our Athens Grey marble products have not been ascertained. Although we anticipate that the price range of our Athens Grey marble products should generally fall within the price ranges of our Royal Beige and Carlo Rose marble products, as according to the Frost & Sullivan Report, the market price range of grey marble blocks mined in China in 2016, which was RMB2,500/m^3 to RMB5,500/m^3, was similar to the market price ranges of yellow and red marble blocks mined in China in the same year, which were RMB2,500/m^3 to RMB5,000/m^3 and RMB2,500/m^3 to RMB4,500/m^3, respectively, there can be no assurance that such anticipated prices can be achieved after we commence production of Athens Grey marble products in 2021, due to potentially changing customer preference, market conditions and other unforeseen events. According to the Independent Technical Consultant, Athens Grey marble products accounted for approximately 56.8% of the estimated Resources and 23.2% of the Probable Reserves of our Leishoushan Project as at 30 April 2017. If our anticipated prices of Athens Grey marble products cannot be achieved, our business and results of operations could be materially and adversely affected. There is also no assurance that we will be able to sell our Royal Beige and Carlo Rose marble products at prices higher than or the same as the prices under the One-off Sales Contracts, the Framework Sales Contracts, the individual sales contracts pursuant to the Framework Sales Contracts and the purchase order, or at all in the future. If we cannot maintain the prices of our Royal Beige and Carlo Rose marble products in the future, our business and results of operations could be materially and adversely affected.

We operate in an industry with an inherent high level of risks, and our operations may be disrupted and we may be unable to bring our Shiqian Project into full commercial production as planned.

We operate in the mining industry which has an inherent high level of risks. We face risks arising from the nature of the ore body and the surrounding rock, colour and quality variation of marble, natural disasters, environmental, geotechnical and hydrological risks, health and safety and variations such as joints that may affect marble mining and processing.

According to the Independent Technical Consultant, marble volume estimation is an analysis of the returned results from drill core samples. It is therefore not exact calculations of the actual marble units. As a result, even if the sampling density is high, the sample population is still very small compared with the mass of the entire deposit. Therefore, any estimation of Resources and Reserves based on this sample data will have inherent errors. The final or actual mined volume may not precisely match the estimated results. In particular, the working benches and the exploration results of our Leishoushan Project have provided a limited amount of information on colour and texture. Similarly, error factors exist in any calculations of capital and operating costs for the development phase of our Leishoushan Project, as not all the parameters affecting these estimates can be accurately defined or valued for future events. Mining operation incomes are also affected by the variations of the price of marble, transport costs, fluctuations in the downstream architectural decoration, infrastructure and landscaping and other downstream markets.

Of the various risks identified by the Independent Technical Consultant, market risks are rated as "medium" by the Independent Technical Consultant. The market risks include risks associated with anticipated market prices not achieved; sales growth not as fast as anticipated; and increased competition from new quarries. For further details, please refer to the section headed "Independent Technical Report — 13. Risk assessment" in Appendix IV to this prospectus.

Should we fail to manage the risks identified by the Independent Technical Consultant or should any of the aforementioned inherent risks materialise, our operations may be disrupted and we may be unable to bring our Leishoushan Project into full-scale commercial production or bring our Leishoushan Project up to the level of commercial production as planned, in which case our business and results of operations could be materially and adversely affected.

Our business is exposed to workplace safety and occupational health risks and hazards associated with our mining and processing operations.

Our mining and processing operations are subject to a number of operating risks and hazards, some of which are beyond our control and cannot be completely eliminated through prevention efforts. These operating risks and hazards include: (i) unexpected maintenance or technical problems; (ii) interruptions to our mining operations due to inclement or hazardous weather conditions and natural disasters such as floods, landslides and earthquakes; (iii) industrial accidents; (iv) electricity or fuel supply interruptions; (v) critical equipment failures in our mining and processing operations; (vi) the handling and storage of certain dangerous articles and the use of heavy machinery; and (vii) unusual or unexpected variations in the mine and geological or mining conditions, such as instability of the slopes and subsidence of the working areas. These risks and hazards may result in personal injury, damage to, or destruction of, properties or production facilities, environmental damages, business interruptions and damage to our business reputation. In addition, the breakdown of machinery and equipment, difficulties or delays in obtaining replacement machinery and equipment, natural disasters, industrial accidents or other events could temporarily disrupt our operations. Such incidents may also result in a breach of the conditions of our mining licence, or any other consent, approvals or authorisations obtained from the relevant authorities, which may result in fines and penalties or even possible revocation of our relevant mining permits.

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

In addition, our mining operations may generate dust and the dust emission sources are from the open-pit area, the waste rock dump area, and from the process of cutting, sawing and polishing under dry and windy weather conditions. As at 30 April 2017, we had a total of four mining and production employees and staff. Such dust may adversely affect the health of our on-site employees and in extreme cases, it may cause pneumoconiosis or other occupational diseases. Should any such occupational diseases or other occupational health problems occur, we may be responsible for the liabilities arising from the claims of those affected employees or competent occupational disease administrations and contractors against us and our assumption of such liabilities, including any compensation arising therefrom may have a material adverse effect on our business, financial condition and results of operations and harm our reputation.

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

During the Track Record Period, we were not involved in any accidents, claims or proceedings in relation to workplace safety and occupational health. Any occurrence of such accidents, claims or proceedings in relation to the workplace safety and occupational health, any disruption to the operations of our Leishoushan Project or our Processing Plant or supporting infrastructure for a sustained period, or any change to the natural environment surrounding our Leishoushan Project, such as landslides, may materially adversely affect our business, financial condition and results of operations.

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

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

As at the Latest Practicable Date, we held a mining licence for our Leishoushan Project covering the Mining Licence Area of 1.0781 km^2. This mining licence is valid for a term of 10 years commencing on 15 October 2012, which can be extended for another 10 years provided that we comply with the relevant requirements for extension under the relevant PRC laws. Although we currently intend to extend the mining licence during the mine life of our Leishoushan Project, we may not be able to extend the mining licence. We hold a safety production permit which allows us to produce marble. Such safety production permit will expire on 30 December 2018 and is expected to be renewed for three years, subject to completion of certain administrative examination and approval procedures. We also hold a water use permit issued by Shiqian County Water Bureau for a term of five years commencing from 29 February 2016 and expiring on 28 February 2021 and pollutant discharge permits (for each of our Leishoushan Project and our Processing Plant) which will expire on 8 September 2018. Such permits are expected to be renewed, subject to completion of certain administrative examination and approval procedures.

In addition, the land within the mining area as permitted by our current mining licence comprises farm land, forest land and barren mountain collectively owned by the relevant villages with the land use rights granted to certain villagers. In order to carry out our mining operations, as at the Latest Practicable Date, we had obtained notice of approval of temporary land use from Shiqian County State Land Resources Bureau for temporary use of land with a site area of 289.17 mu, which falls within the Year 16 Pit Boundary Area, for a term of two years commencing on 27 December 2016, and had entered into two leases in respect of the Year 16 Pit Boundary Area with the relevant villagers' committees for a valid term of 20 years ending on 29 July 2031 and 21 July 2036, respectively. However, it is uncertain whether we would be able to enter into new leases in respect of the remaining area of land collectively operated and managed by the relevant villagers' committees and covered by the mining licence of our Leishoushan Project in order for us to continue to expand our operations in the future. For further details, please refer to the section headed "Business — Properties" in this prospectus. We had also obtained consent from the Guizhou Province Forestry Department (貴州省林業廳) for the use of certain parcels of forest land with a gross site area of 9.8505 ha (equivalent to 98,505 m^2) for a term commencing on 25 May 2016 and ending on 24 May 2018.

To carry out our mining operations in accordance with our planned production schedule, it is crucial for us to (i) extend the current mining licence; (ii) renew the existing land-use approval and consent letter from the relevant land administration and forestry authorities; (iii) obtain new land-use approval and consent letter from the relevant land administration and forestry authorities for the use of the respective remaining area of land within the Final Pit Boundary Area of our Leishoushan Project, which consists of farm and forest land and barren mountain with an aggregate area of approximately 356,598 m^2; and (iv) renew all other material licences, permits and approvals.

The licences, permits and approvals obtained by us will expire from time to time. Our applications for extension or renewal are subject to a certain degree of government discretion, and there is no guarantee that we will be able to obtain any extension or renewal of the licences, permits and approvals in the future. In addition, in the event that we identify prospective mine resources, either at our Leishoushan Project site or any mines we acquire in the future, there is no assurance that mining licences and production safety permit can be successfully obtained or renewed. If we are unable to obtain any of such licences and permits or extend or renew any of our current licences or permits upon their expiration, our business and results of operations could be materially and adversely affected. Moreover, the entry into new leases is subject to the willingness of the relevant villagers' committees and villagers, if we fail to obtain such approval to renew the existing land-use approval and consent letter or apply for new land-use approval or consent letter, or if we fail to execute new leases, we may be unable to implement the development plan of our Leishoushan Project and our operations may be materially adversely affected.

Our marble Resources and Reserves are estimates based on a number of assumptions, and we may not be able to produce the estimated amount of marble.

The estimates of our marble Resources and Reserves are based on a number of assumptions by the Independent Technical Consultant in accordance with the JORC Code. For further details, please refer to the section headed "Independent Technical Report" in Appendix IV to this prospectus. Resource and Reserve estimates involve judgment based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by many factors, including quality of the results of exploration, drilling and analysis of marble samples, as well as the procedures adopted by and the experience of the person making the estimates. For our Leishoushan Project, no Measured Resource and no Proved Reserve have been defined. The Independent Technical Consultant has classified our marble Resources as "Indicated" and "Inferred" categories and our Reserves as "Probable" category. The level of geological confidence of the marble Reserves under "Probable" category is lower than that of the "Proved" Reserves. The level of geological confidence of each of the marble Resources under "Indicated" and "Inferred" categories is also lower than that of the "Measured" Resources.

Estimates of the Resources, Reserves and the block yield at our Leishoushan Project may change significantly when new information becomes available or new circumstances arise, and interpretations and deductions on which Resources, Reserves and block yield estimates are based may prove to be inaccurate. Should we encounter mineralisation different from that predicted by past drilling, sampling and similar examination, Resource and/or Reserve estimates may have to be adjusted downward. Therefore, the inclusion of Resource and Reserve estimates should not be regarded as a representation that all these amounts can be economically exploited and nothing contained in this prospectus, including the estimates of mine lives, should be interpreted as assurance of the economic lives of our marble resources and reserves or the profitability of our future operations. In addition, if the block yield is required to be adjusted downward based on actual mining results, our Reserve estimate will also need to be adjusted downward, which will lead to decreased mine life, and our production cost will increase if we were to maintain the same planned production volume. Any of these factors could materially affect our development and mining plans, which could materially and adversely affect our business and results of operations.

Failure to compete effectively with our competitors may adversely affect our business and prospects.

We plan to focus on the domestic PRC marble market, which is highly fragmented and competitive. We will face fierce competition from both domestic and overseas marble miners and processors. We expect to compete with them in marble mine quality, the ability to supply marble blocks in large quantity and with specified and consistent physical and appearance characteristics, product prices, brand recognition as well as transportation distance and delivery convenience. Some of our competitors may have greater financial, marketing, distribution and other resources and technological development capabilities than us. In addition, marble resources are relatively abundant in the PRC. If these resources are exploited, we will face additional competition from operators of these mines. Our failure to compete effectively could materially and adversely affect our business, financial condition, results of operations and market position.

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

We require capital to fund our expenditures associated with our Leishoushan Project and our Processing Plant. As at 30 April 2017, we had incurred capital expenditures in the aggregate of RMB80.6 million in connection with the ramp-up of our marble block mining capacities at our Leishoushan Project and the development of Phase 1 of the Processing Plant. Such capital expenditures were funded mainly with contribution from our ultimate Controlling Shareholder. We expect to incur capital expenditures of approximately RMB153.1 million for the ramp-up of our marble block mining and processing capacities during the period from 1 May 2017 to 31 December 2019. Our estimated capital expenditures for the ramp-up plan may vary from the actual capital expenditures to be incurred by us and we may have greater capital requirements in the implementation of our ramp-up plan.

We expect the ramp-up of our Leishoushan Project and the development of Phase 2 of the Processing Plant to be fully financed by the net proceeds from the Global Offering. We incurred a net loss of approximately RMB3.0 million, RMB3.4 million, RMB12.4 million and RMB0.6 million for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively. We started to generate revenue of approximately RMB10.7 million for the four months ended 30 April 2017 as our Shiqian Project commenced limited commercial production in April 2017. There can be no assurance that we will be able to generate sufficient cash flows from our operations in the future to fund our development plan, or at all. In the event that we do not generate sufficient cash flows from our operations, we may have to seek additional financing such as bank borrowings and/or securities and/or debt offerings, or may be forced to reduce or delay our capital expenditures, as a result of which we may be unable to implement our development plan as scheduled.

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

- conditions in the capital and financial markets in which we may seek to raise funds;
- investors' perception of the securities of companies engaged in marble mining and/or marble slab processing;
- our future results of operations, financial condition and cash flows;
- the PRC government's regulation of foreign and domestic investment in companies engaged in marble mining and/or marble slab processing;
- economic, political and other conditions in China and elsewhere in the world;
- the financing requirements of other PRC companies which seek to raise funds in the international capital markets; and
- the PRC governmental policies relating to foreign currency borrowings.

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

We experienced net current liability positions during the Track Record Period. If we fail to manage our liquidity situation carefully, our results of operations may be materially and adversely affected.

As at 31 December 2014, 2015 and 2016, we had net current liabilities of approximately RMB52.0 million, RMB63.7 million and RMB41.6 million, respectively, primarily because our mine was in an early stage of development and our Group primarily used advances from shareholders to finance our long-term assets during the Track Record Period. As at 30 April 2017, we only had net current assets of approximately RMB5.0 million. A net current liability position may impair our ability to satisfy necessary capital expenditures, develop business opportunities or make strategic acquisitions. We have historically relied on funding from our Controlling Shareholder. We cannot assure you that we will be able to improve our liquidity and maintain a net current asset position in the future. In the future, we expect to increasingly rely on cash flows from operations to fund our capital expenditure needs. There can be no assurance that our business will generate sufficient cash flows from operations in the future to serve any future debts and satisfy necessary capital expenditures. If we are unable to generate sufficient cash flow, we may be required to seek additional financing, dispose of certain assets or seek to refinance some or all of our future debts. We may also in the future seek to enter into borrowing facilities. If we are unable to repay any of our future debts when they fall due, our creditors may take action to recover such debts, which may have a material adverse effect on our business, financial condition and results of operations.

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

We recorded deferred tax assets of RMB1.0 million, RMB1.9 million, RMB4.2 million and RMB3.0 million as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively. We recognise deferred tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset against the deductible losses. Therefore, the recognition of deferred tax assets involves significant judgment and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred tax assets may be reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Accordingly, if our profitability in the future is significantly lower than our management's estimates when our deferred tax assets were recognised, our ability to recover such deferred tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations.

We recorded negative operating cash flows for the three years ended 31 December 2016 and the four months ended 30 April 2017.

We recorded net cash used in operating activities of approximately RMB3.6 million, RMB2.8 million, RMB10.5 million and RMB5.4 million for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively, primarily due to the Listing expenses incurred. For details of our cash flows, please refer to the section headed "Financial information — Liquidity and capital resources — Cash flows" in this prospectus. We cannot assure that we will not experience periods of net cash outflow from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained which may materially and adversely affect our business, financial condition, results of operation and growth prospects.

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

We anticipate that most of our potential customers in the near future will be located in the PRC and most of our products will be transported by road. Our Leishoushan Project is located in Pingdichang Township of Shiqian County, Guizhou Province, China, and is approximately 32 km to the northeast of Shiqian, or approximately 238 km to the northeast of Guiyang City, capital of Guizhou Province. Access to our Leishoushan Project from Shiqian is by a series of paved provincial roads through Pingdichang Township. Shiqian is connected to Guiyang via Guiweng National Highway and then Anjiang National Highway for approximately 200 km. Our Processing Plant is approximately 26 km away from our Leishoushan Project site and is situated beside Yanrong Highway. We anticipate that we will transport our products to customers mainly through the aforementioned highways and paved provincial roads. Any increase in our sales volume could increase demand on the road networks connecting our Leishoushan Project and our Processing Plant to our customers. If we are, or the local government is, unable to ramp up the capacity of these roadways in a timely manner, or these roadways are significantly damaged or cut off for an extended period of time, the delivery of our products would be significantly affected, and we may lose our customers and be in default of existing sales contracts. We also have access to alternative means of transportation. There are three commercial airports, namely Tongren, Zunyi and Guiyang in the area in which our Leishoushan Project and our Processing Plant are located, and the Wujiang River, one of the major waterways in Southwest China and a tributary of the Yangtze River which is connected to the East China Sea, is approximately 60 km to the north of Shiqian in Sinan. However, there can be no assurance that adequate air or water or railway transport capacity will be made available to our operations, or that we would not experience any material delay in transporting our marble products to our customers.

As transportation costs are generally a significant component of our product costs, fluctuation in transportation costs may have an adverse effect on the demand for our products. Any material increase in the transportation costs for products procured from our Leishoushan Project would cause our customers to select suppliers closer to their operations and who are able to supply marble products with quality considerably similar to ours or to demand significant lower prices for our products. Any such adverse development could have a material adverse effect on our business, financial condition and results of operations.

We have entered into sales contracts with a limited number of customers and may place reliance on these customers.

As at the Latest Practicable Date, we had entered into legally binding sales contracts with a total of five customers, including three One-off Sales Contracts, nine Framework Sales Contracts, 34 individual sales contracts entered into pursuant to the Framework Sales Contracts and one purchase order. Under the One-off Sales Contracts, we and our customers have agreed to one-off sales of marble blocks with an aggregate sales volume of 1,500 m^3, and product delivery took place in April 2017. Under the Framework Sales Contracts, our customers have committed to a minimum purchase quantity of our products for 2017 and 2018 with no specific product delivery dates. We cannot assure you that we will be able to maintain or strengthen our relationships with our customers. There is also no assurance that we will be able to successfully broaden our customer base by developing new customer relationships. Any decline in our customers' businesses could result in a decline in their purchase orders of our marble blocks. If any of these customers were to substantially reduce the quantity of the orders they place with us or were to terminate their business relationships with us, we may not be able to find their replacements on comparable terms, or at all. Furthermore, if we fail to deliver our products pursuant to the individual sales contracts under the Framework Sales Contracts, our reputation and relationship with our customers may be adversely affected. If there is any adverse event resulting from a general economic downturn, the entry of new competitors into our primary market, unanticipated shift in customer preference, government policies or any other factors affecting the demand for our products, our business, prospects, financial condition and results of operations would be materially and adversely affected. In addition, our existing customers and potential customers mainly operate in the architectural decoration industry, which is affected by the performance of the real estate industry the development of which could be sluggish in some regions in China.

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

We started to generate revenue from our customers as our Shiqian Project commenced limited commercial production in April 2017. We generally granted one month of credit period to our customers. As such, we are subject to credit risks of our customers and our profitability and cash flow are dependent on timely settlement of payments by our customers for the marble products we sell to them. Based on the unaudited management accounts of our Group, all of our Group's trade receivables outstanding as at 30 April 2017 were settled. For further discussions on the trade receivables of our Group as at 30 April 2017, please refer to the paragraph headed "Financial information — Discussion of certain items from the consolidated statements of financial position — Trade receivables" in this prospectus. We cannot assure you that we will be able to collect all or any of our trade receivables within the credit period that we granted to our customers. If any of our customers face unexpected situations, including, but not limited to, financial difficulties caused by general economic downturn or fiscal constraints, we may not be able to receive payment of uncollected debts in full or at all from such customers and we may need to make provisions for receivables, which could in turn materially and adversely affect our financial condition and results of operations.

We rely on contractors to provide certain services in respect of our Leishoushan Project and our Processing Plant.

To better manage our production cost, we have engaged a contractor to perform blasting operations of our Leishoushan Project for us, a security company to provide security services at our Processing Plant, a mining company to provide with us marble mining services at our Leishoushan Project and two workforce solution companies to provide with us labour services to undertake marble slab and shaped stone processing at our Processing Plant. For the three years ended 31 December 2016 and the four months ended 30 April 2017, our total subcontracting fees amounted to RMB15,167, RMB46,000, RMB66,000 and RMB2.3 million, respectively. While we will closely monitor the works of our contractors, there could be no assurance that we will be able to control the quality, safety and environmental protection standards of the works to be performed by our contractors to the same extent as the works are performed by our own employees at all times. Any under-performance or non-performance of our contractors could lead to failure by these contractors to meet our quality, safety and environmental protection standards, which, in turn, may result in our liability to third parties and will have a material adverse effect on our business, results of operations, financial condition and reputation. Meanwhile, we may not be able to find replacements of the under-performing contractors on acceptable terms. Any failure to retain suitable contractors at reasonable cost or seek replacements of our existing contractors on favourable terms, or at all, may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may have difficulty managing our growth effectively.

We are a mining company at development stage and hence, it is crucial for us to grow our business according to our development plan. We may have difficulty in managing our growth effectively. During the period between March 2014 and June 2015, we carried out limited mine construction at our Leishoushan Project site and in April 2017, our Shiqian Project commenced limited commercial production. We plan to ramp up our operations from 2017 to 2019 before our Leishoushan Project reaches its expected full production volume of 60,000 m^3 of marble blocks and our Processing Plant reaches its expected full processing output of 1,428,000 m^2 of marble slabs and shaped stones by 2020. In line with such development plan, we have formulated business strategies in areas such as product marketing, sales network establishment and expansion as well as research and development. There is no assurance that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to the successful achievement of our objectives. We may encounter difficulties in recruiting and retaining adequate numbers of sales and marketing personnel, developing and implementing effective marketing efforts as well as establishing and maintaining appropriate regulatory compliance. In addition, our future expansion after the implementation of our ramp-up plan, whether through organic growth or acquisitions, requires us to continue to attract, recruit, train and retain qualified personnel so as to maintain a stable workforce of qualified and skilled workers and efficiently allocate our resources. Our future expansion may place significant constraints on our managerial, operational, technical and financial resources. In the event that we fail to recruit and retain qualified personnel, or if we fail to effectively manage our internal resources such as our workforce, facilities and logistics, or if we fail to secure external sources of funding for future growth, we may encounter, among other things, delays in production and operational difficulties, as a result of which our business, results of operations and prospect may be materially and adversely affected.

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

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

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

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

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

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

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

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

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

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

Capital costs of our Leishoushan Project may differ from our estimates and costs may exceed our original budgets.

The exploration, mining and processing of mineral resources is capital intensive. To fund our current and future operations, capital expenditure requirements and other funding requirements, we need sufficient internal sources of liquidity or access to financing from external sources. We currently fund our capital costs with contribution and shareholder loans from our Shareholders. We expect the total capital costs for the construction and development of our Leishoushan Project and our Processing Plant to be approximately RMB233.7 million, of which approximately RMB80.6 million had been incurred by us as at 30 April 2017, and the remaining RMB153.1 million will be incurred from 1 May 2017 to 31 December 2019 in order to meet our expected annual production volume of 60,000 m^3 of marble blocks and our expected annual processing output of 1,428,000 m^2 of marble slabs and shaped stones by 2020.

We expect to finance the production ramp-up of our Leishoushan Project and the development of Phase 2 of the Processing Plant with a substantial portion of the net proceeds from the Global Offering. However, the ramp-up costs may exceed our planned investment budget. Changes in costs of our mining and processing operations can occur as a result of unforeseen events, and could result in changes in profitability or Reserve estimates. Many of these changes may be beyond our control. We cannot assure you that our production costs would not increase in the future, which could materially and adversely affect our business, financial condition and results of operations. We cannot assure you that we will generate sufficient cash flows for our intended ramp-up plan, or at all.

In addition, the disruptions, uncertainty or volatility in the capital and credit markets may limit our ability to obtain financing to meet our funding requirements. If adequate funding is not available to us on favourable terms, in time, or at all, it could materially and adversely affect our ability to fund our existing operations, or develop or expand our business. Additionally, if we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flows from operations.

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

Our future success depends to a large extent on our ability to retain or secure qualified personnel. We place substantial reliance on the experience and knowledge of our managerial and technical personnel. Members of our core technical team, namely, Mr. Luo Jinjun, Mr. Jiang Dinglai, Mr. Yang Duoneng, Mr. Ni Zhizhong and Ms. Zhang Xiaomei have approximately 11, 13, 14, 21 and 32 years of relevant experience in the stone mining industry, respectively. We believe that leveraging the knowledge, skills and experience of our management team, we will be able to achieve our business goals including our development plan during the ramp-up period. However, we cannot prevent employees including our management team members from terminating their respective contracts in accordance with the relevant agreed conditions. We might not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all, as finding suitable replacements for such key personnel could be difficult and time-consuming, and competition for such personnel with rich experience is intense. As a result, our business, financial condition and results of operations could be materially and adversely affected, and we may incur additional expenses to recruit, train and retain managerial and technical personnel.

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

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

Part of our Shiqian Project is on the development of our Leishoushan Project. According to the Independent Technical Consultant, the estimated mine life of our Leishoushan Project was approximately 40 years based on the Probable Reserves of 2.23 million m^3 of our Leishoushan Project as at 30 April 2017 and our expected annual production volume of 60,000 m^3 upon implementation of our ramp-up plan. The key costs and risks for mine closures are (i) long-term management of permanent engineered structures and acid rock drainage; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programmes to new owners. The successful completion of these tasks is dependent on our ability to successfully implement negotiated agreements with the relevant government, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental rehabilitation costs and damage to our reputation if desired outcomes cannot be achieved, which could materially and adversely affect our business and results of operations.

Historical financial condition and results of operations for only one-month limited commercial production towards the end of the Track Record Period may not be indicative of our future performance.

In April 2017, our Shiqian Project commenced limited commercial production. Our gross profit margin of approximately 71.5% for the four months ended 30 April 2017 was calculated based on only one-month limited commercial production. Such limited financial data only reflected our past performance and may not be indicative of our future gross profit margin. Our future success depends on various factors, including, among other things, the implementation of our ramp-up plan, the quality and market prices of our marble products, the quality of our contractors, effective management of our operations and the macroeconomy in China, some of which are beyond our control. Given the ongoing competition faced by our Group, compounded with possible decreases in our market prices of our marble products and increases in our production costs such as subcontracting fees, there is no assurance that our Group will be able to maintain the gross profit margin and other financial results in the future at a similar level achieved during the four months ended 30 April 2017.

We cannot assure you that we will be able to operate our Shiqian Project as successfully in the future or that the macroeconomic condition in China will remain favourable. In the event that we fail to operate our Shiqian Project successfully or the macroeconomy in China becomes less favourable, we will not be able to maintain our current profit levels in the future or attain a profit margin similar to that achieved during the four months ended 30 April 2017. You should not rely on our results of operations for any prior period as an indication of our future financial or operating performance.

RISKS RELATING TO OUR INDUSTRY

Fluctuations in the market price for our beige marble products could materially and adversely affect our business, financial condition and results of operations.

Our principal products are marble blocks mined from our marble Reserves and marble slabs processed from such marble blocks. Marble market is highly competitive and fluctuations in the prices of our marble blocks and marble slabs are affected by a number of factors which are beyond our control. Such factors include, but are not limited to the quality and colour of the stone and the popularity and reputation of the beige marble products. Our marble mine produces Royal Beige, Carlo Rose and Athens Grey marble products, of which Royal Beige and Athens Grey are branch colours of yellow and grey, the essential base colours of marbles used in architectural decoration. However, the popularity of our products could lapse due to customers' changing preference, leading to the fall of the price of our products. In addition, imbalance in the supply of and demand for marble products in local, national and global markets could adversely affect the price of our products. Government policies, macro economic factors, global economic environment and other factors beyond our control could significantly result in an oversupply or decreased demand for marble products, which in turn would result in fluctuations in the market price. There can be no assurance that the market price of beige marble products will not decline in the future or that such prices will otherwise remain at sufficiently high levels to support our profitability. Any significant decline in the market prices of beige marble products or shift to alternative products could materially and adversely affect our business, financial condition and results of operations.

Looking forward, we may expand our business to the overseas market, where the demand for marble products is affected by a number of factors that are beyond our control, including global and regional supply and demand and the political, economic and other conditions of major marble producing countries. We cannot provide any assurance that the demand for marble products throughout the world will not decrease in the future. A decrease in the worldwide demand for marble products may have a material adverse effect on our business, financial condition and results of operations.

We are affected by the level of demand in the construction and real estate development industries.

The demand for marble blocks and marble slabs is affected by the growth of the construction, commercial and residential real estate development industries in the PRC, which could in turn be affected by a number of factors, such as the strength of the commercial and residential property market, the level of disposable income, consumer confidence, unemployment rate, interest rates, credit availability and volatility in the stock markets. Further, the PRC Government has from time to time implemented rules and measures to discourage speculation in the property market in the PRC, which may result in tightened liquidity, controlled money supply and credit and reduced capital available for property development and construction activities and may adversely affect the growth rate of the property market. Our marble products are expected to be used primarily as decorative surfacing materials for commercial and residential buildings. Accordingly, any decrease in residential real estate development and construction activities in general (including a continued decrease in residential construction or a weakening of commercial construction) could result in a decrease in demand and associated decrease in sales volume or selling prices of our marble products, reduced profit margin and tightened liquidity available to us, any of which may have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the PRC's economic, political and social conditions and government policies may have an adverse effect on us.

As our operating assets are generally located in, and our revenue is predominantly derived from our operations in PRC, our results of operations are significantly subject to the economic, political and social conditions in the PRC. The PRC economy differs from the economies of most other countries in many respects, including structure, degree of government involvement, level of development, control of capital investment, growth rate, control of foreign exchange and allocation of resources.

The PRC Government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary and bank lending policy and providing preferential treatment to particular industries or companies. We cannot assure you that the PRC economy will continue to grow or that the PRC Government will not regulate our industry in a manner detrimental to our business. Financial market in the PRC could also be unpredictable. Any actions and policies adopted by the PRC Government to tighten the economy again could materially affect the PRC economy, which may adversely affect our business. Our results of operations and financial condition could also be adversely affected by governmental control over capital investment or changes in environmental protection, health, labour and tax regulations applicable to us.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you and us.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, prior court decisions may be cited for reference but have limited value as precedents, or at all. Since 1979, the PRC legal system has evolved rapidly and a lot of laws and regulations governing economic matters in general such as foreign investment, corporate organisation and governance, commerce, taxation and trade are promulgated by competent authorities. Some of these laws and regulations are relatively new, so the volume of published cases in relation to these laws and regulations are limited. In addition, the interpretations of many laws, regulations and rules are not always consistent and uniform and the enforcement of these laws, regulations and rules involves uncertainties. These uncertainties could limit the legal protections available to us and other foreign investors. Furthermore, any litigation in the PRC may be protracted, resulting in substantial costs and diversion of our resources and management attention. As Chinese legal system continues to evolve, we cannot predict the future development in the PRC legal system, including promulgation of new laws, changes to existing laws or the interpretation and enforcement thereof.

Government control of currency conversion and fluctuation in the exchange rate between the Renminbi and other currencies may limit our ability to utilise our cash effectively.

Virtually all of our revenue is denominated and settled in Renminbi. The Renminbi is not currently a freely convertible currency. The PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE or its local counterparts provided that we satisfy certain procedural requirements. However, capital account transactions must be approved by or registered with SAFE or its local branch. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Since a significant amount of our future cash flows from operations will be denominated in Renminbi, any fluctuation in exchange rate between Renminbi and other currencies may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies. In addition, if the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders, which would adversely affect the value of your investment.

It may be difficult to effect service of process or to enforce foreign judgments in the PRC.

Many of our executive Directors and executive officers reside within the PRC, and substantially all of our assets and substantially all of the assets of those persons are located within the PRC. Therefore, it may be difficult for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts.

The PRC does not currently have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Although an arrangement between the PRC and Hong Kong allowed for reciprocal recognition and enforcement of the decisions of civil and commence cases if the decisions are made with proper written agreement of jurisdiction and require a provision of payment which is binding and enforceable, there are still many restrictions on such arrangement. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

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

In the PRC, foreign companies have been, and are currently, required to operate within a framework that differs from that imposed on domestic PRC companies. For example, the Guidance Catalogue for Foreign Investment Industries (外商投資產業指導目錄) clearly specifies the encouraged, prohibited and restricted industries for foreign investment. According to the latest version of the Guidance Catalogue for Foreign Investment Industries of 2005, as amended on 10 April 2015, our business does not fall within the prohibited or the restricted category. The PRC Government, however, has been opening up opportunities for foreign investment in certain categories of mining projects and this process is expected to continue, especially following PRC's accession into the WTO. However, if the PRC Government reverses this trend, or imposes greater restrictions on foreign investment in the PRC, or seeks to nationalise our operations in the PRC, our business and results of operations could be materially and adversely affected.

We rely mainly on dividends and other distributions on equity paid by our subsidiaries to fund any cash and financing requirements we have, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

Our Company is a holding company incorporated in Cayman Islands under the Cayman Islands Companies Law and we will mainly rely on dividends from our subsidiary in the PRC for our cash requirement. Substantially all of our revenue will be denominated in Renminbi, which is not readily convertible into other currencies. The payment of dividends by an entity established in the PRC is subject to limitations. Current PRC regulations permit our subsidiary to pay dividends to us only out of its accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, our subsidiary in China is required to set aside certain amount of after-tax profits each year, if any, to fund certain statutory reserves. These reserves, however, are not allowed to be distributed as cash dividends. Furthermore, if our subsidiary in China incurs debt on its own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us. The inability of our subsidiary to distribute dividends or other payments to us could materially and adversely affect the results of our operations.

Any outbreak of widespread contagious diseases may have a material adverse effect on our business operations, financial condition and results of operations.

The outbreak, or threatened outbreak, of any severe communicable diseases (such as severe acute respiratory syndrome, avian influenza, H1N1 influenza, H7N9 influenza or Zika virus) in the PRC could materially and adversely affect the overall business sentiments and environment in the PRC, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labour supply and, possibly, the overall GDP growth of the PRC. As our revenue is currently derived from our operations in the PRC, any labour shortages could materially and adversely affect our business and the business of our customers. In addition, if any of our employees are affected by any severe communicable diseases, it could adversely affect or disrupt those areas in which we have operations and materially and adversely affect our financial condition and results of operations as we may be required to close our facilities to prevent the spread of the disease.

The EIT Law may affect tax exemptions on dividends received by us and by our Shareholders and may increase our EIT rate.

According to the EIT Law and the EIT Rules which became effective on 1 January 2008, the profits of a foreign invested enterprise arising since 2008 and which are later distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10% if the immediate holding company is determined by the PRC tax authority to be a non-resident enterprise for PRC tax purposes, unless there is an applicable tax treaty with the PRC that provides for a different withholding arrangement.

According to the Notice of the State Administration of Taxation on Issues regarding the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) (the "**Notice 81**") promulgated on 20 February 2009, to apply the dividend provision in relevant tax treaties, certain requirements shall be satisfied, among which: (i) the taxpayer shall be the beneficial owner of relevant dividends; and (ii) for corporate recipients that enjoy the tax treatment under the relevant tax treaties as direct owners of a certain proportion of the share capital of a PRC enterprise (usually such certain proportion shall be 25% or 10%), such corporate recipients must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. Furthermore, the Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) issued on 22 April 2009 which had a retrospective effect from 1 January 2008 and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (境外註冊中資控股居民企業所得稅管理辦法(試行)) issued on 27 July 2011 and became effective on 1 September 2011 and last amended on 28 June 2016 set out certain criteria for specifying what constitutes a "de facto management body" in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other publications by SAT in respect of enterprises established offshore by private individuals or foreign enterprises like us.

As a result, it is unclear whether we will be deemed to be a "PRC tax resident enterprise" for the purpose of the EIT Law even though substantially all of the operational management of our Company is currently based in the PRC. We are currently not treated as a PRC resident enterprise by the relevant tax authorities. Nonetheless, we cannot assure you that we will not be treated as a "PRC tax resident enterprise" under the EIT Law and not be subject to the enterprise income tax rate of 25% on our worldwide income in the future. If we were treated as a "PRC tax resident enterprise", we would be subject to PRC income tax at the rate of 25% on our worldwide income, which may adversely affect our profitability and distributable profit to our Shareholders.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our Shareholders who are PRC residents to personal liability and limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute profits to us, or otherwise adversely affect our financial position.

On 21 October 2005, SAFE issued the Notice of SAFE on Issues Relating to Foreign Exchange Control on Fund Raisings and Round-trip Investment by Domestic Residents Through Offshore Special Purpose (關於境內居民通過境外特殊目的公司融資及返程投資外匯

管理有關問題的通知) (the "**SAFE Circular No. 75**"). SAFE Circular No. 75 came into force on 1 November 2005 and requires PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside China, referred to as an "offshore special purpose company", for the purpose of raising funds from overseas with the assets of or equity interest in PRC companies. On 4 July 2014, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular No. 37**"), which has replaced SAFE Circular No. 75, and states that: (i) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of SAFE before it contributes its domestic legitimate assets or its equity interest into a special purpose vehicle for the purpose of investment and financing, and (ii) when the special purpose vehicle undergoes a change of basic information, such as a change of a PRC resident natural person shareholder, name or operating period, or a material event, such as a change in share capital held by a PRC resident natural person, merger or split, the PRC resident shall register such change with the local branch of SAFE timely.

To the best of our knowledge, as at the Latest Practicable Date, our Shareholders who are required to make the foreign exchange registration under SAFE Circular No. 37 had completed such registration with the local competent banks. However, we may not at all times be fully aware or informed of the identities of all our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with the requirements of SAFE Circular No. 37. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC citizens or residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, SAFE Circular No. 37 or other related regulations. According to SAFE Circular No. 37 and relevant PRC foreign exchange regulations, if any of our Shareholders who are required to make the foreign exchange registration and amendment fails to do so, our PRC subsidiary may be prohibited from distributing its profits and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from providing our PRC subsidiaries with loans denominated in foreign currencies or injecting additional capital into our PRC subsidiary.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the "**Share Option Rules**") issued by the SAFE in February 2012, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of the Global Offering. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, and limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially and adversely affect our business, financial condition and results of operations.

PRC regulations pertaining to loans and capital contributions by offshore parent companies to PRC entities may delay or prevent us from using the net proceeds from the Global Offering.

Any funds we transfer to our PRC subsidiary, namely Shiqian Investment, either as a shareholder loan or as an increase in registered capital, are subject to approval by registration or filing with relevant governmental authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions to WFOEs are subject to the approvals by or filings with MOFCOM or SAFE or its local branches and registrations with other governmental authorities in the PRC. In addition, any foreign loans made to WFOEs are required to be registered with SAFE or its local branches, and WFOEs may not procure loans which exceed the difference between its registered capital and its total investment amount as approved by MOFCOM or its local branches. We may not obtain these government approvals or filings or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to Shiqian Investment. If we fail to receive such approvals or filings or complete such registrations, our ability to use the proceeds from the Global Offering to capitalise our PRC operations may be negatively affected, which could adversely affect Shiqian Investment's liquidity and our ability to fund and expand our business.

On 30 March 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "**SAFE Circular No. 19**"). SAFE Circular No. 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of the enterprises. On 9 June 2016, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Administrative Provisions on Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the "**SAFE Circular No. 16**"). SAFE Circular No. 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a domestic company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investments with the exception of bank financial principal protected products unless otherwise specifically provided. For further details of SAFE Circular No. 19 and SAFE Circular No. 16, please refer to the section headed "Regulatory overview — PRC laws relating to foreign exchange" in this prospectus. As a result, we are required to apply RMB funds converted from the net proceeds we expect to receive from the Global Offering within the business scope of Shiqian Investment. SAFE Circular No. 19 and SAFE Circular No. 16 may significantly limit our ability to transfer the net proceeds from the Global Offering or any other offering of additional equity securities to Shiqian Investment or invest in or acquire any other companies in the PRC.

We face uncertainties with respect to indirect transfers of equity interest in PRC resident enterprises by their non-PRC holding companies.

On 3 February 2015, SAT issued the Announcement on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-Resident Enterprise (關於非居民企業間間接轉讓財產企業所得稅若干問題的公告) (the "**SAT Circular No. 7**"), which abolished certain provisions in the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-Resident Enterprise (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (the "**SAT Circular No. 698**"), which was previously issued by SAT on 10 December 2009, as well as certain other rules providing clarification on SAT Circular No. 698. For example, where a non-PRC enterprise indirectly transfer properties such as equity in PRC resident enterprises without any justifiable business purpose with the aim of avoiding payment of enterprises income tax, such indirect transfer shall be reclassified as a direct transfer of equity in the PRC. If SAT Circular No. 7 is applicable to the any arrangement made or proposed to be made by our Company, we may be subject to the risk of being held liable for not withholding the relevant tax under SAT Circular No. 7 and as a result, our financial results may be adversely affected.

Our foreign corporate Shareholders may be subject to income tax upon any gains from transfer of their shares.

Under the EIT Law and EIT Rules, our foreign corporate Shareholders may be subject to a 10% income tax upon any gains realised from the transfer of their Shares and dividend distributable to such foreign corporate Shareholder, if such income is regarded as income from "sources within the PRC". According to the EIT Rules, whether income generated from transferring equity investments is to be regarded as sources within the PRC or from foreign territory shall depend upon the locations in which the enterprises accepting the equity investment are located. However, it is unclear whether income received by our Shareholders will be deemed to be income from sources within the PRC and whether there will be any exemption or reduction in taxation for our foreign corporate Shareholders due to the promulgation of the EIT Law. If our foreign corporate Shareholders are required to pay PRC income tax on the transfers of our Shares that they hold, the value of our foreign corporate Shareholders' investments in our Shares may be materially and adversely affected.

Inflation in the PRC could materially and adversely affect our profitability and growth.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected. In order to control inflation in the past, the PRC Government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to slowing economic growth, which, in turn, could materially and adversely affect our business and prospects.

RISKS RELATING TO THE SHARES AND THE GLOBAL OFFERING

There has been no public market for our Shares and the market price of our Shares may be volatile and there is no assurance of an active trading market in our Shares.

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price range of our Shares will be determined by negotiations between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us. The initial Offer Price may bear no relationship to market price of our Shares following completion of the Global Offering. We have applied for the Listing and permission to trade our Shares on the Stock Exchange. The Listing, however, cannot assure the development of an active trading market of our Shares, or if it does develop, that it will be stable and sustainable following completion of the Global Offering.

Furthermore, the market price for our Shares may be volatile and subject to wide fluctuations in response to the factors including the following:

- variations in our revenue, earnings and cash flows;
- unexpected business interruptions resulting from natural disasters, accidents or power shortages;
- potential litigation or administrative investigations;
- fluctuations of exchange rates between RMB and U.S. dollar or other foreign currencies;
- addition or departure of our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in the PRC and in the global economy;

- fluctuations in stock market prices and volume;
- changes in financial estimates by securities research analysts; and
- the overall performance of construction industry and real estate industry in the PRC.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares and our Company's ability to raise capital in the future.

The market price of the Shares could decline as a result of future sales of substantial amounts of the Shares or other securities relating to the Shares in the public market by the substantial Shareholders, or the perception that such sales may occur. Future sales, or perceived sales, of substantial amounts of the Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to it, and the Shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future.

The market price of the Shares when trading begins could be lower than the Offer Price.

The initial price to the public of the Shares sold in the Global Offering will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be the fifth Business Day after the Price Determination Date. Investors may not be able to sell or otherwise deal in the Shares during that period. As a result, Shareholders are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur during that period.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We believe that our current cash and cash equivalents, anticipated cash flows from operations and the proceeds from this offering will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in the Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consents prior to the payment of dividends;

- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flows to fund capital expenditure, working capital requirements and other general corporate needs; and

- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

You may face difficulties in protecting your interests under Cayman Islands laws or PRC laws.

Our corporate affairs are governed by, among other things, our Memorandum and Articles and the Cayman Islands Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions.

In addition, we conduct substantially all of our operations in the PRC through our wholly owned subsidiary in the PRC. Most of our officers also reside in the PRC. As a result, it may be difficult or impossible for you to bring an action against us or these individuals in the PRC. Even if you are successful in bringing an action outside of Cayman Islands or the PRC, the PRC laws may still render you unable to enforce a judgment against our assets or the assets of our Directors and officers. The PRC does not have treaties providing for the reciprocal enforcement of civil judgments of courts with Japan, the United Kingdom, the United States and certain other western countries.

The costs of share options granted or to be granted under the share option scheme will adversely affect our results of operations and any exercise of the options granted may result in dilution to our shareholders.

We have adopted the Share Option Scheme pursuant to which we will in the future grant to the eligible participants options to subscribe to Shares. Such options, if exercised in full, will represent in aggregate not exceeding 10% of the issued share capital of the Company immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised). The fair value of the options at the date of which they are granted with reference to the valuer's valuation will be charged as share-based compensation which may have a negative effect on our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance, and thus may result in the dilution to the percentage of ownership of the Shareholders, the earnings per Share and the net asset value per Share. Further details of the Share Option Scheme and the options which will be granted thereunder are set out in the section headed "Statutory and general information" in Appendix VI to this prospectus.

The interests of our Controlling Shareholders may not be aligned with the interests of our other Shareholders.

Immediately following completion of the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), our Controlling Shareholders will remain the controlling shareholders of the Company with substantial control over its issued share capital. We expect our Controlling Shareholders to remain passive investors. However, we cannot assure you that they or the persons they appoint to our Board will not have significant influence over our business and affairs, including, but not limited to, decisions with respect to: (i) mergers or other business combinations; (ii) acquisition or disposition of assets; issuance of additional shares or other equity securities; (iii) timing and amount of dividend payments; and (iv) appointment of managers.

The interests of Xinghui Development and Mr. Lin may not be the same as, and may conflict with, those of our public Shareholders. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus. We cannot assure you that our Controlling Shareholders will vote on Shareholders' resolutions in a way that will benefit all of our Shareholders, and will not take direct or indirect actions, including exercising its influence over us as our Controlling Shareholders, to favour itself and its other subsidiaries and associated companies that are detrimental to our interests and those of our public Shareholders.

Forward-looking statements are subject to risks and uncertainties and should not be unduly relied upon.

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "estimate", "expect", "may", "ought to", "should", "will" or similar terms. Such statements reflect our Director's current views with respect to, among other things, our Group's growth strategy and expectations concerning our future operations, liquidity and capital resources. Such forward-looking statements are, by their nature, subject to significant uncertainties which may cause the actual operation results, performance or achievements of our Group to differ significantly from those expressed or implied by these statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements presented in this prospectus. The inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives contained in this prospectus will be achieved. Whether we implement those plans, or whether we can achieve those objectives will depend on various factors including the market conditions, our business prospects, actions by our competitors and the global financial situations. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking statements" in this prospectus for further details of such statements and the associated risks.

Facts, forecasts and statistics in this prospectus relating to the PRC and global economy and the PRC and global marble industry have come from official government sources or other industry publications and thus may not be fully reliable, and statistics in this prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the section headed "Industry overview" in this prospectus.

Certain facts, forecasts and other statistics in this prospectus relating to the PRC, the PRC and global economy, individual markets within the PRC, and the PRC and global marble industry have been derived from official government publications and the Frost & Sullivan Report and we can neither guarantee the quality nor guarantee the reliability of such source materials. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Company, the Sole Global Coordinator, the Sole Sponsor or any of the Underwriters, any of their respective directors and advisers or any other persons or parties involved in the Global Offering and no representation is given as to its accuracy. We have, however, exercised reasonable care in the reproduction and extraction of such facts, forecasts and statistics from the relevant official government publications and the Frost & Sullivan Report for the purpose of inclusion in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate and the statistics may not be comparable to statistics produced for other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Investors should not rely on any information contained in the press articles or other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there might have been press articles and media coverage regarding us and the Global Offering which might include certain financial information, financial projections, and other information about us which do not appear in this prospectus. Such information might not be sourced from or authorised by us, hence, we do not accept any responsibility for the accuracy or completeness of such information. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of such information. Potential investors are therefore cautioned to make their investment decisions based solely on the information contained in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH RULES 8.05(1)(a) AND 8.05(1)(b) OF THE LISTING RULES PURSUANT TO RULES 8.05B(1) AND 18.04 OF THE LISTING RULES

Pursuant to Rule 8.05 of the Listing Rules, we must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalisation, revenue and cash flow; or (iii) market capitalisation and revenue requirements (collectively, the "Financial Standards Requirements"). Chapter 18 of the Listing Rules also apply to us as we are regarded as a Mineral Company as defined under Rule 18.01 of the Listing Rules.

Pursuant to Rules 8.05B(1) and 18.04 of the Listing Rules, even though we are unable to satisfy the requirements of Rules 8.05(1)(a) and 8.05 (1)(b) of the Listing Rules, we may still apply to be listed if the Stock Exchange is satisfied that our Directors and members of senior management, taken together, have sufficient experience of at least five years relevant to the exploration and/or extraction activities that we are pursuing.

Pursuant to Rules 8.05B(1) and 18.04 of the Listing Rules, we have applied for, and the Stock Exchange has granted us a waiver from strict compliance with Rules 8.05(1)(a) and 8.05(1)(b) of the Listing Rules on the grounds that:

(a) the primary activity of our Company is exploration for and/or extraction of natural resources;

(b) we have demonstrated to the satisfaction of the Stock Exchange that our inability to comply with the Financial Standards Requirements is due to the fact that, throughout the Track Record Period, we had been in a pre-production, exploration and/or development phase;

(c) based on our development plan, we are able to demonstrate a clear path to commercial production and a demonstrable path to profitability. Please refer to the section headed "Business — Planned production schedule and development plan — Development plan" in this prospectus for further details of the development activities and our Company's estimated expenditure and proposed schedule for commencing commercial production in our Leishoushan Project and the section headed "Business — Sales and marketing" in this prospectus for details of the sales and marketing activities of our Company and particulars of the three One-off Sales Contracts and the nine Framework Sales Contracts;

(d) we have two executive Directors and four members of senior management, five of whom, including one executive Director, namely, Mr. Luo Jinjun, and all of the four members of our senior management, namely, Mr. Jiang Dinglai, Mr. Yang Duoneng, Mr. Ni Zhizhong and Ms. Zhang Xiaomei, have at least five years of experience relevant to the exploration and/or extraction activities of our Company. Our Directors and senior management, taken together, have sufficient experience relevant to the exploration and/or extraction activities that we are pursuing. Please refer to the section headed "Directors and senior management" in this prospectus for further details of the relevant industry experience of our executive Directors and members of senior management; and

(e) our Company and our Directors confirmed that all the information that is necessary for the public to make an informed assessment of our Company's activities and financial position has been included in this prospectus.

WAIVER PURSUANT TO RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally requires us to have at least two of our executive Directors to be ordinarily residents in Hong Kong. However, our Company would not be able to satisfy the requirements under Rule 8.12 of the Listing Rules for the following reasons:

(a) none of our executive Directors has been or will be ordinarily resident in Hong Kong;

(b) the principal business and operations of our Company are based, managed and conducted in the PRC, and substantially all of assets of our Group, including the headquarters of our Group which situates in Guizhou Province are based in the PRC;

(c) for the purposes of the operations and management of our Group, appointing additional executive Directors who are ordinarily resident in Hong Kong will not only increase the administrative expenses of our Group, but will also reduce the effectiveness and responsiveness of the Board in making decisions for our Group, especially when business decisions are required to be made on a timely basis. In addition, appointing new executive Directors, who may not be familiar with the operations of our Group, to the Board for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules may not be in the best interest of our Group and its Shareholders as a whole. In particular, they will not be able to fully understand the daily operations of the core business of our Group or fully appreciate the circumstances surrounding or affecting the core business operations and development of our Group from time to time, as they will not be physically present in the operation and management base of our Group in the PRC all the time. As such, such executive Directors may not be able to exercise their discretion on a fully informed basis, or make appropriate business decisions or judgments that are most beneficial to the operations and development of our Group; and

(d) each of our existing executive Directors has a vital role in the business and operations of our Group and it is of paramount importance for them to remain to be physically close to our Group's operations in the PRC. Relocating any of our existing PRC-based executive Directors to Hong Kong would require time to process the application for residency in Hong Kong and the application will be burdensome and costly for our Company and may not enable the relevant executive Directors to perform their strategic roles in our Group. Since such Directors, after the relocation, will not be physically present at the operation and management base of our Group in the PRC all the time, they may encounter the aforesaid management difficulties.

We do not and in the foreseeable future will not, have sufficient management presence in Hong Kong.

Accordingly, we have applied to and obtained from the Stock Exchange a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, and the Stock Exchange has granted us the waiver, subject to the following conditions:

(a) we have appointed Mr. Lin, one of our executive Directors and Mr. Wong Chi Wah, our company secretary, as our authorised representatives pursuant to Rule 3.05 of the Listing Rules, and they will serve as the principal channel of communication of the Company with the Stock Exchange who will be readily contactable by the Stock Exchange, and if required, will be able to meet with the Stock Exchange to discuss any matters in relation to the Company in short notice. For further biographical details of Mr. Lin Hui and Mr. Wong Chi Wah, please refer to the sections headed "Directors and senior management — Executive directors" and "Directors and senior management — Company secretary" in this prospectus;

(b) we will keep the Stock Exchange up to date in respect of any change to the contact details of the authorised representatives. Our Company will only change the authorised representatives after notifying the Stock Exchange of such change and the reasons and having made an appropriate replacement;

(c) we have provided the authorised representatives and the Stock Exchange the contact details of each Director, including mobile phone numbers, office phone numbers, email addresses and fax numbers. Each of the authorised representatives has means to contact all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any reason. All of our Directors who are not ordinarily residents in Hong Kong have confirmed that they possess valid travel documents or will be able to apply for valid travel documents to travel to Hong Kong and will be able to meet the Stock Exchange within a reasonable period;

(d) we have appointed Guotai Junan Capital as the compliance adviser of our Company, pursuant to Rule 3A.19 of the Listing Rules, to act as our Company's additional channel of communication with the Stock Exchange from the Listing Date to the date on which our Company distributes its financial results for the first full financial year immediately after the Listing Date in accordance with Rule 13.46 of the Listing Rules; and

(e) meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the compliance adviser of our Company or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in the authorised representatives and/or our compliance adviser.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all materials respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which is part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed "Structure of the Global Offering" in this prospectus.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, supervisors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as at any subsequent time.

UNDERWRITING

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. The International Offering is managed by the Sole Global Coordinator and is expected to be underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to the agreement on the Offer Price between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date, or such other date or time as may be agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Each person acquiring the Offer Shares under the Hong Kong Public Offering will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including Shares to be issued pursuant to the Capitalisation Issue and the Global Offering, additional Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme) on the Main Board.

Except that we have applied for the Listing to the Stock Exchange, no part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

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

REGISTER OF MEMBERS AND STAMP DUTY

The principal register of members of our Company will be maintained by its principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and the branch register of members of our Company will be maintained by the Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. All Shares to be issued pursuant to the Global Offering, the Capitalisation Issue and any Shares to be issued upon exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme will be registered on the branch register of members of our Company in Hong Kong. Only Shares registered on the branch register of members of our Company in Hong Kong may be traded on the Stock Exchange.

No stamp duty is payable by applicants in the Global Offering.

Dealings in our Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the market value of our Shares being sold or transferred.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the branch register of members of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder, or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for purchasing holding or disposal of, and/or dealing in our Shares or exercising rights attached to them. None of our Group, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, supervisors, agents, employees or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, dealing in, or exercising any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILISATION

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 31 October 2017, it is expected dealings in our Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on 31 October 2017. Shares will be traded in board lots of 4,000 Shares each.

The stock code for our Shares is 1625.

Our Company will not issue any temporary documents of title.

Dealings in our Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange's teletext page information system. Delivery and payment for Shares dealt on the Stock Exchange will be effected two trading days following the transaction date ("**T+2**"). Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Only certificates for Shares registered on the branch share register of our Company in Hong Kong will be valid for delivery in respect of transactions effected on the Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which our Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

CSRC APPROVAL AND OTHER RELEVANT PRC AUTHORITIES APPROVAL

The Listing does not require the approval of the CSRC or any other PRC governmental authorities under the current PRC laws, rules and regulations.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rate: HK$1.00: RMB0.89.

No representation is made that any amounts in RMB were or could have been or could be converted into Hong Kong dollars at such rate or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Lin Hui (林琿先生)	Room 305 No. 16 Nanxizaiqian Street Siming District Xiamen City Fujian Province PRC	Chinese
Mr. Luo Jinjun (羅金鈞先生)	1-3 Yu Wu Da Dao Cenxi City Guangxi Province PRC	Chinese
Independent non-executive Directors		
Mr. Lam Kai Yeung (林繼陽先生)	West Hill Villa 160 Tai Wai New Village Tai Wai, Sha Tin New Territories Hong Kong	Chinese
Mr. Zhang Hancheng (張漢成先生)	No. 201, Gate No. 3 23/F, Zhanchunyuan Neighbourhood Haidian District Beijing PRC	Chinese
Mr. Chau On Ta Yuen (周安達源先生)	Flat C, 23/F Laguna Grande Tower 21 Laguna Verde 8 Laguna Verde Ave Kowloon Hong Kong	Chinese

For further details about our Directors and senior management members, please refer to the section headed “Directors and senior management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Guotai Junan Capital Limited *(A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO)* 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Global Coordinator	Guotai Junan Securities (Hong Kong) Limited *(A licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)* 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Guotai Junan Securities (Hong Kong) Limited *(A licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)* 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong Wealth Link Securities Limited *(A licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)* Unit B1, 5/F Guangdong Investment Tower 148 Connaught Road Central Hong Kong

Oceanwide Securities Company Limited
(A licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO)
18/F-19/F
China Building
29 Queen's Road Central
Hong Kong

Head & Shoulders Securities Limited
(A licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)
Room 2511, 25/F
Cosco Tower
183 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Li & Partners
22/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
Suite 1202-1204, K. Wah Centre
1010 Huaihai Road (M)
Xuhui District
Shanghai 200031
PRC

As to Cayman Islands law:
Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* Sidley Austin Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong *As to PRC law:* Global Law Office (Shenzhen) Units B/C, 26/F, Tower 5 Dachong International Centre No. 39 Tonggu Road Nanshan District Shenzhen, the PRC
Auditors and reporting accountants	Ernst & Young *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Property valuer	Colliers International (Hong Kong) Ltd. Suite 5701, Central Plaza 18 Harbour Road Wanchai Hong Kong
Compliance adviser	Guotai Junan Capital Limited *(A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO)* 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Independent industry consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai 200232 PRC

Independent Technical Consultant	SRK Consulting (Hong Kong) Limited Suite A1, 11/F, One Capital Place 18 Luard Road Wanchai Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Central Hong Kong

Registered office	Sertus Chambers P.O. Box 2547, Cassia Court Camana Bay Grand Cayman Cayman Islands
Headquarters and principal place of business in the PRC	(Town Government) Ping Di Chang Xiang Jie Shang Tongren City Guizhou Province PRC
Principal place of business in Hong Kong	22/F, World-Wide House 19 Des Voeux Road Central Hong Kong
Company's website	**www.flyingmining.com** (information contained on this website does not form part of this prospectus)
Company secretary	Mr. Wong Chi Wah (王志華先生) *(HKICPA, FCCA)* Flat A, 9/F, Block 12 Costa Del Sol Laguna Verde Hung Hom Kowloon Hong Kong
Authorised representatives	Mr. Lin Hui (林琿先生) Room 305 No. 16 Nanxizaiqian Street Siming District Xiamen City Fujian Province PRC Mr. Wong Chi Wah (王志華先生) *(HKICPA, FCCA)* Flat A, 9/F, Block 12 Costa Del Sol Laguna Verde Hung Hom Kowloon Hong Kong

Audit Committee	Mr. Lam Kai Yeung (林繼陽先生) *(Chairman)* Mr. Zhang Hancheng (張漢成先生) Mr. Chau On Ta Yuen (周安達源先生)
Remuneration Committee	Mr. Lam Kai Yeung (林繼陽先生) *(Chairman)* Mr. Chau On Ta Yuen (周安達源先生) Mr. Lin Hui (林琿先生)
Nomination Committee	Mr. Lin Hui (林琿先生) *(Chairman)* Mr. Lam Kai Yeung (林繼陽先生) Mr. Zhang Hancheng (張漢成先生)
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited Clifton House 75 Fort Street, P.O. Box 1350 Grand Cayman KYI-1108 Cayman Islands
Hong Kong Share Registrar and transfer Office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	**Industrial and Commercial Bank of China (Shiqian Branch)** Fodingshan South Road Shiqian County Tongren City Guizhou Province PRC **Bank of China (Hong Kong) Limited (Tower Branch)** 1 Garden Road Central Hong Kong

This section contains certain information which is derived from the various official government publications and other publications. In addition, this section and elsewhere in this prospectus contains information extracted from the Frost & Sullivan Report. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, affiliates, advisers or representatives, or any other person involved in the Global Offering. We, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, affiliates, advisers or representatives, or any other person involved in the Global Offering do not make any representation as to the accuracy, completeness or fairness of such information and, accordingly, you should not unduly rely on such information.

SOURCES AND RELIABILITY OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to prepare the Frost & Sullivan Report for use in this prospectus. We have agreed to pay Frost & Sullivan fees of RMB730,000 for the preparation of the Frost & Sullivan Report, which we believe reflects the market rates. The payment of such fees are not contingent upon the Listing or the results of the Frost & Sullivan Report. Our Directors believe that the payment of the fees does not affect the fairness of conclusion in the Frost & Sullivan Report.

About Frost & Sullivan

Frost & Sullivan is a global consulting company founded in 1961 which has more than 1,800 industry consultants and analysts based in 40 global offices. It is an Independent Third Party. Frost & Sullivan's services include technology research, market research, mega trends, economic research, best practices, training, customer research, competitive intelligence and corporate strategy.

Research methodology

In compiling information for and preparing the Frost & Sullivan Report, Frost & Sullivan conducted primary research involving telephone and face-to-face interviews with participants across the industry chain, including manufacturers and competitors. It also carried out secondary research, which involved reviewing industry publications, such as China Building Decoration Association, China Stone Material Association; official statistics, for example data from National Bureau of Statistics of China; and annual reports from listed companies and data stored at its own database.

The Frost & Sullivan Report presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Its methodology unfolds as the following process: (i) defining the market elements and collecting the secondary market data; (ii) identifying the market drivers and restraints and assessing how these factors affect the market movement; (iii) discussing the probable market scenarios with various industry experts and verifying to reach a consensus; and (iv) integrating the facts and insights into market analysis and reconciling the output for research delivery. During the research phase, Frost & Sullivan assumed that (i) the social, economic and political environment is expected to remain stable and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2017 to 2021.

Certain historical data such as market sizes, product and raw materials prices set out in this section is up to 2016 as the data for 2017 were not available as at the Latest Practicable Date. No pricing data for shaped stone products has been compiled by Frost & Sullivan, as shaped stones are customised products and widely used in various applications and its pricing is highly correlated to the design and technology adopted in the processing of shaped stone products. As a result, no pricing data for shaped stones is readily available.

Frost & Sullivan has confirmed that it is not aware of anything that would lead it to believe that these assumptions are unfair or unreasonable. Our Directors have no reason to believe that the aforesaid principal assumptions are inappropriate.

Our Directors confirm that as at the Latest Practicable Date, after taking reasonable care, there was no adverse change in the market information that would qualify, contradict or have a material impact on such information since the date of the Frost & Sullivan Report.

Based on the above, our Directors are satisfied that the disclosures of future projections and industry data in this section are not misleading.

INTRODUCTION TO MARBLE

Marble is a type of natural stone composed of recrystallised carbonate minerals, most commonly calcite or dolomite. Commercially, polishable limestone is also classified as marble in the dimension stone industry. The major technical parameters for marble include water absorption rate, compression strength, bending strength and surface porosity. Marble products can also be classified into different colour series, including yellow, white, black, grey, red and green, according to its mineral impurities.

Marble is an ideal material for architectural decoration including home decoration and public decoration, infrastructural and landscaping as well as artworks, due to its varied colour, pattern, capillary water absorption rate and hardness. Marble products are typically classified into marble blocks, marble slabs and shaped stones in terms of shapes. Marble blocks are cube stones extracted in the mining processes and are typically processed into marble slabs through cutting, grinding and surface polishing. According to the Independent Technical Consultant, approximately 38 m^2 of marble slabs with a thickness of 18 mm can usually be produced from a cubic metre of marble block. Shaped stones include artworks such as sculptures, other decorative products and furniture in terms of functionality.

Generally, yellow, red and grey marbles demonstrate better comprehensive technical performance than marbles of other colours.

The colour, pattern and texture of marbles contained in different marble mines vary across different geographic locations due to marbles' naturally occurring nature and such variation makes each marble mine unique. As a result, customers looking for a variety of colours, pattern and textures need to source marble products from marble mines of different locations. In placing purchase orders for marble products, customers would take into account a combination of factors such as colour, pattern, texture, colour variability, quality and transportation costs. Suppliers of marble products would also consider these factors when pricing their products. Given the uniqueness of marble products, the transportation cost becomes a less important factor for a customer if such transportation cost can be passed on to the end-user customers or those marble products of a specific colour, pattern or texture can only be sourced from one location but not from another.

CHINA MARBLE INDUSTRY OVERVIEW

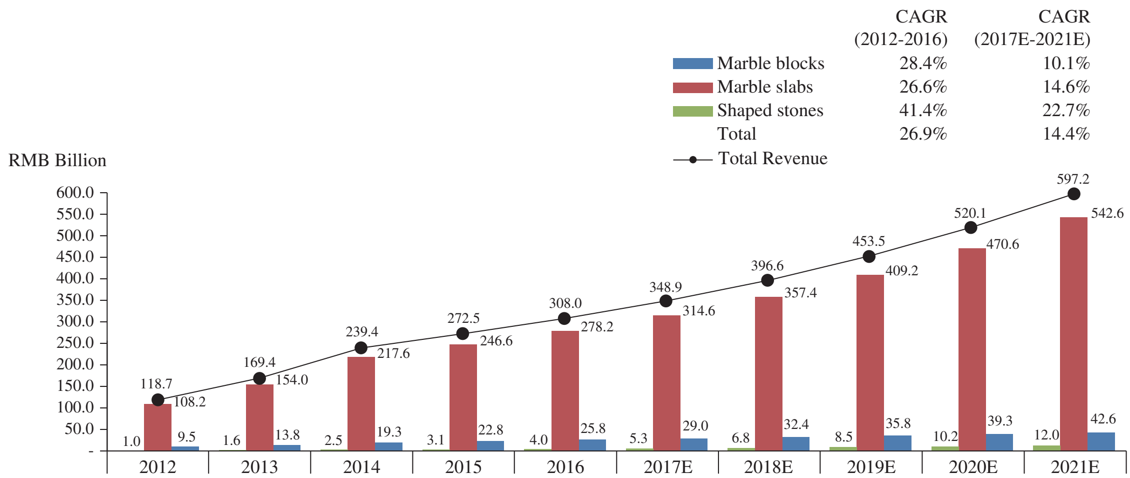
China's marble industry grew significantly in recent years. According to the Frost & Sullivan Report, China has taken the leading role in the consumption of marble slabs, which was proved by its shares in the sales volume and sales value of marble slabs in the global market. In 2016, China occupied approximately 31.3% in the global sales volume of marble slabs and approximately 25.1% in the global sales value of marble slabs. Meanwhile, China possessed the largest production volume of marble slabs around the world, with an approximate 32.0% share of the world's total processing output of marble slabs in 2016, in order to meet its sizeable demand.

China marble market size

The market size of marble industry in China in terms of sales revenue experienced significant growth from 2012 to 2016. Revenue derived from sales of marble products increased from RMB118.7 billion in 2012 to RMB308.0 billion in 2016, representing a CAGR of 26.9% from 2012 to 2016. Due to the expected sluggish GDP growth from 2017 to 2021 in China, which will slow down the growth of marble products used for architectural decoration in real estate industry, the market size of China's marble industry in terms of sales revenue is anticipated to grow moderately at a CAGR of 14.4% from 2017 to 2021.

The following chart illustrates the historical and forecasted revenue of China's marble industry by product type for the period indicated:

Revenue of China's marble industry (by product type)

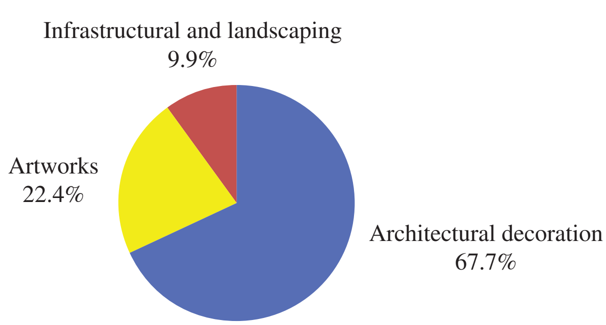


Source: China Statistical Yearbook, CSMA, Frost & Sullivan

End market applications

Architectural decoration (including home decoration and public decoration), infrastructural and landscaping and artworks are the key end markets of marble products in China. The following chart illustrates the approximate contributions to the revenue of China's marble industry by end markets in 2016:

Revenue contributions by end markets in 2016



Source: Frost & Sullivan

Our marble blocks, marble slabs and shaped stones can be widely used for architectural decoration, infrastructure and landscaping industry and artworks. Typically, our products will be mainly used for architectural decorations.

Architectural decoration

Revenue of China's architectural decoration market grew from RMB2,902.1 billion in 2012 to RMB4,002.7 billion in 2016, representing a CAGR of 8.4% from 2012 to 2016, according to the Frost & Sullivan Report. Public decoration and home decoration are two key areas of architectural decoration. As one of the key decorative materials, marble is a popular choice for decoration. Spurred by increasing demand from residential customers as well as initiatives in real estate development for "Fine Decoration" (精装修), the home decoration segment in China grew at a fast pace, with the sales revenue increasing from RMB1,397.3 billion in 2012 to RMB1,933.9 billion in 2016, representing a CAGR of 8.5% from 2012 to

2016 according to the Frost & Sullivan Report. Public decoration mainly includes decoration of office space, commercial space and public facilities. The sales revenue of the public decoration segment in China also grew at a CAGR of 8.3% from 2012 to 2016 according to the Frost & Sullivan Report.

In line with the growth in the architectural decoration market and the increasingly wide application of marble products in China, the sales revenue of marble-based architectural decoration grew from RMB81.3 billion in 2012 to RMB208.6 billion in 2016, representing a CAGR of 26.6% from 2012 to 2016 according to the Frost & Sullivan Report. It is expected that the upward trend will continue from 2017 to 2021, with the sales revenue of marble-based architectural decoration growing at a CAGR of 13.6%, which will drive the growth of the marble industry.

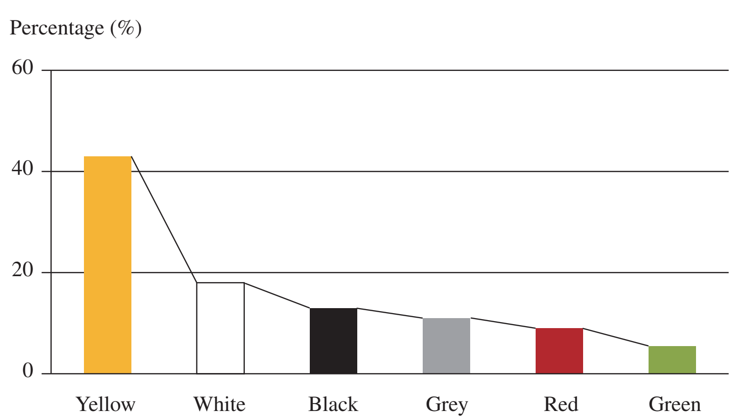
Infrastructural and landscaping industry

Marble products are widely used in the construction of infrastructure and modification and improvement of outdoor public areas. The sales revenue of the infrastructural and landscaping industry in China increased from RMB1,744.7 billion in 2012 to RMB2,181.9 billion in 2016, representing a CAGR of 5.7% from 2012 to 2016, according to the Frost & Sullivan Report. In line with such growth, the sales revenue of marble-based infrastructural and landscaping industry in China grew at a CAGR of 26.7% according to the Frost & Sullivan Report. It is expected that the upward trend will continue from 2017 to 2021, with the sales revenue of marble-based infrastructural and landscaping industry growing at a CAGR of 10.5% from 2017 to 2021.

Chinese customers' colour preference for marble

Yellow, white and black are the most popular colours of marble among Chinese consumers. The following chart illustrates Chinese consumers' online attention degrees of marbles of various colour series in 2016, which indicates the Chinese consumers' colour preference for marbles in 2016, based on search ranking in certain major Chinese domestic search engines:

Chinese consumer's online attention degrees of marbles of different colours, 2016



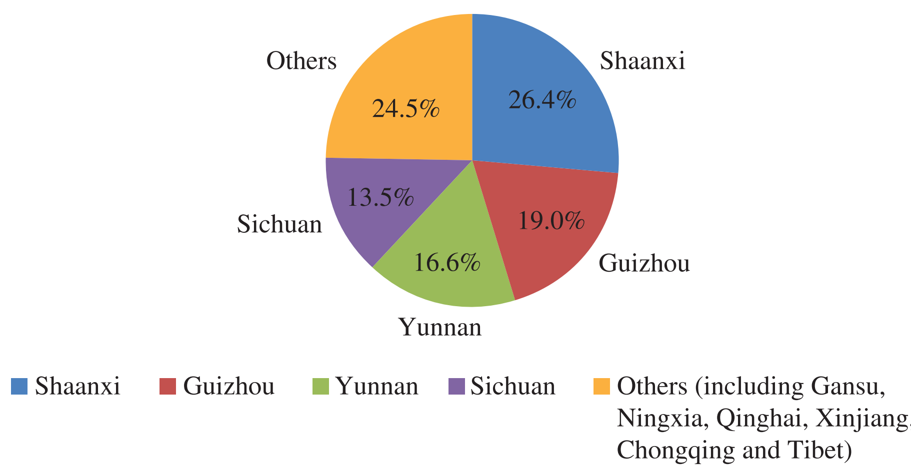
Source: Frost & Sullivan

Our marble products are commercially marketed and sold under the names of Royal Beige, Carlo Rose and Athens Grey, which are branch colours of yellow, red and grey, respectively, and are referred to as three branch colours in this prospectus.

Distribution of marble mines in China

According to the Frost & Sullivan Report, Southern China has the most abundant marble resources in China, accounting for approximately 30.1% of China's marble reserve volume as at 31 December 2016. Southern China is followed by Western China, where our Leishoushan Project is located, which accounted for approximately 27.3% of China's marble reserve volume as at 31 December 2016. The shares of China's marble reserve volume as at 31 December 2016 by other regions are 19.5% for Eastern China, 15.2% for Northern China and 7.9% for Central China. Guangdong, Guangxi, Hebei, Shaanxi, Guizhou, Yunnan and Sichuan are major locations of marble reserves in China, accounting for approximately 14.5%, 13.4%, 7.6%, 7.2%, 5.2%, 4.5% and 3.7%, respectively, of China's marble reserve volume as at 31 December 2016. Shaanxi, Guizhou, Yunnan and Sichuan are the major locations of marble reserves in Western China, accounting for approximately 26.4%, 19.0%, 16.6% and 13.5% of its marble reserve volume as at 31 December 2016. Fujian Province is not a major location of marble reserves as it only accounted for approximately 1.5% of China's marble reserve volume as at 31 December 2016.

The following chart illustrates the distribution of marble reserve volume in Western China as at 31 December 2016:



Source: Frost & Sullivan

According to the Frost & Sullivan Report, in China, yellow marble mines are mainly located in Henan, Guangdong, Jiangsu and Guizhou provinces, red marble mines are mainly located in Anhui, Sichuan, Hebei and Liaoning provinces and grey marble mines are mainly located in Zhejiang, Yunnan and Shandong provinces.

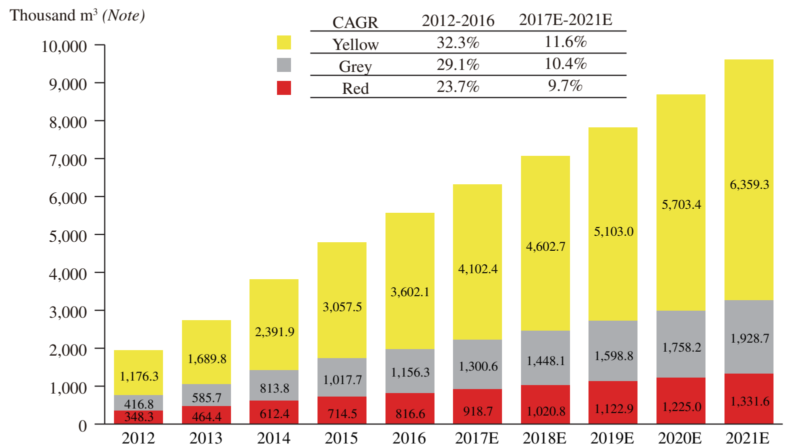
MARBLE PRODUCTION

Marble blocks

According to the Frost & Sullivan Report, China's marble block production volume grew from 4.4 million m^3 in 2012 to 10.3 million m^3 in 2016, representing a CAGR of 23.7% from 2012 to 2016. It is expected that China's marble block production volume will continue to grow at a CAGR of 7.2% from 2017 to 2021. According to the Frost & Sullivan Report, most of the large high-end marble blocks used to be imported because of the poor domestic productivity. However, in recent years, the upgrade of mining technology enabled marble block producers to produce larger rare marble blocks with better quality and efficacy.

The production volume of yellow marble blocks in China increased from approximately 1.2 million m^3 in 2012 to approximately 3.6 million m^3 in 2016, representing a CAGR of 32.3% and it is expected to keep increasing at a CAGR of 11.6% from 2017 to 2021. The production volume of grey marble blocks in China increased from approximately 0.4 million m^3 in 2012 to approximately 1.2 million m^3 in 2016, representing a CAGR of 29.1% and is expected to keep growing at a CAGR of 10.4% from 2017 to 2021. The production volume of red marble blocks in China has increased from approximately 0.3 million m^3 in 2012 to approximately 0.8 million m^3 in 2016, representing a CAGR of 23.7% and is expected to keep growing at a CAGR of 9.7% from 2017 to 2021. The following chart sets forth the production volume of typical colour marble blocks from 2012 to 2016 and the forecasts from 2017 to 2021:

Production volume of typical colour marble blocks in China, 2012-2021E



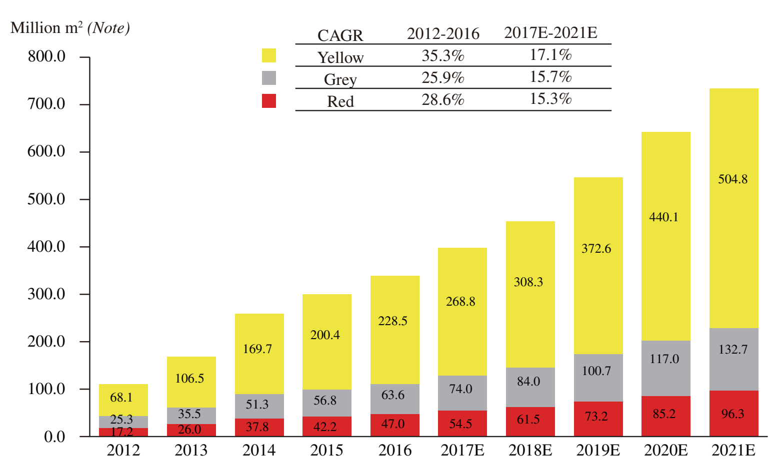
Note: Production volume of marble blocks refers to the marble blocks mined in China only.
Source: China Statistical Yearbook, CSMA, Frost & Sullivan

Marble slabs

According to the Frost & Sullivan Report, the processing output of marble slabs in China increased from 230.0 million m^2 in 2012 to 601.0 million m^2 in 2016, representing a CAGR of 27.1%. With the gradually slowing urbanisation in China, the demand for marble slabs in China will continue to increase at a relatively low speed. It is anticipated that the processing output of marble slabs in China will continue growing at a CAGR of 13.8% from 2017 to 2021.

The processing output of yellow marble slabs in China has increased from 68.1 million m^2 in 2012 to 228.5 million m^2 in 2016, accounting for approximately 38.0% of China's marble slab processing output in 2016, representing a CAGR of 35.3%, and it is expected to keep increasing at a CAGR of 17.1% from 2017 to 2021. The processing output of grey marble slabs in China has grown from 25.3 million m^2 in 2012 to 63.6 million m^2 in 2016, representing a CAGR of 25.9%, and it is expected to keep growing at a CAGR of 15.7% from 2017 to 2021, to reach 132.7 million m^2 in 2021. The processing output of red marble slabs in China has increased from 17.2 million m^2 in 2012 to 47.0 million m^2 in 2016, representing a CAGR of 28.6%, and it is expected to keep increasing at a CAGR of 15.3% from 2017 to 2021. The following chart sets forth the processing output of typical colour marble slabs from 2012 to 2016 and the forecasts from 2017 to 2021:

Processing output of typical colour marble slabs in China, 2012-2021E



Note: Processing output of marble slabs include marble slabs processed from marble blocks mined in China and imported from overseas.
Source: CSMA, Frost & Sullivan

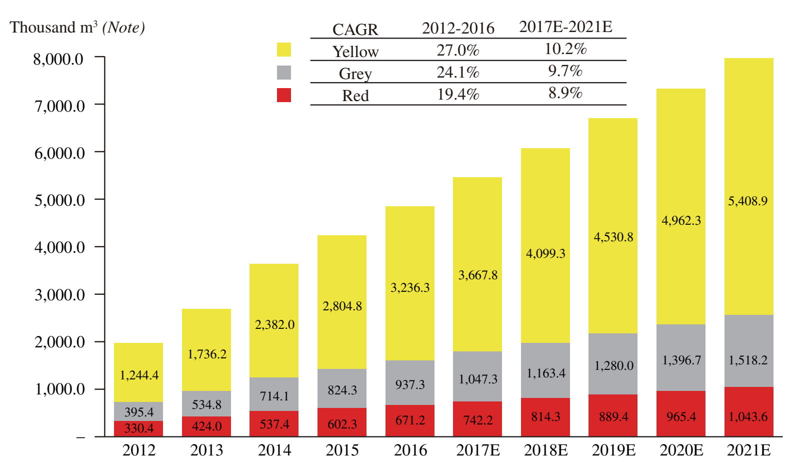
MARBLE CONSUMPTION

Marble blocks

According to the Frost & Sullivan Report, the sales volume of marble blocks in China has grown from 4.0 million m^3 in 2012 to 9.3 million m^3 in 2016, representing a CAGR of 23.5%. The cooling down of macro-economy in China and the saturation of the market may slow down the growth of sales volume of marble blocks, which is estimated to increase at a CAGR of 6.7% from 2017 to 2021.

Yellow and grey are essential base colours of marbles used in architectural decoration. Yellow marble products are the most common marble products that are typically used in high-end residential and office building decoration in China. The sales volume of yellow marble blocks in China has increased from approximately 1.2 million m^3 in 2012 to approximately 3.2 million m^3 in 2016, representing a CAGR of 27.0%, and it is expected to keep increasing at a CAGR of 10.2% from 2017 to 2021, to reach approximately 5.4 million m^3 in 2021. Grey marble blocks are relatively scarce in the market and the combined use of grey marble blocks with decoration wood has become a fashion trend in China. The sales volume of grey marble blocks in China has grown from approximately 0.4 million m^3 in 2012 to approximately 0.9 million m^3 in 2016, representing a CAGR of 24.1%, and it is expected to keep growing at a CAGR of 9.7% from 2017 to 2021, to reach approximately 1.5 million m^3 in 2021. The sales volume of red marble blocks in China has increased from approximately 0.3 million m^3 in 2012 to approximately 0.7 million m^3 in 2016, representing a CAGR 19.4%, and it is expected to keep increasing at a CAGR of 8.9% from 2017 to 2021, to reach approximately 1.0 million m^3 in 2021. The following chart sets forth the sales volume of typical colour marble blocks from 2012 to 2016 and the forecasts from 2017 to 2021:

Sales volume of typical colour marble blocks in China, 2012-2021E



Note: Sales volume of marble blocks refers to the marble blocks mined in China and overseas but sold in China.

Source: CSMA, Frost & Sullivan

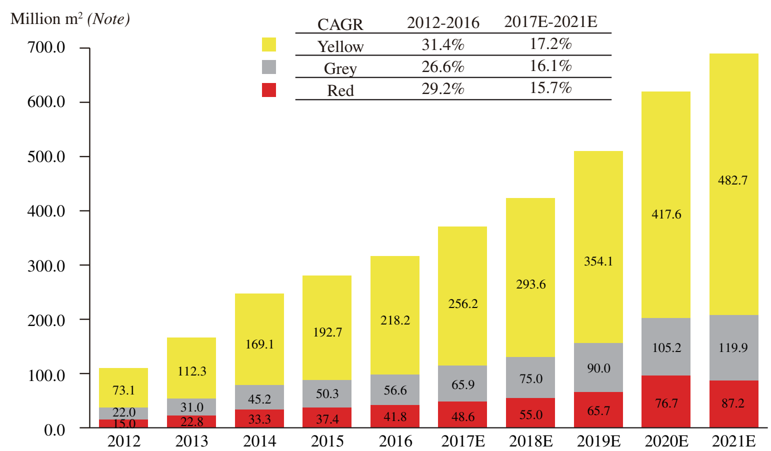
Marble slabs

According to the Frost & Sullivan Report, marble slabs accounted for more than 90% of market share of China's marble industry in terms of total sales revenue in 2016. The sales volume of marble slabs in China increased from 242.3 million m^2 in 2012 to 520.2 million m^2 in 2016, representing a CAGR of 21.0%. It is anticipated that the sales volume of marble slabs in China will continue to grow at a CAGR of 11.0% from 2017 to 2021.

According to the Frost & Sullivan Report, in 2016, the sales volume of yellow marble slabs accounted for approximately 41.9% of China's total marble slab sales volume. The sales volume of yellow marble slabs in China has increased from 73.1 million m^2 in 2012 to 218.2

million m^2 in 2016, representing a CAGR of 31.4%, and it is expected to keep increasing at a CAGR of 17.2% from 2017 to 2021. The sales volume of grey marble slabs in China has grown from 22.0 million m^2 in 2012 to 56.6 million m^2 in 2016, representing a CAGR of 26.6%, and it is expected to keep growing at a CAGR of 16.1% from 2017 to 2021, to reach 119.9 million m^2 in 2021. The sales volume of red marble slabs in China has increased from 15.0 million m^2 in 2012 to 41.8 million m^2 in 2016, representing a CAGR of 29.2%, and it is expected to keep increasing at a CAGR of 15.7% from 2017 to 2021. The following chart sets forth the sales volume of typical colour marble slabs from 2012 to 2016 and the forecasts from 2017 to 2021:

Sales volume of typical colour marble slabs in China, 2012-2021E



Note: Sales volume of marble slabs include marble slabs processed from marble blocks mined in China and imported from overseas.

Source: CSMA, Frost & Sullivan

COMPETITION ANALYSIS FOR CHINA MARBLE INDUSTRY

Competitive landscape

China's marble industry is highly fragmented. According to the Frost & Sullivan Report, there are approximately 9,000 marble companies in China, a majority of which are small and medium-sized companies with low productivity level. Companies with larger operation scales, however, have begun to enter the mid-range and high-end markets after they have incorporated advanced technologies and upgraded processing equipment into their production lines. Market participants in the marble industry in China compete in the areas of resource, product price, research and development capability, target market, value chain coverage and product integration.

The following table sets forth the ranking of leading marble companies in China in terms of marble resources as of 31 December 2016:

Ranking	Company name	Mine location	Resources*(Note)* (million m^3)
1	Artgo Holdings Limited (雅高控股有限公司)	Jiangxi	106.6
2	Our Group	Guizhou	57.0
3	China Kingstone Mining Holdings Limited (中國金石礦業控股有限公司)	Sichuan	44.2
4	Company A	Hunan	20.9
5	Company B	Sichuan	20.7
6	Future Bright Mining Holdings Limited (高鵬礦業控股有限公司)	Hubei	10.6

Note: Resources data for listed companies, namely Artgo Holdings Limited, China Kingstone Mining Holdings Limited and Future Bright Mining Holdings Limited which are listed on the Stock Exchange, is prepared based on JORC code and is extracted from their prospectuses and remained unchanged as at 31 December 2016, while the resources data for company A and company B, which is not prepared based on JORC code, is obtained from primary interview and public sources as available.

Source: Frost & Sullivan

Entry barriers

The key entry barriers for the marble industry include the followings:

- **regulatory constraints:** marble mining companies are required to obtain a large number of licences, approvals and certifications before they can engage in mining activities. As marble is a type of natural resources, which requires high level of energy consumption for its mining activities and may cause potential damages to the environment due to its mining activities, the Chinese government tends to be more stringent in the grant of mining rights;

- **technology barrier:** cutting-edge mining techniques and advanced equipment are critical to the extraction of marble blocks and the processing of marble products, and have a direct impact on marble block yield and marble product quality. Currently, access to such techniques and equipment is limited to a small number of market participants only, and most of the marble mining and processing companies manufacture products with low quality that cannot meet customers' demand;

- **sales channel and transportation barrier:** as marble products are applied in various end markets, and many marble processing companies sell their products to overseas markets, the sales channels can have a direct influence on the operating scales of marble companies. Meanwhile, most marble mining sites are located in geographical regions with no access to highways or are in remote areas. As a result, transportation cost of marble products can be high. Companies which have access to convenient transportation networks gain a competitive edge; and

- **financial resources barrier:** the up-front costs for marble mining include costs associated with infrastructure construction and purchase of equipment. Upon commencement of commercial operations of its marble mine, a marble mining company is required to maintain a large amount of working capital to cover extraction, labour and transportation costs. Hence, large-scale market participants with adequate financial resources are placed in an advantageous position when they compete with their peers.

Future opportunities

China's accelerated urbanisation process and the Chinese government's continuing investments in infrastructures and public facilities, including transportation infrastructures like airports and high-speed rail stations and public facilities like libraries, museums and hospitals, generate demand for architectural decoration. In addition, the Chinese government has taken initiatives to reduce real estate inventory in over 150 PRC cities where the local governments had not implemented policy to limit the purchase of real estate, including cities in Fujian and Guizhou provinces such as Guiyang (貴陽), Quanzhou (泉州), Zhangzhou (漳州), Longyan (龍岩), Putian (莆田), Nanping (南平), Jinjiang (晉江), Zunyi (遵義) and Bijie (畢節). The reduction of real estate inventory promotes transaction volume of real estate properties, which in turn creates demand for marble products as fine materials for home decoration. Meanwhile, as customers' awareness of marble products continues to increase, marble products will have increasingly wide applications.

China's economic growth continues to create momentum for the marble industry in China. According to China's 13th Five-Year Stone Industry Development Plan (《石材行業「十三五」發展規劃》), China will develop a marble industry that is more focused on quality improvement, consumption structure upgrading and new market expansion. Stone product demand structure will continue to upgrade, and personalised and diversified products and overall solutions for stone decoration will develop. The Chinese government will enhance the planning of the stone industry, encourage creative design and technology innovation of marbles, optimise marble industrial structure, promote the stone industry's "Internet Plus" business and promote environment-friendly development of the stone industry.

Threats and challenges

China's marble industry is highly fragmented. A large number of market participants with small scale of operations compete in the market without systematic regulation. The low industry concentration and the lack of collaborations among market participants have resulted in a fierce competition in the industry. Meanwhile, the Chinese government is continuously tightening up the regulations of environment and safety production, which has resulted in rising compliance costs. Production costs have also kept rising in the past five years.

Our competitive advantages

According to the Frost & Sullivan Report, we have competitive advantages in areas such as product quality, product popularity, vertically integrated business model by processing marble blocks mined from our Leishoushan Project at our Processing Plant to gain cost advantage and ensure quality control, and our leading position in terms of Resources and technology. We use advanced machines and equipment manufactured by renowned manufacturers with up-to-date mature technology. We also have a management team with profound marble mining and processing experience and expertise to help us achieve an effective operation and establish a technological competitive edge. In addition, we have competitive advantages in areas such as Resources quantity, location of our Leishoushan Project and product portfolio. Please refer to the section headed "Business — Our competitive strengths" in this prospectus for more information about our competitive strengths and the section headed "Business — Our products — Properties of our products" in this prospectus for a detailed analysis of the physical characteristics of our products.

MARBLE MARKET IN GUIZHOU PROVINCE

Our Shiqian Project is located in Guizhou Province, China. According to the Frost & Sullivan Report, Guizhou Province is a major marble producing region in China and is known as a quality stone material production base. In 2016, Guizhou Province was China's third largest marble block producing region in terms of production volume of marble blocks, ranking after Guangdong and Guangxi provinces, and the production volume of marble blocks of Guizhou Province amounted to 0.8 million m^3 in 2016, accounting for approximately 7.8% of China's total production volume of marble blocks in 2016. Guizhou Province is also China's sixth largest marble slab processing region in terms of processing output in 2016, ranking after Guangxi, Fujian, Henan, Hubei and Guangdong provinces, and the processing output of marble slabs of Guizhou Province accounted for approximately 5.1% of China's total marble slab processing output in 2016. As there is a significant demand for marble products from the major marble trading centres such as Shuitou in Fujian Province and Yunfu in Guangdong Province in China, marble companies in Guizhou Province either sell marble products locally or to other provinces including Fujian Province and Guangdong Province.

With the continuous promulgation of favourable policies towards the marble industry by the Guizhou government, which has fostered a favourable market environment for marble mining and processing companies operating in the Guizhou market, marble production of Guizhou Province has experienced a significant growth over the past years. According to the Frost & Sullivan Report, the production volume of marble blocks in Guizhou Province increased from approximately 0.2 million m^3 in 2012 to 0.8 million m^3 in 2016, representing a CAGR of 39.7% from 2012 to 2016, higher than the CAGR of the production volume of marble blocks in China for the same period, which was 23.7%; the processing output of marble slabs in Guizhou Province also increased from 7.8 million m^2 in 2012 to 30.7 million m^2 in 2016, representing a CAGR of 40.9% from 2012 to 2016, higher than the CAGR of the processing output of marble slabs in China for the same period, which was 27.1%. Furthermore, the local sales volume of marble blocks in Guizhou Province increased from approximately 0.2 million m^3 in 2012 to approximately 0.6 million m^3 in 2016, representing a CAGR of 36.5% from 2012 to 2016, and the local sales volume of marble slabs in Guizhou Province increased from 0.9 million m^2 in 2012 to 3.3 million m^2 in 2016, representing a CAGR of 38.4% from 2012 to 2016. The CAGR of the local sales volume of marble blocks in Guizhou Province from 2012 to 2016 was higher than the CAGR of China's sales volume of marble blocks for the same period, which was 23.5%, and the CAGR of the sales volume of marble slabs in Guizhou province from 2012 to 2016 was also higher than the CAGR of China's domestic sales volume of marble slabs of 21.0% for the same period.

Competition in the Guizhou marble market is less fierce compared with the Fujian marble market. There are over 200 marble companies in Guizhou Province which are mainly small to medium-sized companies with an average annual revenue of less than RMB5.0 million.

MARBLE MARKET IN FUJIAN PROVINCE

Fujian Province is a leading marble processing, distribution and trading centre in China, but not a major place of origin of marble blocks as its production volume of marble blocks amounted to 0.3 million m^3, accounting for only approximately 2.9% of the total production volume of marble blocks in China in 2016, according to the Frost & Sullivan Report. However, Fujian Province, ranking after Guangxi Province, was China's second largest marble slab processing region in terms of production volume in 2016, with marble slab processing output accounting for approximately 21.6% of China's total marble slab processing output in that year.

The Fujian marble slab processing market has experienced a continuous growth in recent years. According to the Frost & Sullivan Report, the processing output of marble slabs in Fujian Province increased from approximately 46.0 million m^2 in 2012 to approximately 129.8 million m^2 in 2016, representing a CAGR of approximately 29.6% from 2012 to 2016. In addition, the local sales volume of marble blocks in Fujian Province increased from approximately 0.9 million m^3 in 2012 to approximately 2.4 million m^3 in 2016, representing a CAGR of approximately 27.8% from 2012 to 2016, and the local sales volume of marble slabs in Fujian Province increased from approximately 4.6 million m^2 in 2012 to approximately 12.2 million m^2 in 2016, representing a CAGR of approximately 27.6% from 2012 to 2016. In particular, the imbalance between the local sales volume of marble blocks in Fujian Province of approximately 2.4 million m^3 which accounted for approximately 25.8% of China's total domestic sales volume of marble blocks in 2016, and its limited production volume of marble blocks of approximately 0.3 million m^3 in 2016 indicates that there is a potential demand for marble blocks in Fujian Province from other provinces in China. The difference in approximately 2.1 million m^3 represented the shortfall in supply of marble blocks in Fujian Province in 2016. The significant difference between the processing output of marble slabs in Fujian Province of approximately 129.8 million m^2 in 2016 and its local sales volume of marble slabs of approximately 12.2 million m^2 in 2016 was mainly because such local sales volume did not reflect the sales of marble slabs processed in Fujian Province to other provinces in China and the overseas markets, while most of the marble slabs processed in Fujian Province were sold to nationwide and worldwide customers and such sales accounted for over 20% of total sales of marble slabs in China according to the Frost & Sullivan Report.

Further, according to the Frost & Sullivan Report, from 2012 to 2016, the trade volume of marble products of Fujian Province, which equals to the sum of the local sales volume of marble products of Fujian Province and the volume of marble products derived from sales to other regions of China and export sales of Fujian Province, exceeded the production volume of marble products of Fujian Province. Due to such shortfall, market players in Fujian Province procure marble blocks from other regions of China such as Guizhou, Guangdong, Guangxi and Sichuan provinces and foreign countries such as Turkey, Spain and Italy in order to meet the customers' demand. As such, according to the Frost & Sullivan Report, approximately 90% of the marble blocks sold in Fujian Province in 2016 were purchased from other regions of China or overseas. Likewise, suppliers of marble blocks from other regions of China also sell marble blocks into Fujian Province. As Fujian Province is a leading marble processing, distribution and trading centre in China with marble slab processing output accounting for approximately 21.6% of China's total marble slab processing output in that year, suppliers from other regions also sell marble slabs to Fujian Province where the demand for marble slabs is significant given its leading position.

Competition in the Fujian marble market is relatively fierce. There are approximately 900 marble companies in Fujian Province, most of which are small to medium-sized companies with an average annual revenue of less than RMB5.0 million. Among these 900 companies, nearly 10 companies have a large scale of operation with an average annual revenue of over RMB100 million. Certain key players in the Fujian marble market also have leading positions nationwide.

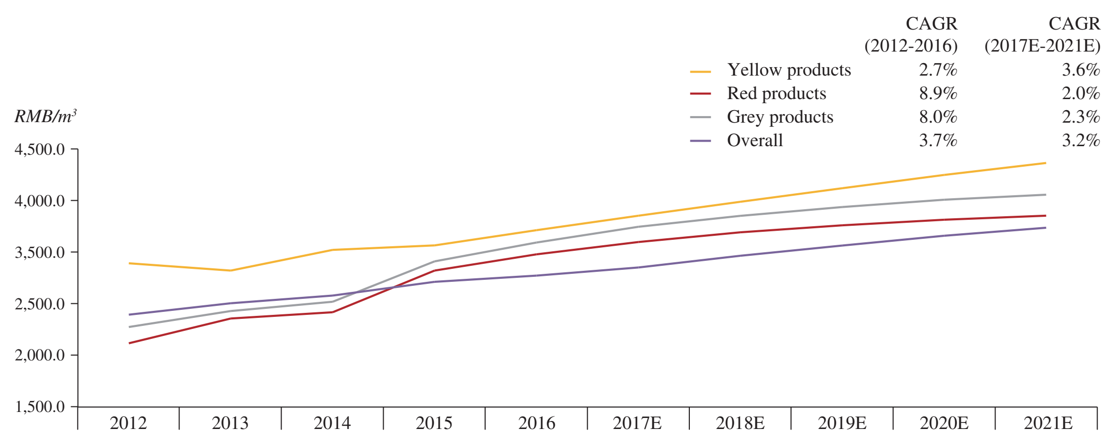
MARBLE PRICES

Marble block prices

The price of marble blocks demonstrated stable uptrend from 2012 to 2016 (except that in 2013, average price of yellow marble blocks decreased as compared to that of 2012). Specifically, according to the Frost & Sullivan Report, the average price of yellow marble blocks was approximately 10% to 15% higher than the average price of marble blocks of all colour series from 2012 to 2016. The overall prices of marble blocks, the prices of yellow marble blocks, grey marble blocks and red marble blocks are expected to experience continuous increase from 2017 to 2021 according to the Frost & Sullivan Report. It is expected that the average prices of yellow, red and grey marble blocks in China will grow at a CAGR of 3.6%, 2.0% and 2.3% from 2017 to 2021, respectively.

The following diagram illustrates the overall average prices of marble blocks of all colour series and average prices of yellow, red and grey marble blocks from 2012 to 2016 and the forecasts of their prices from 2017 to 2021:

Average price of marble blocks in China, 2012-2021E



Source: Frost & Sullivan

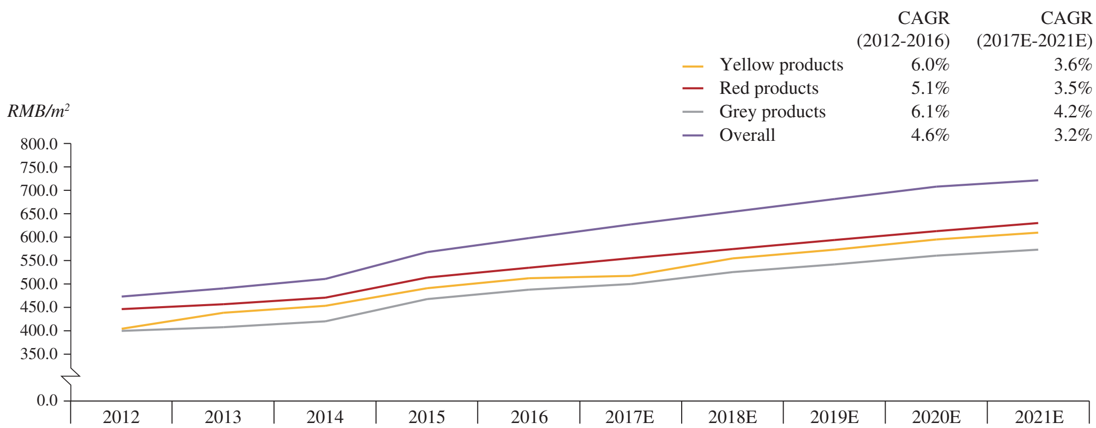
According to the Frost & Sullivan Report, the market prices of yellow, red and grey marble blocks mined in China in 2016 were RMB2,500/m^3 to RMB5,000/m^3, RMB2,500/m^3 to RMB4,500/m^3 and RMB2,500/m^3 to RMB5,500/m^3, respectively. The price ranges of our Royal Beige and Carlo Rose marble blocks under the One-off Sales Contracts, the Framework Sales Contracts and the individual sales contracts pursuant to the Framework Sales Contracts we entered into with our customers fall within the market price ranges of yellow and red marble blocks reported in the Frost & Sullivan Report. We had not extracted Athens Grey marble blocks as at the Latest Practicable Date.

Marble slab prices

The prices of yellow, red and grey marble slabs in China demonstrated a stable upward trend for the period from 2012 to 2016. According to the Frost & Sullivan Report, the average price of yellow marble slabs processed in China is higher than that of overall marble slabs. It is expected that the average price of yellow marble slabs will grow at a CAGR of approximately 3.6% from 2017 to 2021, and the average prices of grey and red marble slabs will grow at a CAGR of 3% to 4% for the same period according to the Frost & Sullivan Report.

The following diagram illustrates the overall average price of marble slabs of all colour series and average prices of yellow, red and grey marble slabs from 2012 to 2016 and the forecasts of their prices from 2017 to 2021:

Average price of marble slabs in China, 2012-2021E



Source: Frost & Sullivan

The market price ranges of yellow, red and grey marble slabs processed in China in 2016 were RMB200/m^2 to RMB 300/m^2, RMB200/m^2 to RMB300/m^2 and RMB300/m^2 to RMB400/m^2, respectively. The price ranges of our Royal Beige and Carlo Rose marble slabs under the One-off Sales Contracts, the Framework Sales Contracts, our selling prices under the individual sales contracts pursuant to the Framework Sales Contracts and the purchase order fall within the market price ranges of yellow and red marble slabs reported in the Frost & Sullivan Report. We had not processed Athens Grey marble slabs as at the Latest Practicable Date.

According to the Frost & Sullivan Report, as the colour, pattern and texture of each marble mine are unique, it is an industry norm for customers and their suppliers to enter into long-term framework sales contract with minimum purchase commitments from the customers in order to ensure the consistency of the colour, pattern and texture of the marble products by procuring marble products from a single mine. This is particularly the case where marble products procured by them are used in large-sized property projects. Suppliers who have entered into long-term framework sales contracts with customers tend to offer certain price discounts to the customers.

PRICES OF KEY RAW MATERIAL

According to the Frost & Sullivan Report, the costs of marble mining mainly consist of transportation, labour, equipment depreciation, utilities and auxiliary material. In 2016, transportation, labour and equipment depreciation are the three most costly items, representing approximately 27.2%, 25.0% and 16.3%, respectively, of the total marble mining cost according to the Frost & Sullivan Report.

The following table sets forth the historical price changes for some key cost items for marble mining in China:

Cost centre	Prices of key raw materials for marble mining in China	Year					CAGR 2012-2016
		2012	2013	2014	2015	2016	
Consumables							
(a) Diamond beaded wire	(RMB/metre)	270	255	240	223	217 *(Note)*	-5.3%
(b) Lubricant	(RMB/tonne)	8,973	9,319	9,202	8,234	7,424	-4.6%
(c) Drill rod and drill bits	(RMB/piece)	230	230	234	237	239 *(Note)*	1.0%
Highway freight transportation	(RMB/tonne KM)	0.62	0.55	0.54	0.52	0.52	-4.3%
Fuel							
(a) Petrol	(RMB/tonne)	8,007	7,866	7,354	5,972	5,725	-8.0%
(b) Diesel	(RMB/tonne)	7,046	6,810	6,437	4,503	4,127	-12.5%
Average selling price of electricity in Guizhou	(RMB/kWh)	0.494	0.529	0.493	0.493	0.493 *(Note)*	-0.1%
Average wage for mineworkers in Guizhou Province (i.e. labour cost)	(RMB/month)	3,593	3,776	4,192	4,125	4,204 *(Note)*	4.0%

Note: These figures are estimated by Frost & Sullivan as the actual figures for 2016 are not yet available.

Source: Frost & Sullivan

The costs of marble processing mainly consist of raw materials (i.e. marble blocks), transportation, cutting, polishing, labour and scrap. In 2016, marble blocks and transportation costs accounted for approximately 27.9% and 18.8% of the total marble processing cost, respectively. Please see the paragraph headed "Marble prices — Marble block prices" above in this section for marble blocks and the table above for the transportation costs. We process the marble blocks mined from our Leishoushan Project, allowing us to gain a cost advantage over our competitors.

PRC LAWS RELATING TO FOREIGN INVESTMENT IN THE STONE INDUSTRY

According to the Tentative Regulation to Promote the Adjustment of Industrial Structure (促進產業結構調整暫行規定) issued and effective on 2 December 2005, as well as the Guidance Catalogue of Industrial Structure Adjustment (Version 2011) (Amended) (the "**Industrial Structure Adjustment Catalogue**") (產業結構調整指導目錄(2011年本) (修正)), issued on 27 March 2011 and amended on 16 February 2013 and took effect on 1 May 2013, the catalogue specified in the Industrial Structure Adjustment Catalogue is composed of three categories of industries, namely, the encouraged category, the restricted category and the eliminated category. The industries not belonging to the encouraged category, the restricted category or the eliminated category, but conforming to the relevant laws, regulations and policies of the state, shall belong to the permitted category. The industries of the permitted category are not listed into the catalogue specified in the Industrial Structure Adjustment Catalogue. The production of mechanised quarrying of stone mines as well as production for the comprehensive utilisation of ore and scraps are listed as encouraged industries.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the "**Foreign Investment Catalogue**"), which was issued in 1995, as amended in 1997, 2002, 2004, 2007, 2011, 2015 and 2017. The current effective Foreign Investment Catalogue was jointly issued by MOFCOM and NDRC on 28 June 2017, and came into force on 28 July 2017. Under the Foreign Investment Catalogue, foreign-invested industries are classified into two categories, namely (i) encouraged foreign-invested industries; and (ii) foreign-invested industries which are subject to the special administrative measures for access of foreign investment (the "**Negative List**"), the Negative List is further divided into restricted foreign-invested industries and prohibited foreign-invested industries, setting out the restriction measures such as shareholding requirements and qualifications of the senior management. Any industry not listed in the Foreign Investment Catalogue is a permitted industry. Our principal business of marble mining, stone processing and sale is thus a permitted industry for foreign investment.

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law (中華人民共和國公司法) (the "**PRC Company Law**"), which was adopted by SCNPC on 29 December 1993 and last amended on 28 December 2013 and became effective on 1 March 2014. Under the PRC Company Law, companies are generally classified into two categories, namely, limited liability companies and joint stock limited companies. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, any stipulations by other PRC laws governing foreign investment shall prevail over the PRC Company Law.

Pursuant to the Law of PRC Foreign-Capital Enterprises (中華人民共和國外資企業法), which was adopted on 12 April 1986 and amended and became effective on 31 October 2000, the establishment and subsequent changes of a wholly foreign-owned enterprise is subject to the approval by the authority in charge of commerce or foreign trade and investment and registration with the relevant administration for industry and commerce. The investor of the wholly foreign-owned enterprise must make payment or subscribe for the registered capital according to its articles of association. The aforementioned regulation was last amended on 3 September 2016 and became effective on 1 October 2016, which stipulates that where the wholly foreign-owned enterprise does not involve special access administrative measures prescribed by the government, the establishment and subsequent changes of a wholly foreign-owned enterprise will no longer be subject to the approval requirement, but it will be subject to filing with the relevant authority.

Pursuant to the Regulations of the People's Republic of China on Company Registration (中華人民共和國公司登記管理條例) promulgated on 24 June 1994 and last amended and effective on 6 February 2016, a company shall submit the following documents to the administration for industry and commerce for the application of alteration registration (including the extension of operation period as specified in the business licence): (i) the application for alteration registration signed by the legal representative of the company; (ii) the resolution or decision on the alteration which is made in accordance with the Company Law; and (iii) other documents as required by the SAIC.

PRC LAWS RELATING TO MINERAL RESOURCES

Pursuant to the Mineral Resources Law of the PRC (中華人民共和國礦產資源法) promulgated on 19 March 1986, effective on 1 October 1986, amended on 29 August 1996 and 27 August 2009, and the Rules for the Implementation of the Mineral Resources Law (中華人民共和國礦產資源法實施細則) promulgated and effective on 26 March 1994, (i) mineral resources are owned by the State with the State Council exercising ownership over such resources on behalf of the State. The State ownership of mineral resources shall remain unchanged notwithstanding that the ownership or the right to use the land to which such mineral resources are attached has been altered; (ii) the exploration and exploitation of mineral resources nationwide. The department in charge of geology and mineral resources, of each province, autonomous region or municipality directly under the PRC Government is responsible for the supervision and administration of the exploration and exploitation of mineral resources within its respective administrative regions; (iii) exploration rights and mining rights may be acquired with consideration. Enterprises engaged in the mining or exploration of mineral resources must pay a certain amount of money for obtaining mining rights and exploration rights; (iv) an enterprise that intends to explore and exploit mineral resources shall apply for each exploration and mining rights separately according to the relevant PRC laws, regulations and policies, and is required to undergo the registration process for each of the exploration and mining rights, unless the mining enterprise which intends to conduct exploration operations for its own production within the defined mining areas has previously obtained mining rights; (v) anyone who exploits mineral resources must pay resources tax and resources compensation levy in accordance with relevant regulations of the State. In accordance with Provisional Regulations on Resources Tax of the PRC (中華人民共和國資源稅暫行條例) promulgated on 25 December 1993 and amended on 30 September 2011, the rate of the resources tax ranges from RMB0.5 to RMB20 per ton or m^3 of the ordinary non-metal ores. The amount of resources tax payable is computed on the basis of the sales revenue of the ordinary non-metal ores. In accordance with the Administrative Rules on the Levy of Mineral Resources Compensation (礦產資源補償費徵收管理規定), the resources compensation levy shall be calculated in accordance with the formula "amount of the resources compensation levy payable = sales revenue of mineral products x compensation levy rate x coefficient of mining recovery rate"; (vi) exploration rights and mining rights are transferable, but any transfer shall be approved by the relevant geological and mineral resources department or land department of the PRC Government, and shall satisfy such other conditions as stipulated under the PRC laws and regulations; (vii) the departments in charge of geological and mineral resources of each province, autonomous region or municipality directly under the PRC Government are responsible for the granting of exploration and mining licences according to the PRC laws and regulations; and (viii) marble is a kind of non-metal ore.

Under the Rules for the Implementation of the Mineral Resources Law, a holder of a mining licence (採礦許可證) has the right to and is also obligated to conduct mining activities in the designated area and within the time period subscribed under the mining licence. A holder of a mining licence has certain additional rights including, among others, rights to (i) set up necessary production and living facilities within the designated area and (ii) acquire the land use rights necessary for the production. A holder of mining licence has certain additional obligations including, among others, obligations to (i) conduct reasonable exploitation, and protect and fully utilise mineral resources; (ii) pay resources tax and resources compensation levy; (iii) comply with the laws and regulations relating to occupational safety, soil and water conservation, reclamation and environmental protection; and (iv) submit mineral resources, reserves and utilisation reports to relevant government authorities as required.

Administrative Measures for the Registration of Mineral Resources Exploitation (礦產資源開採登記管理辦法) ("**State Council Circular No. 241**") was promulgated by the State Council and became effective on 12 February 1998, as amended on 29 July 2014. Under the State Council Circular No. 241, anyone with mining rights shall file an application for registration of change(s) with the appropriate registration administration authority within the duration of the mining licence term if there is any change in the scope of the mining area, the main exploited mineral categories, the exploitation mode, the name of the mining enterprise and/or the transfer of the mining right according to the relevant laws. According to the State Council Circular No. 241, holders of mining licences are subject to mining right usage fees. Mining right usage fees shall be payable on an annual basis. The rate of mining right usage fee shall be RMB1,000 per km^2 of mining area per year. The validity period of a mining licence shall be determined according to the scale of the mine. The maximum validity period of the initial term of a mining licence for a big-scale mine, medium-scale mine and small-scale mine shall be 30 years, 20 years and 10 years, respectively. If continuation of mining is necessary after the expiration of the mining licence, the holder of a mining licence shall apply for an extension with the registration authority within 30 days prior to the expiration of the term of the mining licence. If the holder of a mining licence fails to apply for an extension prior to the expiration of the term, the mining licence shall terminate automatically.

To administer the assessment of exploration rights and mining rights, and to ensure the healthy development of the assessment industry, the Tentative Provisions on Administration of Mining Industry Right Assessment (礦業權評估管理辦法(試行)) was issued on 23 August 2008.

The Measures for the Administration of Bidding, Auction, and Listing Concerning Mineral Exploration Right and Mining Right (for Trial Implementation) (探礦權採礦權招標拍賣掛牌管理辦法(試行)), promulgated by MLR on 11 June 2003 and took effect on 1 August 2003, set forth certain conditions under which the mineral exploration right and mining right shall be granted by way of bidding, auction and listing. Notice of the Ministry of State Land and Resources on Further Regulating the Management of Granting of Mining Rights (國土資源部關於進一步規範礦業權出讓管理的通知), a supplementary notice on further regulating the matter of grant of mining rights as prescribed in the Measures for the Administration of Invitation to Bidding, Auction, and Listing Concerning Mineral Exploration Rights and Mining Rights, was issued and became effective on 24 January 2006.

According to the guidelines in respect of the extension or renewal of mining licence published by Shiqian County State Land Resources Bureau, materials required to be submitted by the mining enterprise for the application to extend or renew mining licence include: (i) the application for the registration to extend or renew mining licence; (ii) a copy of its business licence; (iii) its original mining licence; (iv) the reserve verification report and reserve registration documents issued by a qualified geological surveying entity, and the original map of the revised mining areas (變更後的礦區範圍圖原件) (if applicable); (v) the plan for development and utilisation of the mine for the latest three years issued by a qualified geological surveying entity; (vi) the land rehabilitation plan and the review documents (土地復墾方案及審查文件); (vii) a copy of identification document of its legal representative; (viii) the plan for protection and restoration of the mine geological environment (礦山地質環境保護與綜合治理方案) and the review documents; (ix) the security deposit receipt for the management and restoration of the geological environment of the mine (礦山環境治理恢復保證金繳存憑證); (x) the recent work plan; and (xi) relevant documents relating to the change of minerals and mining methods (if applicable). The material requirements in respect of the extension or renewal of mining licence are the same as those for applying for such mining licence for the first time.

PRC LAWS RELATING TO ENVIRONMENTAL PROTECTION

MEP is responsible for the supervision of environmental protection in, implementation of national standards for environmental quality and discharge of pollutants for, and supervision of the environmental management system of the PRC. Environmental protection bureaus at the provincial level or above are responsible for environmental protection within their jurisdictions.

The PRC laws and regulations on environmental protection include the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated and effective on 26 December 1989, as amended in 2014; the Air Pollution Prevention of the PRC (中華人民共和國大氣污染防治法) revised on 29 August 2015 and effective on 1 January 2016; the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) revised on 28 February 2008 and effective on 1 June 2008 and the related implementing regulations (中華人民共和國水污染防治法實施細則) promulgated and effective on 20 March 2000; the Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC (中華人民共和

國固體廢物污染環境防治法), amended in 2004, 2015 and 2016; the Administrative Regulations on Levy and Utilisation of Pollutant Discharge Fees (排污費徵收使用管理條例) promulgated on 2 January 2003 and effective on 1 July 2003; the Regulations on Environmental Protection Management of Construction Projects (建設項目環境保護管理條例) promulgated on 29 November 1998, amended on 16 July 2017 and effective on 1 October 2017 and the Administrative Measures on the Inspection Acceptance of the Environmental Protection for Completed Construction Projects (建設項目竣工環境保護驗收管理辦法) promulgated on 27 December 2001, effective on 1 February 2002 and amended on 22 December 2010.

Pursuant to the Measures for the Administration of the Declaration and Registration of Pollutant Discharge in Guizhou Province (貴州省污染物排放申報登記及污染物排放許可證管理辦法) promulgated on 25 June 1997, last amended on 7 February 2015 and effective on 1 April 2015, the validity period of the pollutant discharge permit shall be three years, and the validity period of the temporary pollutant discharge permit shall not exceed one year. The entity that discharges pollutant shall apply to the competent environmental protection administrations for the issuance of a new pollutant discharge permit or a new temporary pollutant discharge permit, within two months prior to the expiry of the validity period of the permits.

Pursuant to the laws and regulations stated above, an enterprise that discharges and dispenses toxic and hazardous materials including waste water, solid waste and waste gases, shall comply with the applicable national and local standards, as well as report to and register with the applicable environmental protection authority. Failure to comply can result in a warning, an order, or a penalty against the enterprise. Before commencing a construction project, an environmental impact assessment report must be submitted by an enterprise to the relevant environmental protection authority for approval. An acceptance inspection by the relevant environmental protection authority is required before the completed project can commence its operations.

PRC LAWS RELATING TO GEOLOGICAL ENVIRONMENT PROTECTION

Pursuant to the Provisions on the Protection of the Geologic Environment of Mines (礦山地質環境保護規定) implemented on 1 May 2009, as amended on 5 January 2016, (i) when an applicant for mining rights applies for the mining licence, the applicant shall compile a plan for the protection and restoration of the mine's geological environment and submit the plan to the competent land and resources authority for approval; (ii) when a mine's geological environment is destroyed due to mineral mining, the holder of a mining licence shall be responsible for restoration, the cost of the restoration is included in the production cost; and (iii) the holder of a mining licence shall pay the security deposit for the management and restoration of the geological environment of mines, the amount of which shall not be less than the expenses necessary for the management and restoration of the geologic environment of mines. The standard and measures for the payment of the security deposit for the restoration of the geological environment of mines is implemented in compliance with relevant provisions formulated by each province, autonomous region or municipality.

Pursuant to the Guizhou Province's Regulations on the Administration of Geological Environment (貴州省地質環境管理條例) promulgated by the Standing Committee of the People's Congress of Guizhou Province on 24 November 2006 and effective on 1 March 2007, (i) it is mandatory to submit a geological environment protection and control planning to the applicable geological environmental protection authority for filing and (ii) the holder of a mining licence shall pay the security deposit for the control and restoration of the geological environment of mines.

PRC LAWS RELATING TO PRODUCTION SAFETY

The PRC Government has formulated a relatively comprehensive set of laws and regulations on production safety, including the Law on Production Safety of the PRC (中華人民共和國安全生產法), which became effective on 1 November 2002 and was amended on 31 August 2014, the Law on Mine Safety of the PRC (中華人民共和國礦山安全法), which became effective on 1 May 1993 and was revised on 27 August 2009, as well as the Regulations on the Implementation of the Law on Mine Safety of the PRC (中華人民共和國礦山安全法實施條例), which became effective on 30 October 1996, pertain to the exploration and mining of mineral resources, mine construction, disuse of pits and other related activities. SAWS is responsible for the overall supervision and management of the safety production nationwide, while the departments in charge of safety production at the provincial level or above are responsible for the overall supervision and management of the safety production within their own jurisdictions.

The Regulation on Work Safety Licences (安全生產許可證條例) was promulgated and became effective on 13 January 2004 and was revised on 29 July 2014. The Measures for the Implementation of Work Safety Licences for Non-coal Mine Enterprises (非煤礦礦山企業安全生產許可證實施辦法) was promulgated on 17 May 2004, amended on 08 June 2009 and 26 May 2015. Pursuant to such regulation and measures, (i) the work safety licensing system is applicable to any enterprise engaging in non-coal mining and such enterprise may not produce any products without obtaining a work safety licence. Enterprises which fail to fulfil the production safety may not carry out any production activity; (ii) prior to producing any products, the non-coal mining enterprise shall apply for a work safety licence, which is valid for three years; (iii) the work safety bureau at or above provincial level are in charge of issuing the work safety licence for non-coal mining enterprise; and (iv) the work safety bureau at provincial level can authorise the work safety bureau at the level of city with districts to issue the work safety licence for non-coal mining enterprise; (v) if a work safety licence needs to be extended, the enterprise must apply for an extension with the administrative authority who issued the original licence three months prior to the expiration of the original licence; and (vi) mining enterprises which have obtained the work safety licence may not lower their production safety standards, are subject to supervision and inspection by the licensing authorities. If the authorities are of the opinion that the mining enterprises do not fulfil the safety requirements, the work safety licence may be withheld on a temporary basis or revoked.

The State has also formulated a set of national standards on production safety for the mining industry. In general, the mine design must comply with the production safety requirements and industry practice.

Pursuant to the Law on Mine Safety of the PRC, the State has established safety supervision requirements for mines and established mine safety supervisory authorities. The competent departments of labour administration of the people's governments at or above the county level shall exercise the following supervisory responsibilities with respect to safety work in mines: (i) to supervise the implementation of laws and regulations on mine safety by mining enterprises and the authorities in charge of mining enterprises; (ii) to participate in the examination upon the designs and the inspection for acceptance upon completion of safety facilities in mine construction; (iii) to inspect the working conditions and safety status of mines; (iv) to inspect education and training on production safety provided by mining enterprises; (v) to supervise the withdrawal and use of the special funds for safety technical measures by mining enterprises; (vi) to participate in and supervise investigations and handling of mining accidents; and (vii) other supervisory responsibilities provided for by laws and regulations.

Under the Interim Measures for the Supervision and Administration of "Three Simultaneities" for Safety Facilities of Construction Projects (建設項目安全設施"三同時"監督管理辦法) which took effect on 1 February 2011 and amended on 2 April 2015, the business entities shall pre-assess the safety conditions thereof in accordance with the state provisions for non-coal mine construction projects. In addition, safety facility design for non-coal mine construction should be worked out and delivered to relevant safety production supervision and management department for review. Furthermore, before a construction project is put into production or use after completion, the business entity shall organise a completion acceptance of the safety devices of the project on itself and form a written report for inspection. The construction project may not be put into production or use until its safety devices pass the completion acceptance.

PRC LAWS RELATING TO TAXATION AND FEE

According to the EIT Law which took effect on 1 January 2008 and the EIT Rules, a unified enterprise income tax rate of 25% is applied equally to both domestic enterprises and foreign invested enterprises.

Pursuant to the Interim Regulations of the PRC on Resources Tax (中華人民共和國資源稅暫行條例), for ordinary non-metallic ores, the amount of resources tax payable is computed by multiplying the sales of self-used volume of mineral products with the applicable rate of the resources tax ranging from RMB0.5 to RMB20 per ton or per m^3 of the ordinary non-metal ores. Any enterprise engaged in the exploitation of mineral products within the PRC is subject resources tax. The State Council reserves the right to adjust the rate of the resources tax from time to time. According to the Implementing Rules for the Provisional Regulations on Resources Tax of the PRC (中華人民共和國資源稅暫行條例實施細則), which became effective on 30 December 1993 and was amended on 28 October 2011, resources tax is levied according to the grade of mines and the applicable amount of tax per ton of ore produced as provided in the schedules attached to such implementing rules.

According to the Notice of General Office of Guizhou Provincial People's Government on Adjusting Resources Tax Rate of the Limestone, Marble and Granite (貴州省人民政府辦公廳關於調整石灰石、大理石和花崗石資源稅稅率的通知) effective on 11 March 2013, resources tax rate for marble was RMB5.0 per m^3. According to the Notice of Ministry of Finance and State Taxation Administration on Promoting the Resources Tax Reform (關於全面推進資源稅改革通知) effective on 1 July 2016 and the Guizhou Province Implementation Plan on Promoting the Resources Tax Reform (貴州省全面推進資源稅改革實施方案) promulgated on 14 July 2016, resources tax of certain kinds of resources changed from levy according to the quantity to levy according to the price. In Guizhou Province, resources tax rate for marble was 3% of the taxable sales revenue. Based on such statutory authorisation, pursuant to a confirmation letter issued by the Local Tax Bureau of Shiqian County (石阡縣地方稅務局) on 9 March 2017, the specific resources tax rate payable by holders of marble mining rights in Shiqian is RMB5 per m^3 before July 2016, and 3% of total sales revenue since July 2016.

Pursuant to the Provisions on the Administration of the Collection of Mineral Resources Compensation (礦產資源補償費徵收管理規定) promulgated on 27 February 1994, effective on 1 April 1994 and amended on 3 July 1997, mineral resources compensation shall be paid by the holder of the mining licence if such holder decides to exploit mineral resources within the PRC territory, unless such PRC laws or administrative regulations provide otherwise. The resources compensation is levied at 3% of total revenue. According to the Notice of Ministry of Finance and State Taxation Administration on Promoting the Resources Tax Reform and the Guizhou Province Implementation Plan on Promoting the Resources Tax Reform, the rates of mineral resources compensation fees of all resources items shall be lowered to zero. VAT of 3% is included in the sale price of marble blocks and marble slabs. We are also subject to city maintenance and construction tax at 5% of VAT, an education levy at 3% of VAT and an additional local education fee at 2% of VAT.

The PRC and the government of Hong Kong signed the Arrangement between the Mainland of the PRC and Hong Kong SAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006 (the "**Arrangement**"). According to the Arrangement, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interest of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interest of the PRC company.

According to the Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated on 20 February 2009, the fiscal residents of the other party as corporate recipients of dividends distributed by the PRC resident enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

According to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法(試行)), which came into force on 1 October 2009, if a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the preferential tax treatments under the tax agreements, it shall submit an application for approval to the competent tax authority. On 27 August 2015, SAT promulgated the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (國家稅務總局關於發布《非居民納稅人享受稅收協定待遇管理辦法》的公告), which became effective as at 1 November 2015 and the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) was terminated on the same date. Under the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

PRC LAWS RELATING TO LAND AND WATER

Pursuant to the Land Administration Law of the PRC (中華人民共和國土地管理法) promulgated on 25 June 1986 and effective on 1 January 1987 and last amended on 28 August 2004, and Regulations for the Implementation of the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例) promulgated on 27 December 1998 and effective on 1 January 1999, as amended on 8 January 2011 and 29 July 2014, all land in the PRC is either state-owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively owned. The State has the right to reclaim land in accordance with law if required for public interest. Land owned by the State and land collectively-owned by rural collective economic entities may be allocated and used by units or individuals according to law. The ownership of land and land use rights registered according to the relevant laws shall be protected by law. In the case of short-term use of state-owned land or land collectively-owned by rural collective economic entities for construction projects or for geological exploration purposes, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with the relevant land administrative department, or the rural collective economic entities, or the villagers' committee for the short-term use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the short-term use of land shall generally not exceed two years.

Pursuant to the Administrative Measures for the Examination and Approval of Land for Construction (建設用地審查報批管理辦法) promulgated on 2 March 1999 and effective on the same date, and last amended on 29 November 2016, the construction entity shall submit the application form for construction land together with the following documents for the application of land use: (i) opinion on preliminary review of the land use for the construction project; (ii) approval, ratification or record-filing documents on the construction project; and (iii) approval or examination documents on preliminary design of the construction project.

According to the guidelines in respect of the approval for temporary land use published by Shiqian County State Land Resources Bureau, materials required to be submitted by the mining enterprise for the application for temporary land use include: (i) the application for temporary land use; (ii) the written opinion issued by the competent planning authority relating to temporary construction; (iii) the project approval; (iv) a copy of identification document of its legal representative; (v) the current map for the existing land use (土地利用現狀圖); and (vi) the ownership certificates. The material requirements in respect of the extension or renewal of the approval for temporary land use are the same as those for applying for such approval for the first time.

Pursuant to the Regulation on the Administration of the Water Use Permit and the Levy of Water Resource Fees (取水許可和水資源費徵收管理條例) last amended and effective on 1 March 2017, any entity or individual that draws water resources shall apply for a water use permit, and pay water resource fees. The validity period of a water use permit shall generally be five years, and shall not exceed 10 years. If the water use permit needs to be renewed, the water use entity or individual shall file an application with the original approval administration within 45 days prior to the expiry of the validity period.

Pursuant to the Mineral Resources Law, the Rules for the Implementation of the Mineral Resources Law of the PRC (中華人民共和國礦產資源法實施細則) promulgated and effective on 26 March 1994, and the Land Administration Law of the PRC, exploration of mineral resources must be in compliance with the legal requirements on environmental protection so as to prevent environmental pollution. If any damage is caused to cultivated land, grassland or forest as a result of exploration or mining activities, mining enterprises must restore the land to a state appropriate for use by reclamation, re-planting trees or grasses or such other measures as appropriate to the local conditions. In accordance with the Regulations on Land Rehabilitation (土地復墾條例) promulgated and effective on 5 March 2011, and Measures for the Implementation of the Regulations on Land Rehabilitation (土地復墾條例實施辦法) promulgated on 27 December 2012 and effective on 1 March 2013, a production or construction entity or individual (the "**Land User**") shall be responsible for the rehabilitation of the land damaged in its production or construction activities. When the Land User applies for the mining licence and/or the land use right, it shall submit a land rehabilitation plan (土地復墾方案), together with other required documents, to MLR or its local branch for examination, and will obtain an examination opinion on land rehabilitation plan (土地復墾方案審查意見書) if the Land Rehabilitation Plan passes the examination. Where there is any material change, such as the change of the position or scale of the construction project and the change of the mining area, the Land User shall revise the land rehabilitation plan within 3 months and submit the revised plan to the original examining authority for its examination. The Land User shall carry out the land rehabilitation according to the land rehabilitation plan, and apply for the overall inspection or phasic inspection conducted by MLR or its local branch when it completes the whole land rehabilitation or phasic land rehabilitation (if applicable). If the whole or phasic land rehabilitation completed by the Land User passes the inspection, the relevant authority will issue overall or phasic inspection confirmation, as the case may be, to the Land User. According to the Regulations on Land Rehabilitation and its implementation measures, the Land User shall establish a bank account specially for the deposit of fund for the land rehabilitation ("**Land Rehabilitation Fund**") with the bank agreed by the Land User and the local MLR branch at county level, and shall deposit and withdraw the Land Rehabilitation Fund in compliance with the relevant requirements. Moreover, a supervision agreement with respect to such account among the Land User, the local MLR branch at county level and the relevant bank is also required and is binding on the Land User.

In addition, according to the Regulations for the Implementation of Forestry Law of the PRC (中華人民共和國森林法實施條例) promulgated on 29 January 2000, as amended on 8 January 2011 and 6 February 2016, temporary occupation of forest land shall be subject to approval by the competent forestry department of the PRC Government at or above the county level. The term for temporary occupation of forest land shall not exceed two years. If any entity needs occupancy or requisition of any forest land for a project of surveying or exploiting mineral resources, or construction of road, water conservancy, power, communication works, the following provisions shall be observed: first, the land user entity shall submit a land use application to the competent forestry authority of the PRC Government at or above the county level, and after examination and approval, prepay forest and vegetation restoration fees according to the standards of the State and obtain a consent letter approving the use of forest land. The land user entity shall then complete the procedures of the examination and approval of construction use land. If the occupancy or requisition of forest land has not been examined and approved by the competent forestry authority, the competent land administration authority shall not accept the application for the land for construction use. Second, for the occupancy or requisition of any shelter forest land or forest land for special-purpose with an area of 10 ha or more, or any timber forest, economic forest or fuel forest as well as its stump land of 35 ha or more, or other forest land of 70 ha or more, the application shall be subject to the examination of the competent forestry authority of the State Council. For the occupancy or requisition of any forest land with an area smaller than as specified above, the application shall be subject to the examination of the competent forestry authority of the PRC Government of the province, autonomous region, or municipality. For the occupancy or requisition of the forest land of a key forest zone, the application shall be subject to the examination of the competent forestry authority of the State Council. Third, if the land user entity requires wood cutting on the forest land it has occupied or requisitioned upon approval, it shall file an application with the competent forestry authority of the PRC Government at or above the county level where the forest land is located or from the competent forestry authority of State Council for a wood cutting permit. The material requirements in respect of the extension or renewal of consent for use of certain parcels of forest land are the same as those for applying for such consent for the first time.

According to the Measures for Review and Approval of Forest Land used for Construction Projects (建設項目使用林地審核審批管理辦法) issued by State Forestry Administration on 20 March 2015 and amended on 22 September 2016, the occupancy of any forest land shall be submitted to the forestry administrative department of the people's government at or above the county level for approval. To apply for the use of forest land or the temporary use of forest land, the land user entity shall submit the application form for the use of forest land, together with the following materials: (i) qualification certifications of the land user entity; (ii) approval documents granted for the construction project, including the confirmation on the feasibility study report thereof, approval letter, record-filing documents, surveying permit, mining licence, preliminary design of the project, and other approval documents; where the project is one using forest land of a certain batch, instructions for the use of land of such batch that are approved by the relevant authority shall be provided as well, with the planning map attached; (iii) materials on the forest land to be used, including the ownership certificates or certifications for the forest land; where the forest land is to be occupied temporarily, the indemnification agreement entered into between the land user entity and the entity, rural collective economic organisation or individual whose forest land will be occupied, or other supporting materials on indemnification shall be provided; where a state-owned forest farm or other state-owned forest land under the operation of a state-owned enterprise or public institution for forestry will be occupied, materials stating the opinions of the governing authority thereof and the indemnification agreement for using forest land entered into between such enterprise or institution and the land user entity shall be provided; where the construction project is in line with the planning of a natural reserve area, forest park, wetland park or scenic spot, relevant planning or supporting materials issued by the relevant administrative department to prove its conformity with the planning shall be provided; and if the project involves forest land in a natural reserve area or forest park, opinions of its governing body or institution shall be provided as well; and (iv) the feasibility study report on the use of forest land for a construction project or an investigation form on the status quo of the forest land.

PRC LAWS RELATING TO PREVENTION AND CONTROL OF OCCUPATIONAL DISEASES

Pursuant to the Prevention and Control of Occupational Diseases Law of the PRC (中華人民共和國職業病防治法) implemented on 1 May 2002 and last amended on 2 July 2016, an employer shall: (i) establish and improve the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases engendered there from; (ii) purchase social insurance for industrial injury; (iii) adopt effective protective facilities against occupational diseases, and provide protective articles to the workers for personal use against occupational diseases; (iv) set up alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place; and (v) inform the employees, according to the facts, of the potential harm of occupational disease as well as the consequences thereof and the protective measures and treatment against occupational diseases when signing a labour contract with employees.

Pursuant to the Prevention and Control of Occupational Diseases Law of the PRC, for construction projects, including projects to be constructed, expanded or reconstructed, and projects for technical renovation and introduction which may incur occupational disease hazards, the unit responsible for the construction project shall: (i) during the period of feasibility study, conduct a preliminary assessment report on such hazards; and (ii) assess the effect of the control on occupational disease hazards before the construction project is completed for inspection and acceptance.

PRC LAWS RELATING TO LABOUR

Pursuant to the PRC Labour Law (中華人民共和國勞動法) promulgated on 5 July 1994, effective on 1 January 1995 and amended on 27 August 2009, and the PRC Labour Contract Law (中華人民共和國勞動合同法) promulgated on 29 June 2007, effective on 1 January 2008 and amended on 28 December 2012 and effective on 1 July 2013, if an employment relationship is established between an entity and its employees, written labour contracts shall be prepared. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. The wages employers pay to employees shall not be lower than the local standards of minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the State on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Pursuant to the Law of Social Insurance of PRC (中華人民共和國社會保險法) promulgated on 28 October 2010 and effective on 1 July 2011, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated and effective on 22 January 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated and effective on 19 March 1999, basic pension insurance, medical insurance, unemployment insurance, industry injury insurance and maternity insurance are collectively referred to as social insurance. Each of the PRC companies and their employees are required to maintain the social insurance plan.

Pursuant to the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated on 27 April 2003 and effective on 1 January 2004, as amended on 20 December 2010, and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) promulgated on 14 December 1994 and effective on 1 January 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees.

Pursuant to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) promulgated and effective on 3 April 1999, as amended on 24 March 2002, PRC companies must register with the applicable housing provident fund management centre and establish a special housing provident fund account in an entrusted bank. Each of the PRC companies and their employees are required to contribute to the housing provident fund and their respective deposits shall not be less than 5% of an individual employee's monthly average wage during the preceding year.

PRC LAWS RELATING TO PRODUCT QUALITY

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法) promulgated on 22 February 1993, amended on 8 July 2000 and effected on 1 September 2000, as amended on 27 August 2009, a producer is obliged: (i) be responsible for the quality of products it produces; (ii) not produce products that have been ordered to cease production; (iii) not forge the origin of a product, or to forge or falsely use the name and address of another producer; not forge or falsely use product quality marks such as authentication marks; (iv) not add impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the production; and (v) ensure that, for products that may be easily broken, or are inflammable, explosive, toxic, erosive or radioactive and products that cannot be handled upside down in the process of storage or transportation or for which there are other special requirements, the packaging meets the corresponding requirements, carries warning marks or warnings written in Chinese or draws attention to the method of handling.

PRC LAWS RELATING TO FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996, came into effective on 1 April 1996 and as amended on 14 January 1997 and 5 August 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by PBOC on 20 June 1996 and became effective on 1 July 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, RMB is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of SAFE or its local counterpart is obtained.

Foreign invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. However, overseas direct investment or initial offering or transaction in securities and derivative products abroad by PRC institutions or PRC individuals are subject to registration with SAFE and approval from or filing with the relevant PRC Government authorities (if necessary). However, according to Notice regarding Further Simplifying and Improving Direct Investment Foreign Exchange Management Policy (the "**SAFE Circular No. 13**") promulgated by SAFE on 13 February 2015 (關於進一步簡化和改進直接投資外匯管理政策的通知), from 1 June 2015 onwards, overseas direct investment or domestic direct investment will no longer be subject to approval by SAFE. Instead, certain qualified local banks will take charge of relevant registration procedures.

According to the Notice on the Reformation of the Administration Methods concerning the Foreign Currency Capital Settlement of Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) promulgated on 30 March 2015 by SAFE and came into effect on 1 June 2015, the use of capital of a foreign-invested enterprise shall follow the truth and self-use principle within the business scope of the business. Capital of a foreign-invested enterprise and its settled RMB funds are forbidden to be used for the following purposes:

(1) to be used directly or indirectly outside the business scope of the enterprise or as expenditures that are forbidden by PRC laws and regulations;

(2) to be used directly or indirectly in securities investments unless otherwise set forth in laws and regulations;

(3) to be used directly or indirectly for extending RMB entrusted loans (unless otherwise permitted in the business scope), repay loans among enterprises (including prepayment of third parties), and repay RMB bank loans which have been assigned to third parties; and

(4) to be used to pay the relevant fees to purchase non-self-use real estate unless the enterprise is a foreign-invested real estate enterprise.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Administrative Provisions on Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the "**SAFE Circular No. 16**") promulgated on 9 June 2016 by SAFE and came into effect on the same date, domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises but, excluding financial institutions) may all settle their external debts in foreign currencies by voluntary settlement according to the method of voluntary foreign exchange settlement. Voluntary settlement of the foreign exchange earnings under capital account shall mean that the foreign exchange earnings under capital account to which the application of voluntary settlement has been specified by relevant policies (including capitals in foreign currencies, external debts, funds repatriated from overseas listing, etc.) may be settled by banks based on the actual operating needs of domestic institutions. SAFE Circular No. 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis as expressly prescribed in the relevant policies, which applies to all enterprises registered in the PRC, excluding financial institutions. SAFE Circular No. 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within the PRC unless otherwise specifically provided. Besides, the converted RMB shall not be used to make loans for related enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise's own use with the exception for the real estate enterprise. In the event of any discrepancy between SAFE Circular No. 16 and the Notice on the Reformation of the Administration Methods concerning the Foreign Currency Capital Settlement of Foreign-invested Enterprises, SAFE Circular No. 16 shall prevail.

According to SAFE Circular No. 37, a "special purpose company" refers to the overseas enterprises that are directly established or indirectly controlled for the purpose of investment and financing by Mainland residents (including Mainland institutions and resident individuals) with their legitimate holdings of the assets or interests in Mainland enterprises, or their legitimate holdings of overseas assets or interests. Prior to establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch.

On 13 February 2015, SAFE issued Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (HuiFa [2015] No. 13) which was effective on 1 June 2015. Pursuant to SAFE Circular No. 13, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment, including the registration of PRC residents who engage in overseas investment and financing and inbound investment via special purpose vehicles under SAFE Circular No. 37, is directly reviewed and handled by banks, and SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration through local banks. SAFE Circular No. 13 also simplified handling formalities for certain direct investment-related foreign exchange business, for example, simplifying the administration of the confirmation and registration of foreign investors' contribution under domestic direct investment, cancelling the filing of overseas re-investment foreign exchange, and cancelling annual inspection of the direct investment-related foreign exchange.

PRC LAWS AND REGULATIONS RELATING TO MERGER AND ACQUISITION

According to the M&A Rules jointly issued by MOFCOM, SASAC, SAT, CSRC, SAIC and SAFE on 8 August 2006 and became effective on 8 September 2006 and subsequently amended on 22 June 2009, mergers and acquisitions of domestic enterprises by foreign investors must be reviewed and approved by MOFCOM or its provincial branches.

Pursuant to the Foreign Investment Access Management Guidance Manual (外商投資准入管理指引手冊), which was issued and became effective on 18 December 2008 by MOFCOM, notwithstanding the fact that (i) the domestic shareholder is connected with the foreign investor or not; or (ii) the foreign investor is the existing shareholder or the new investor, the M&A Rules shall not apply to the transfer of an equity interest in an incorporated foreign-invested enterprise from the domestic shareholder to the foreign investor.

Pursuant to the Several Provisions for the Alteration of Investors' Equities in Foreign Investment Enterprises (外商投資企業投資者股權變更的若干規定) (the "**Provisions**"), which was promulgated on 28 May 1997 and effective from 28 May 1997, alteration of Investors' Equities in Foreign Investment Enterprises as stated in these Provisions refers to the alteration of investors of Sino-foreign equity joint ventures, Sino-foreign contractual joint ventures, or foreign-funded enterprises established within the territory of the PRC or their shares of capital contribution in the enterprise (including conditions of cooperation they provide). The examination and approval authorities for the alteration of an investor's equities in enterprises shall be the examination and approval authorities approving the establishment of the enterprise.

SUMMARY OF JORC CODE

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

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

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

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

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

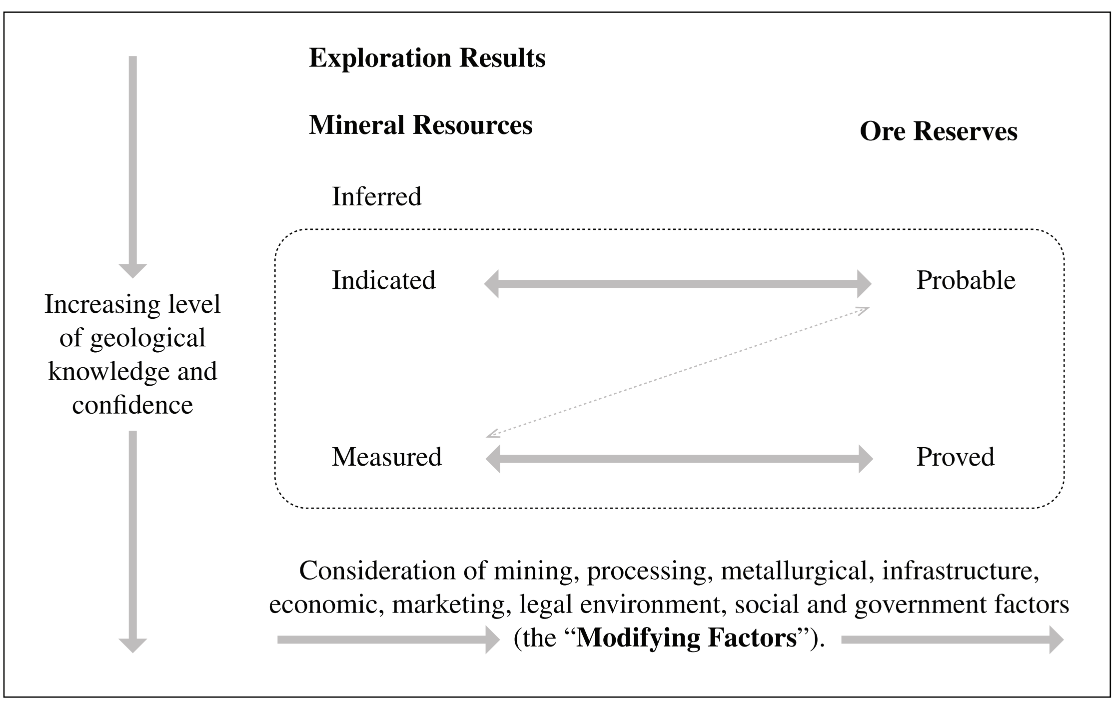
The JORC Code defines "Ore Reserve" as the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as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

Ore reserves are sub-divided into the following categories:

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

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

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



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

OVERVIEW

In early 2012, in view of the trend that marble has increasingly become a popular choice of decorative materials for Chinese consumers, as well as the rising recognition of marbles in the architecture decoration market including home decoration market, Mr. Lin began to explore the business potential and prospects in the marble industry in the PRC. Seeing the great potential of the marble industry, Mr. Lin decided to invest in the marble mining business and entered into a series of equity transfer agreements with the then shareholders of Shiqian Investment (including Mr. Huang) in July 2012 to acquire 95% equity interest in Shiqian Investment, which obtained the mining rights of our Leishoushan Project in October 2012. The completion of the acquisition by Mr. Lin took place in August 2013. The consideration for the above acquisition of Shiqian Investment by Mr. Lin in August 2013 was funded by his own financial resources. Prior to his investment in our Group, Mr. Lin also invested in Xiamen Panxing Import and Export Trading Ltd* (廈門盤興進出口貿易有限公司) ("**Xiamen Panxing Import and Export**"), which is principally engaged in business of wholesale of oil products. Since its establishment in 2002, Mr. Lin has been one of the shareholders of Xiamen Panxing Import and Export. He has become a business partner with Mr. Huang since then through their respective investments in Xiamen Panxing Import and Export.

We commenced development of Phase 1 of the Processing Plant in June 2013 and commenced limited construction of our Leishoushan Project in March 2014. In April 2017, our Shiqian Project had commenced limited commercial production.

BUSINESS HISTORY

Major milestones

The following table sets forth major achievements and milestones in the development of our business:

October 2012	Shiqian Investment obtained the mining rights in respect of our Leishoushan Project for a term of 10 years commencing from October 2012
June 2013	We commenced development of Phase 1 of the Processing Plant
March 2014 – June 2015	We conducted limited construction of our Leishoushan Project
October 2015	We attended the First Guizhou (Anshun) International Dimension Stone Fair (首屆貴州(安順)國際石材博覧會)
November 2015	We started to conduct geological exploration at our Leishoushan Project

January 2016	We completed development of Phase 1 of the Processing Plant which commenced pre-commissioning
March 2017	We attended The China Xiamen International Stone Fair (中國廈門國際石材展覽會)
April 2017	Our Shiqian Project commenced limited commercial production
Latest Practicable Date	Our Processing Plant reached an annual processing capacity of 600,000 m^2 of marble slabs and shaped stones

CORPORATE DEVELOPMENT

The following describes the corporate development including material shareholding changes of members of our Group.

Our Company

Our Company was incorporated in the Cayman Islands on 30 March 2016 as an exempted company with limited liability with an initial authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the date of its incorporation, one share of our Company was allotted and issued at par, credited as fully paid, to the initial subscriber Sertus Nominees (Cayman) Limited, which was subsequently transferred to Xinghui Development on 30 March 2016. On the same day, 44,999 shares, 2,500 shares and 2,500 shares of our Company were further allotted and issued at par, credited as fully paid, to each of Xinghui Development, Panxing Development and Xingjin Development, respectively. Upon completion of the above share transfer and subscriptions, our Company was owned as to 90% by Xinghui Development and 5% by each of Panxing Development and Xingjin Development, respectively.

Please refer to the section headed "Statutory and general information — Further information about our Company — 2. Changes in the share capital of our Company" in Appendix VI to this prospectus for further details of the changes in the share capital of our Company.

As a result of the Reorganisation, our Company has become the holding company of our subsidiaries and indirectly holds all the equity interest in Shiqian Investment, our principal subsidiary, through Flying Global BVI and Flying Mining. Please refer to the paragraph headed "Reorganisation" below in this section for further details about the Reorganisation.

Flying Global BVI

Flying Global BVI was incorporated in the BVI on 2 June 2016 as a limited liability company with an initial authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 2 June 2016, 50,000 shares of Flying Global BVI were allotted and issued at a subscription price of US$50,000, credited as fully paid, to our Company. Since the date of its incorporation, Flying Global BVI has been wholly owned by our Company and serves as an intermediate holding company of our Group.

Flying Mining

Flying Mining was incorporated in Hong Kong on 24 June 2016 as a limited liability company with 10,000 shares allotted and issued at a subscription price of HK$10,000, credited as fully paid, to Flying Global BVI. Since the date of its incorporation, Flying Mining has been wholly owned by Flying Global BVI and serves as an intermediate holding company of our Group.

Shiqian Investment

In August 2011, in response to the local government's efforts to attract investment in the dimension stone industry in the region, the then shareholders of Shiqian Investment established Shiqian Investment in Shiqian County, Guizhou Province of the PRC as a limited liability company primarily for the purpose of developing our Leishoushan Project.

The following table sets forth the respective contributions of each of the then shareholders of Shiqian Investment to the registered capital of Shiqian Investment at the time of its establishment:

Name of shareholders	Contribution to registered capital	Equity interest percentage	Relationship with our Company	Relationship with other connected persons of our Company
	RMB ('000)	*(%)*		
Mr. Huang	225	45	Sole shareholder of Panxing Development	none
Mr. Chen Jinhuo (陳金火先生)	100	20	none	none
Mr. Yang Qingpei (楊清配先生)	75	15	none	none
Mr. Chen Ronggui (陳榮貴先生)	50	10	none	none
Mr. Zheng Rongpei (鄭榮培先生)	50	10	none	none
Total	500	100		

On 16 August 2012, Shiqian Investment increased its registered capital from RMB500,000 to RMB1,500,000. The additional capital of RMB1,000,000 was contributed by all of the then shareholders, namely Mr. Huang, who conducted businesses including but not limited to wholesale of oil products, real estate investment and property development, Mr. Chen Jinhuo, Mr. Yang Qingpei, Mr. Chen Ronggui and Mr. Zheng Rongpei, who are financial investors, on a pro-rata basis and was fully paid up in cash by their own financial resources.

Pursuant to a series of equity transfer agreements entered into between Mr. Lin, Fujian Panxing and the then shareholders of Shiqian Investment in July 2012, Mr. Lin acquired an aggregate of 95% equity interest in Shiqian Investment at an aggregate consideration of RMB1,425,000 and Fujian Panxing acquired 5% equity interest in Shiqian Investment at a consideration of RMB75,000. After the said acquisitions, Shiqian Investment was owned as to 95% by Mr. Lin and as to 5% by Fujian Panxing. The aggregate consideration of such equity transfers was determined with reference to the then registered capital of Shiqian Investment of RMB1,500,000 on 16 August 2012. The equity transfers had been completed and the relevant consideration had been fully settled in cash by their own financial resources on 30 August 2013.

Subsequently, the registered capital of Shiqian Investment was increased from RMB1,500,000 to RMB10 million on 10 March 2014 and then to RMB50 million on 8 October 2014.

The aggregate additional capital of RMB48.5 million pursuant to the capital increase on 10 March 2014 and 8 October 2014 was contributed by Mr. Lin and Fujian Panxing on a pro-rata basis, of which RMB17.15 million was paid up in cash on 16 May 2016 and the remaining RMB31.35 million was paid up by way of conversion of the shareholder's loan due to Mr. Lin and Fujian Panxing into equity by two debt-equity conversion agreements entered into between Shiqian Investment and each of Fujian Panxing and Mr. Lin on 10 May 2016, separately. Subsequent to the aforementioned increases of registered capital, the shareholding structure of Shiqian Investment remained unchanged.

The following table sets forth the respective contributions to the registered capital of Shiqian Investment upon completion of the aforementioned increases of registered capital:

Name of shareholders	Contribution to registered capital	Percentage of equity interest	Relationship with our Company (other than being a shareholder)	Relationship with other connected persons of our Company
	RMB (million)	*(%)*		
Mr. Lin	47.5	95	Controlling Shareholder and executive Director	none
Fujian Panxing	2.5	5	Owned as to 95% by Mr. Huang	none
Total	50.0	100		

Shiqian Investment principally engages in the business of marble mining and processing in the PRC. Shiqian Investment became our wholly owned subsidiary pursuant to the Reorganisation. On 13 July 2016, Shiqian Investment was converted into a sino-foreign joint venture company. Shiqian Investment was converted into a wholly foreign-owned enterprise on 27 October 2016.

Our PRC Legal Advisers have confirmed that the above equity transfers and capital contributions were properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed.

THE PRE-IPO INVESTMENT

The Pre-IPO Equity Transfer Agreement

In late 2015, Mr. Lai had expressed his interest in investing in our Company's business and is confident in its potential and prospect of our Leishoushan Project.

On 8 January 2016, Mr. Lin and Mr. Lai entered into the Pre-IPO Equity Transfer Agreement pursuant to which Mr. Lin shall transfer 5% equity interest in Shiqian Investment to Mr. Lai at a total consideration of RMB2.5 million which was negotiated on an arm's length basis between the parties with reference to the relevant amount of the registered capital of Shiqian Investment at the time of transfer and was fully settled in cash by his own financial resources on 24 November 2016.

Further details of the Pre-IPO Investment are set out below:

Investor's background:	Mr. Lai is a private investor and an Independent Third Party. He is an acquaintance of Mr. Lin. He is serving as the deputy general manager of a PRC company mainly engaged in trading and distribution of bathroom accessories
Date of the Pre-IPO Equity Transfer Agreement:	8 January 2016
Date of payment of consideration of the Pre-IPO Investment:	24 November 2016
Equity interest in Shiqian Investment acquired:	RMB2.5 million, representing 5% equity interest in Shiqian Investment upon completion of the Pre-IPO Investment
Amount of consideration paid:	RMB2.5 million
Basis of determination of consideration:	On an arm's length basis between the parties with reference to the relevant amount of the registered capital of Shiqian Investment at the time of transfer.
Date of completion of the Pre-IPO Investment:	24 November 2016

Number of Shares held by Mr. Lai immediately following completion of the Capitalisation Issue and the Global Offering:	58,500,000 Shares
Investment cost per Share paid by Mr. Lai (assuming that the Capitalisation Issue has taken place) *(Note)*:	RMB0.04 (equivalent to approximately HK$0.05) *(Note)*
Discount over the mid-point of the indicative Offer Price range:	Approximately 91.1% *(Note)*
Use of proceeds:	Not applicable since the share transfer under the Pre-IPO Equity Transfer Agreement was made between Mr. Lin and Mr. Lai
Strategic benefits that Mr. Lai would bring to our Group:	As a financial investor in our Group
Shareholding in our Company immediately following completion of the Capitalisation Issue and the Global Offering:	3.75% (assuming that the Over-allotment Option and options which may be granted under the Share Option Scheme are not exercised)
Special rights:	None
Relationship with us (other than being a Shareholder):	Independent Third Party
Lock up:	No lock-up undertaking
Public float:	As (i) Mr. Lai is not a core connected person (as defined in Rule 1.01 of the Listing Rules) of our Company; (ii) the acquisition of the equity interest in our Company was not financed directly or indirectly by any core connected person of our Company; and (iii) he is not accustomed to take instructions from a core connected person of our Company in relation to the acquisitions, disposals, voting or other dispositions of our Company registered his name or otherwise held by him, Shares held by Mr. Lai will be counted towards the public float for the purpose of Rule 8.08(1)(a) of the Listing Rules after the Listing.

Note: Calculation is based on a total of 1,560,000,000 Shares, being the number of Shares in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised).

Upon completion of the Pre-IPO Equity Transfer Agreement on 24 November 2016, Mr. Lin, Mr. Lai and Fujian Panxing owned 90%, 5% and 5% equity interest in Shiqian Investment, respectively.

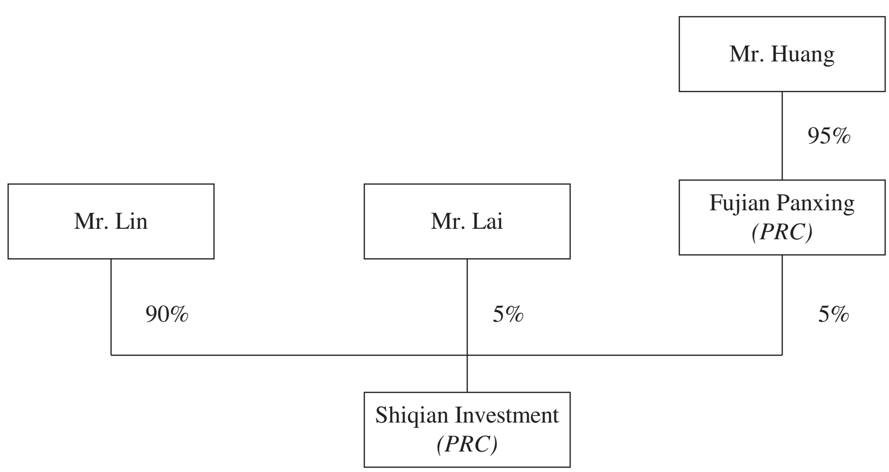
Our PRC Legal Advisers have confirmed that the above equity transfers and capital contributions were properly completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed. For further details, please refer to the paragraph headed "Reorganisation" in this section below.

Sponsor's confirmation

The Sole Sponsor has confirmed that the Pre-IPO Investment is in compliance with the "Interim Guidance on pre-IPO Investments" issued by the Stock Exchange on 13 October 2010 (as amended) since the consideration under the Pre-IPO Equity Transfer Agreement was settled on 21 November 2016 which was more than 28 clear days before the date of the first submission of the listing application to the Stock Exchange in relation to the Listing. The Sole Sponsor has also confirmed that the terms of the Pre-IPO Investment are in compliance with Guidance Letters HKEx-GL29-12 and HKEx-GL43-12 whereas the Guidance Letter HKEx-GL44-12 is not applicable to the Pre-IPO Investment.

REORGANISATION

In preparation for the Listing, our Company underwent the Reorganisation which involved a series of steps. The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganisation:



(1) Incorporation of Xinghui Development, Panxing Development and Xingjin Development

Xinghui Development was incorporated in the BVI on 9 March 2016 as a limited liability company with an initial authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 9 March 2016, 50,000 shares of US$1.00 each were allotted and issued at a subscription price of US$50,000, credited as fully paid, to Mr. Lin. Since the date of its incorporation, Xinghui Development has been wholly owned by Mr. Lin.

Panxing Development was incorporated in the BVI on 9 March 2016 as a limited liability company with an initial authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 9 March 2016, 50,000 shares of US$1.00 each were allotted and issued at a subscription price of US$50,000, credited as fully paid, to Mr. Huang, the controlling shareholder of Fujian Panxing. Since the date of its incorporation, Panxing Development has been wholly owned by Mr. Huang.

Xingjin Development was incorporated in the BVI on 9 March 2016 as a limited liability company with an initial authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 9 March 2016, 50,000 shares of US$1.00 each were allotted and issued at a subscription price of US$50,000, credited as fully paid, to Mr. Lai. Since the date of its incorporation, Xingjin Development has been wholly owned by Mr. Lai.

(2) Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 30 March 2016 as an exempted company with limited liability with an initial authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the date of its incorporation, one share of our Company was allotted and issued at par, credited as fully paid, to the initial subscriber Sertus Nominees (Cayman) Limited, which was subsequently transferred to Xinghui Development on 30 March 2016. On the same day, 44,999 shares, 2,500 shares and 2,500 shares of our Company were further allotted and issued at par, credited as fully paid, to each of Xinghui Development, Panxing Development and Xingjin Development, respectively. Upon completion of the above share transfer and subscriptions, our Company was owned as to 90% by Xinghui Development and 5% by each of Panxing Development and Xingjin Development, respectively.

(3) Incorporation of Flying Global BVI and Flying Mining

Flying Global BVI was incorporated in the BVI on 2 June 2016 as a limited liability company with an initial authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 2 June 2016, 50,000 shares of Flying Global BVI were allotted and issued at a subscription price of US$50,000, credited as fully paid, to our Company. Since the date of its incorporation, Flying Global BVI has been wholly owned by our Company and serves as an intermediate holding company of our Group.

Flying Mining was incorporated in Hong Kong on 24 June 2016 as a limited liability company with 10,000 shares allotted and issued at a subscription price of HK$10,000, credited as fully paid, to Flying Global BVI. Since the date of its incorporation, Flying Mining has been wholly owned by Flying Global BVI and serves as an intermediate holding company of our Group.

(4) Acquisition of equity interest of Mr. Lin, Fujian Panxing and Mr. Lai in Shiqian Investment by Flying Mining

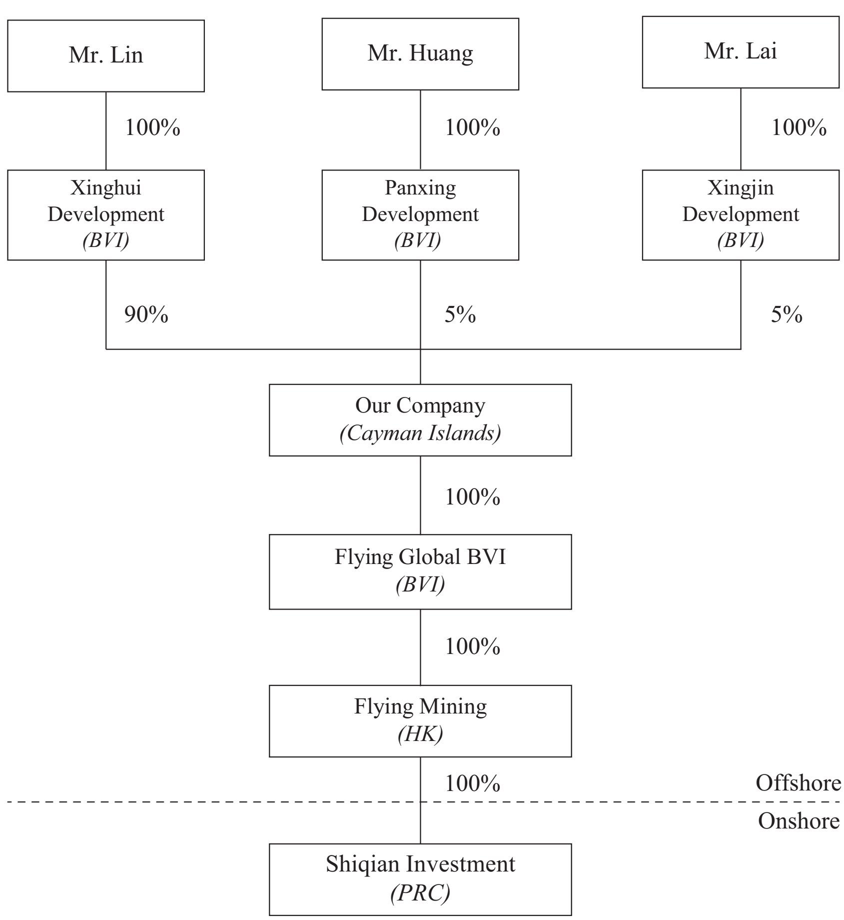
On 27 October 2016, Mr. Lin, Fujian Panxing and Mr. Lai transferred their respective 90%, 5% and 5% equity interest in Shiqian Investment to Flying Mining pursuant to the equity transfer agreements dated 17 October 2016, for an aggregate consideration of RMB50 million, which was determined with reference to the then paid up registered capital of Shiqian Investment and had been settled on 21 February 2017. As a result, Shiqian Investment is wholly owned by Flying Mining.

As advised by our PRC Legal Advisers, each of the steps in the Reorganisation as mentioned above was properly and legally completed and settled.

CORPORATE AND SHAREHOLDING STRUCTURE OF OUR GROUP AFTER COMPLETION OF THE REORGANISATION

Upon completion of the Reorganisation, our Company became the holding company of our Group in anticipation of the Capitalisation Issue and Global Offering.

The following chart sets out the corporate structure of our Group after completion of the Reorganisation and before completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme):



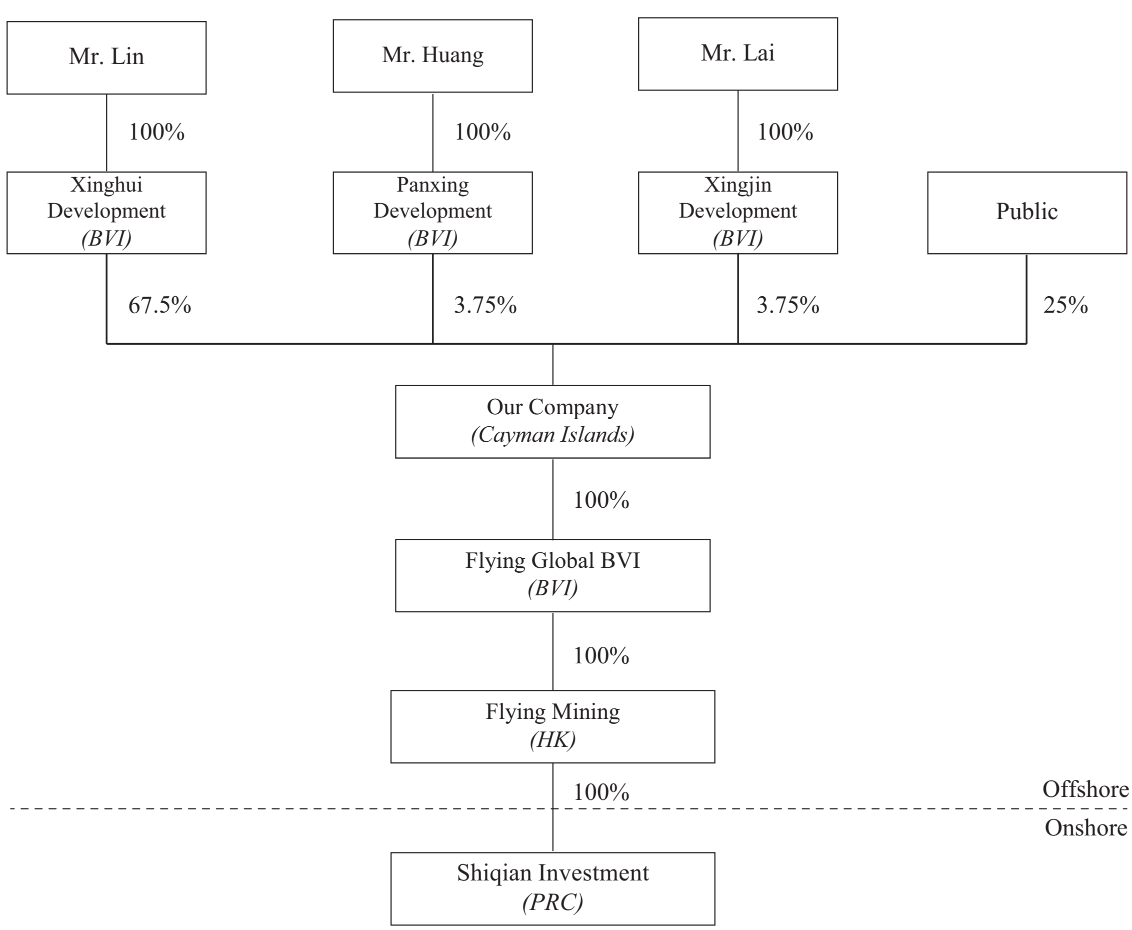
On 27 October 2016, the registered capital of Shiqian Investment was increased from RMB50 million to RMB100 million which was paid up in March 2017.

On 6 October 2017, each issued and unissued share of US$1.00 in the share capital of our Company was subdivided into 100 Shares of US$0.01 each. As a result of the share subdivision, the authorised share capital of our Company was US$50,000 divided into 5,000,000 Shares of US$0.01 each.

On 6 October 2017, the authorised share capital of our Company was increased from US$50,000 divided into 5,000,000 Shares of US$0.01 each to US$24,000,000 divided into 2,400,000,000 Shares of US$0.01 each pursuant to the written resolutions of our Shareholders passed on 6 October 2017.

CORPORATE AND SHAREHOLDING STRUCTURE OF OUR GROUP UPON COMPLETION OF THE REORGANISATION, THE CAPITALISATION ISSUE AND THE GLOBAL OFFERING

The following chart sets forth the corporate structure and shareholding structure of our Group upon completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme):



LEGAL COMPLIANCE

Our PRC Legal Advisers have confirmed that all relevant material approvals and permits in relation to the share transfers and any changes in the registered capital in respect of the PRC company in our Group as described above had been obtained and has complied with all applicable laws and regulations in the PRC and do not violate any PRC laws and regulations in all material aspects.

M&A Rules

According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, shall be approved by MOFCOM prior to its establishment and obtain the approval of CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Article 11 of the M&A Rules regulates "affiliated mergers", which refers to the circumstance where a domestic company or enterprise or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, and an approval from MOFCOM is required.

Our PRC Legal Advisers are of the opinion that (i) the acquisition of the 5% equity interest in Shiqian Investment by Mr. Lai, as a result of which Shiqian Investment was converted into a sino-foreign joint venture company, is subject to the M&A Rules, and Tongren City Commerce Bureau approved such acquisition on 31 March 2016 in accordance with the M&A Rules and granted a certificate to Shiqian Investment for the conversion of Shiqian Investment into a sino-foreign joint venture company, and Tongren City Administration for Industry and Commerce granted a new business licence on 13 July 2016 to Shiqian Investment for its alteration registration; (ii) such acquisition is not an "affiliated merger" as specified in Article 11 of the M&A Rules as Mr. Lai is an Independent Third Party, and therefore is not subject to approval from MOFCOM; (iii) Shiqian Investment has obtained approvals from all relevant authorities and has fully complied with the requirements under the M&A Rules; and (iv) Tongren City Commerce Bureau is the competent authority to approve such acquisition on 31 March 2016 in accordance with the M&A Rules.

Meanwhile, according to the Foreign Investment Access Management Guidance Manual (《外商投資准入管理指引手冊》) promulgated by MOFCOM on 18 December 2008, notwithstanding the fact that (i) the domestic shareholder is connected with the foreign investor or not; or (ii) the foreign investor is the existing shareholder or the new investor, the M&A Rules shall not apply to the transfer of an equity interest in an incorporated foreign invested enterprise (外商投資企業) from the domestic shareholder to the foreign investor. On the basis that Shiqian Investment has been a foreign invested enterprise since 13 July 2016, the legal nature of the transfer to Flying Mining of 100% equity interest in Shiqian Investment was a transfer of equity in a foreign invested enterprise rather than a domestic enterprise as defined in the M&A Rules. Therefore, the acquisition of 100% equity interest in Shiqian Investment did not fall under the M&A Rules and instead falls under the Provision for the Alteration of Investors' Equities in Foreign Invested Enterprises (《外商投資企業投資者股權變更的若干規定》).

Furthermore, as all requisite approvals, permits and licences required in all material aspects under the PRC laws and regulations in connection with the Reorganisation, the Pre-IPO Investment and the equity interest transfers of our subsidiary in the PRC as set forth in this section have been obtained, and the Reorganisation has in all material aspects complied with all applicable PRC laws and regulations, and that the acquisition of Shiqian Investment's equity interest by our Group does not fall within the scope of such acquisition of special purpose vehicles as stipulated under the M&A Rules, our PRC Legal Advisers are of the opinion that no approval of CSRC or MOFCOM is required for our Company and its PRC subsidiary for the purpose of the Listing.

SAFE registration in the PRC

SAFE Circular No. 37 requires a PRC individual resident (the "**PRC Resident**") to register with the local SAFE branch before he or she contributes assets or equity interest in an overseas special purpose vehicle (the "**Offshore SPV**") that is directly established or indirectly controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, upon changes in basic information including (amongst others) PRC Resident shareholder, name or term of operation, or changes in material issues including (amongst others) capital increase or capital decrease, equity transfer or swap, merger or split, the offshore SPV shall complete the registration procedures for the changes in a timely manner.

Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV's PRC subsidiary to distribute dividends to its overseas parent.

On 13 February 2015, SAFE released the Notice regarding Further Simplifying and Improving Direct Investment Foreign Exchange Management Policy (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which came into effect on 1 June 2015. This notice replaces the foreign direct investment (the "**FDI**") and offshore direct investment (the "**ODI**") registrations at SAFE with FDI and ODI registrations at qualified banks, which

SAFE and its local branches will supervise indirectly. The registration under SAFE Circular No. 37 is under the catalogue of FDI and it shall be registered at such qualified banks mentioned above. Our PRC Legal Advisers have confirmed that each of Mr. Lin and Mr. Huang, being PRC Residents and beneficial owners of our Company, has registered with Jiulong Sub-branch of Industrial and Commercial Bank of China in Tongren City in respect of his foreign investment in our Group as at 12 June 2016 in accordance with SAFE Circular No. 37, and as Mr. Lai is not a PRC Resident under SAFE Circular No. 37, he is not subject to SAFE Circular No. 37 nor required to go through the foreign exchange registration procedures of overseas investment.

This section contains information regarding our Shiqian Project and our operations. Unless otherwise indicated, all technical data in this section is extracted from or based on the Independent Technical Report, which is included as Appendix IV to this prospectus. In addition, we commissioned Frost & Sullivan to prepare the Frost & Sullivan Report. Unless otherwise indicated, information and statistics relating to the global and PRC marble industry in this section and other sections of this prospectus have been derived from the Frost & Sullivan Report.

We are a mining company at development stage and had commenced limited commercial production in April 2017. Certain business prospects and market position of us described below, including but not limited to our planned production schedule and development plan, are based on forward-looking statements rather than historical facts. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ materially from those expressed in any forward-looking statements. Please refer to the sections headed "Forward-looking statements" and "Risk factors" discussed elsewhere in this prospectus for further details about such risks and uncertainties.

OVERVIEW

We are a marble mining and processing company in China. Our Shiqian Project, which consists of our Leishoushan Project and our Processing Plant, is strategically located in Guizhou Province, one of China's major marble producing regions. Such geographic location allows us to benefit from Guizhou government's support for dimension stone production and development.

Our Leishoushan Project contains marble resources of three branch colours, which are commercially named as Royal Beige, Carlo Rose and Athens Grey, and we will offer marble blocks, marble slabs and shaped stones in each branch colour.

Our Leishoushan Project contains a large quantity of marble resources. According to the Independent Technical Consultant, the estimated Resources of our Leishoushan Project under the JORC Code as at 30 April 2017 were 56.98 million m^3, comprising Indicated Resources of 34.29 million m^3 and Inferred Resources of 22.69 million m^3; the estimated Probable Reserves of our Leishoushan Project under the JORC Code as at 30 April 2017 were 2.23 million m^3; the estimated block yield of our Leishoushan Project was 31.1%; the estimated mine life of our Leishoushan Project was approximately 40 years based on the Probable Reserves of 2.23 million m^3 and an anticipated annual production volume of 60,000 m^3 of marble blocks upon implementation of our ramp-up plan.

During the Track Record Period, we focused on preparing our Shiqian Project for commercial production, and carried out limited mine construction from March 2014 to June 2015. By February 2017, we had obtained all material approvals and licences required for commercial production of our Leishoushan Project and Phase 1 of the Processing Plant. Our Shiqian Project commenced limited commercial production in April 2017. As at the Latest Practicable Date, our Processing Plant had an annual processing capacity of 600,000 m^2 of marble slabs and shaped stones. We hold a mining licence for our Leishoushan Project which is valid for a term of 10 years commencing on 15 October 2012. According to the written confirmation issued by Shiqian County State Land Resources Bureau on 5 July 2017, this mining licence can be extended for another 10 years provided that we comply with the requirements for extension under the relevant PRC laws. The Mining Licence Area is 1.0781 km^2, and the approved mining depth under this licence is 810 m to 980 m ASL. The approved annual production volume under this licence is 60,000 m^3 of marble blocks. We adopt the open-pit mining method, which is the mining of a deposit from a pit open to surface and is usually carried out by the stripping of overburden materials, for the extraction of marbles at our Leishoushan Project, which allows us to operate at a relatively low cost. Open-pit mining is also generally safer than underground mining. We currently intend to extend the mining licence during the mine life of our Leishoushan Project.

Our Leishoushan Project is expected to reach its full annual production volume of 60,000 m^3 of marble blocks by 2020, and our Processing Plant is expected to reach its full annual processing output of 1,428,000 m^2, comprising 1,368,000 m^2 of marble slabs and 60,000 m^2 of shaped stones by the same year. To achieve such full production volume and full processing output, we plan to ramp up the operations of our Shiqian Project from 2017 to 2019, and expect that the annual production volume of our Leishoushan Project will reach 11,500 m^3, 20,000 m^3 and 42,000 m^3 of marble blocks in 2017, 2018 and 2019, respectively, and the annual processing output of our Processing Plant will reach 238,000 m^2, 476,000 m^2 and 999,600 m^2 of marble slabs and shaped stones in 2017, 2018 and 2019, respectively. Our estimated capital expenditure for the development of our Shiqian Project will amount to RMB233.7 million, of which RMB80.6 million had been incurred by us as at 30 April 2017, and the remaining amount of RMB153.1 million is expected to be incurred from 1 May 2017 to 31 December 2019 and fully financed by the net proceeds from the Global Offering.

Our Processing Plant, which is located at Yabei Industrial Park of Shiqian County, Guizhou Province, is approximately 26 km southwest of our Leishoushan Project and covers a site area of 58,061 m^2. It consists of two phases. Development of Phase 1 of the Processing Plant with a gross floor area of approximately 10,438 m^2 had been completed in January 2016. As at the Latest Practicable Date, our Processing Plant had been installed with a marble slab production line and a shaped stone production line with an aggregate annual processing capacity of 600,000 m^2 of marble slabs and shaped stones. We expect to commence development and commissioning of Phase 2 of the Processing Plant in the third quarter of 2018 and the second quarter of 2019, respectively. Our Directors are of the view that there will be no material capital expenditure requirement (other than the capital costs for our Shiqian Project) for our future plans after Listing.

From 2018 onwards, we plan to sell approximately 30% of the marble blocks mined from our Leishoushan Project to customers, and process the remaining 70% marble blocks into marble slabs and shaped stones at our Processing Plant for onward sales. We have determined such product mix after taking into account market demands for different types of our products. We believe such product mix will enable us to optimise our profitability. We may make adjustments to such 30:70 ratio should the market demand for our marble blocks, marble slabs and shaped stones change in the future.

We expect to carry out marketing activities primarily from Xiamen City of Fujian Province, one of China's most important marble distribution and trading centres, which allows us to benefit from the thriving marble trading market and large potential customer base in the Southeast China region.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths of our Company set us apart from our peers:

A large quantity of marble resources in fast growing marble industry in China.

Our Leishoushan Project contains a large quantity of marble resources. According to the Independent Technical Consultant, the estimated Resources of our Leishoushan Project under the JORC Code as at 30 April 2017 were 56.98 million m^3, comprising Indicated Resources of 34.29 million m^3 and Inferred Resources of 22.69 million m^3.

Marble has increasingly become a popular choice of decorative materials for Chinese consumers, in particular home owners, due to its physical properties such as varied colour and pattern, capillary water absorption rate and hardness as well as its rising recognition in the architectural decoration market including home decoration market. According to the Frost & Sullivan Report, there is a trend for marble to replace traditional ceramic tile as a decorative material. Driven by China's accelerated urbanisation and continuously increased spending power of Chinese people, the home decoration market in China experienced steady growth, with its sales value increasing from RMB1,397.3 billion in 2012 to RMB1,933.9 billion in 2016, representing a CAGR of 8.5% from 2012 to 2016 according to the Frost & Sullivan Report. The home decoration market generates significant demands for marble products, which, coupled with the increased government spending in infrastructures and public facilities, have created momentum for the PRC marble industry. According to the Frost & Sullivan Report, the PRC marble industry has recorded a significant growth in recent years, with revenue of the industry growing from RMB118.7 billion in 2012 to RMB299.1 billion in 2016, representing a CAGR of 26.0%. It is expected that the revenue of the PRC marble industry will continue to grow at a CAGR of 12.0% from 2017 to 2021.

The favourable market environment in the PRC marble industry has generated opportunities in particular for marble companies with large quantities of marble resources such as our Group. Leveraging the large quantity of marble resources of our Leishoushan Project, we are well positioned to capitalise on the fast growing PRC marble industry to ramp up our operations.

Strategic geographic locations ensuring cost advantages and convenient access to distribution channels.

Our Shiqian Project is located in Shiqian County of Guizhou Province, one of the major marble producing regions and the fastest growing marble markets in China. The location of our Shiqian Project enables us to enjoy the relatively low labour costs in Guizhou Province to improve our profitability. Meanwhile, our Processing Plant is in close proximity to Yanrong Highway, and our Leishoushan Project, which is 32 km to the northeast of Shiqian, is connected to national highways through Shiqian. Such convenient transportation conditions facilitate our marble mining and processing and allow us to transport products by road. We also have access to the Tongren, Zunyi and Guiyang airports and the Wujiang River, a tributary of the Yangtze River and one of the major waterways in Southwest China that is connected to the East China Sea, which provides us with alternative means of transportation.

We expect to carry out marketing activities primarily from Xiamen City of Fujian Province, one of China's most important marble distribution and trading centres. According to the Frost & Sullivan Report, import and export volume of dimension stone via Xiamen port accounted for approximately 60% to 70% of China's dimension stone import and export volume in 2016. The China Xiamen International Stone Fair (中國厦門國際石材展覽會) jointly hosted by China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (中國五礦化工進出口商會), Xiamen Trade Development Bureau (廈門市貿易發展局) and China Council for the Promotion of International Trade Xiamen Branch (中國國際貿易促進委員會廈門分會) attracts dimension stone market participants from all around the world each year, which enhances Xiamen's status as China's dimension stone trading centre and promotes the development of the local dimension stone industry. Locating our marketing activities in Xiamen City could afford us a convenient access to the local marble distribution channels and enables us to gather first-hand market intelligence. We believe that leveraging such geographic location for production and distribution, we are able to combine our strengths in marble resources with our marketing capabilities to explore distribution and sales channels for our products, and to make the best use of our knowledge to build and maintain close contacts with potential customers in the Southeast China region.

Strong government support for dimension stone production and development.

According to China's 13th Five-Year Dimension Stone Industry Development Plan (《石材行業「十三五」發展規劃》), China will develop a marble industry that is more focused on quality improvement, consumption structure upgrading and new market expansion through, among others, encouraging creative designs and technology innovations of marble products and developing personalised, diversified products and overall solutions of stone decoration. Such policy orientation will create new growth opportunities for the marble industry participants.

The marble market in Guizhou Province has received strong support from the local government. Under the Outline of the 13th Five-Year Plan of National Economy and Social Development of Guizhou Province (貴州省國民經濟和社會發展第十三個五年規劃綱要) promulgated by the Guizhou government in February 2016, the Guizhou government will be committed to enhancing the image of "Guizhou Dimension Stones" ("貴州石材") and establishing dimension stone processing centres in Anshun City, Tongren City and Qiannan Autonomous Prefecture. According to the Opinion of the General Office of the Provincial People's Government on Speeding up the Development of Dimension Stone Industry (省人民政府辦公廳關於加快石材產業發展的意見) promulgated by the Guizhou government in June 2015, Guizhou Province is targeting to become China's key dimension stone production base in the long term, and it is expected that the dimension stone industry of Guizhou Province will achieve a revenue of RMB100 billion in 2020. To implement this goal, the Guizhou government has decided to establish dimension stone industrial parks in 10 key dimension stone producing regions including Shiqian County. To support the growth of local marble companies, the Guizhou government will give priority to the use of land for key dimension stone projects, and in each year during the period from 2015 to 2019, the Guizhou government will allocate designated funds to support key dimension stone projects and productions bases. The Guizhou government will guide the formation of dimension stone industrial investment funds to finance the development of the dimension stone industry, and will expedite the construction of transportation infrastructures to facilitate dimension stone production and trading. With our marble mining and processing operations located in Shiqian County, Guizhou Province, we are well positioned to benefit from the Guizhou government's favourable policies towards the marble industry such as the provision of government funding support to achieve our growth. During the Track Record Period and up to the Latest Practicable Date, we received approximately RMB3.05 million as government grants, of which RMB2.7 million was received by us in April 2017 as awards from the government authority for our investment in Guizhou Province, which is part of the western region of China.

Competitive product portfolio that meets customers' tastes and preferences.

Our Leishoushan Project contains marbles of three branch colours, namely Royal Beige, Carlo Rose and Athens Grey, which represented approximately 33.5%, 43.3% and 23.2%, respectively, of our Probable Reserves as at 30 April 2017 according to the Independent Technical Consultant.

Colour preference is one of the critical indicators of customers' preference for marble products. According to the Frost & Sullivan Report, yellow and grey are essential base colours of marbles used in architectural decoration. The average selling price of yellow marble is one of the highest among all colour series, and beige is the most popular among all branch colours of yellow marble according to the Frost & Sullivan Report. Beige marble has high demand, conferring a competitive edge on beige marble mining companies like us. Our Royal Beige marble is at the upper-layer of our Leishoushan Project and is easy to extract. We will leverage the high level of market recognition of beige marble to tap into the marble market. The combined use of grey marble and decoration wood has become a fashion trend in China. Our product portfolio allows customers to procure certain prevailing products through one-stop purchases from us.

Our products have good appearance and quality. According to the Frost & Sullivan Report, our products have well-defined vein lines and a fine texture, and there is generally no visible colour difference or crack on our products.

As our product portfolio matches the Chinese customers' preference, we believe there is a continuous demand for our products which will allow us to build a wide customer base and ramp up our operations in an expedient manner. Meanwhile, Shiqian Investment, our PRC operating subsidiary, is a vice president unit (副會長單位) of the Dimension Stone Branch of CBDA, a nationwide industry association under the direction of the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), which allows us to participate in the formulation of industrial standards for China's dimension stone industry and keep abreast of the latest developing trend in the industry.

According to the Independent Technical Consultant, our Royal Beige, Carlo Rose and Athens Grey marble products have good technical performance including relatively low absorption rate, an acceptable level of compressive and flexural strength, relatively high glossiness and abrasion resistance, which have demonstrated their good quality, and we deploy advanced equipment and technology to improve the working efficiency and quality of our products. Our Carlo Rose marble was also selected as a "Quality Facing Stone Product of Guizhou Province" (貴州飾面石材優質產品) by the Organising Committee of the First Guizhou (Anshun) International Dimension Stone Fair (首屆貴州(安順)國際石材博覧會) held in October 2015, and our Royal Beige and Carlo Rose marbles were selected as "Quality Facing Stone Products of Guizhou Province" (貴州飾面石材優質產品) by the Organising Committee of the Second Guizhou (Anshun) International Dimension Stone Fair (第二屆貴州(安順)國際石材博覽會) held in August 2016.

Vertically integrated business model that helps enhance profitability.

Our Leishoushan Project offers quality marble blocks which are reliable source of raw material supply for our marble processing business. We offer finished marble slab and shaped stone products to customers by processing marble blocks mined from our Leishoushan Project at our Processing Plant. This self-owned plant not only provides us with a cost advantage over marble companies which outsource marble processing to third parties, but also enables us to implement stringent quality control across our marble processing process and enhance the market recognition of our products. Our dual capacity of marble mining and marble processing also offers us the flexibility to decide our product mix, which, in turn, helps us maximise our profitability. As at the Latest Practicable Date, we had entered into legally binding sales contracts with a total of five customers, including three One-off Sales Contracts, nine Framework Sales Contracts, 34 individual sales contracts entered into pursuant to the Framework Sales Contracts and one purchase order. We will establish a sales team to be responsible for the sales and marketing of our products.

We believe that our vertically integrated business model enables us to capture the opportunities in the marble industry so as to enhance our profitability.

Open-pit mining method and satisfactory topographic conditions that allow us to operate at comparatively low cost.

The Resources at our Leishoushan Project are covered by a thin layer of topsoil and weathered rocks, making it suitable for open-pit mining. Leveraging such good geological conditions, we adopt the open-pit mining method for the extraction of marbles at our Leishoushan Project. Open-pit mining is the mining of a deposit from a pit open to surface and is usually carried out by the stripping of overburden materials. Compared with the underground mining method, open-pit mining is less costly and safer, as no supporting structures or specialised equipment or extensive use of explosives is required, which helps avoid or reduce accidents such as collapses of mine roofs and mine floods that may occur to underground mining. These characteristics of open-pit mining allow us to operate at relatively low cost.

The topographic conditions of our Leishoushan Project also contribute to our cost efficiency. With a Mining Licence Area of 1.0781 km^2, the topography of the land on which our Leishoushan Project is located is characterised by a gentle slope whose elevations vary between 760 m and 1,007 m ASL, resulting in an elevation difference of 247 m. This fairly small elevation difference offers certain benefits and advantages as compared to deeper mining operations, including convenience to our marble extraction and on-site transportation and safer working conditions.

Management team consisted of professionals with extensive industry experience.

Mining business and operations require specialised knowledge and expertise and hence, a management team with extensive industry experience is critical to our future success. We have a management team consisted of meticulously selected professionals with extensive experience in the stone mining industry. Members of our core technical team, namely, Mr. Luo Jinjun, Mr. Jiang Dinglai, Mr. Yang Duoneng, Mr. Ni Zhizhong and Ms. Zhang Xiaomei have approximately 11, 13, 14, 21 and 32 years of relevant experience in the stone mining industry, respectively. In particular, Mr. Yang Duoneng, the deputy engineer of our Group, has over 14 years of relevant experience in the stone mining industry in, among others, the formulation of workflow of mining activities and providing technical support for various granite and marble mining projects with similar open-pit mining processes. Mr. Jiang Dinglai, deputy mine manager of our Leishoushan Project, has approximately 13 years of relevant experience in the stone mining industry. Please refer to the section headed “Directors and senior management” in this prospectus for further details about the industry experience of our management team members. We believe that we will be able to achieve our business goals under the leadership of our experienced management team.

OUR STRATEGIES

We aim to become a leading vertically integrated marble company in China. To achieve this objective, we plan to implement the following strategies:

Develop our Shiqian Project.

During the period from March 2014 to June 2015, we had completed limited mine construction at our Leishoushan Project site. Our Shiqian Project commenced limited commercial production in April 2017. As at the Latest Practicable Date, our Processing Plant had reached an annual processing capacity of 600,000 m^2 of marble slabs and shaped stones. We plan to ramp up the operations of our Leishoushan Project from 2017 to 2019, and expect that the annual production volume of our Leishoushan Project will reach 11,500 m^3, 20,000 m^3 and 42,000 m^3 (representing approximately 19.2%, 33.3% and 70% of our expected full annual production volume of 60,000 m^3 in 2020, respectively) in 2017, 2018 and 2019, respectively and reach 60,000 m^3 in 2020. We also plan to ramp up the operations of our Processing Plant, and expect that the annual processing output of our Processing Plant will reach 238,000 m^2, 476,000 m^2 and 999,600 m^2 (representing approximately 16.7%, 33.3%and 70% of our expected full annual processing output of 1,428,000 m^2 in 2020, respectively) in 2017, 2018 and 2019, respectively and finally reach 1,428,000 m^2 in 2020. We also plan to ramp up our production and processing capacity in order to meet the above production schedule. For further details, please refer to the paragraph headed "Planned production schedule and development plan" in this section below.

Our estimated capital cost for the above ramp-up plan is approximately RMB233.7 million in aggregate, of which approximately RMB80.6 million had been incurred by us as at 30 April 2017, and the remaining amount of RMB153.1 million is expected to be incurred from 1 May 2017 to 31 December 2019. Please refer to the paragraph headed "Planned production schedule and development plan" in this section below for further details about our planned production schedule and development plan in respect of our Shiqian Project.

Enhance market recognition of our products through expanded marketing efforts.

We have received positive feedback on our products as a result of our previous marketing efforts including participation in trade fairs, exhibitions and visits to potential customers. We plan to keep marketing our products proactively through a series of marketing activities to build their market recognition. Besides attending trade fairs and exhibitions, we plan to enhance our advertisements through media and internet. In addition, we intend to set up product exhibitions at our customers' or potential customers' premises to showcase our products and increase communications and interactions with architectural decoration industry participants. We also intend to actively take part in public tenders organised by the governmental departments to increase the awareness of our brand name. We plan to play an active role in the Dimension Stone Branch of CBDA as its vice president unit (副會長單位) to gain a better understanding of the development trend of the dimension stone industry so as to better promote our products.

Widen our customer base and enhance our sales network.

We aim to widen our customer base and enhance our sales network. We will establish a sales team to be responsible for our direct sales to customers. We plan to increase customers' loyalty through recruiting marble product designers to produce and sell tailor-made products to end customers. We expect to pay approximately HK$4.0 million for salaries of our sales staff which are expected to be financed by part of the net proceeds from the Global Offering. Through building and enhancing our own design capacity and allowing our designers to understand customers' specific needs through their direct contacts with customers or co-operations with decoration companies, we believe that we will be able to offer products that follow market trend to customers, thus enhancing the competitiveness of our products and our profitability. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for our detailed funding plans for the establishment of our sales team.

In addition, we intend to establish our own sales network. Currently, we plan to set up three sales centres, comprising one sales centre in each of Guiyang City of Guizhou Province, Quanzhou City of Fujian Province and Chengdu City of Sichuan Province. We expect to spend approximately HK$2.9 million to fund our establishment of sales centres. We expect these sales centres to serve our wholesale, retail and logistics purposes. We also plan to spend approximately HK$4.3 million to establish our on-line sales platform and advertise our products in the market which are expected to be funded by our internal resources and cash from operating activities.

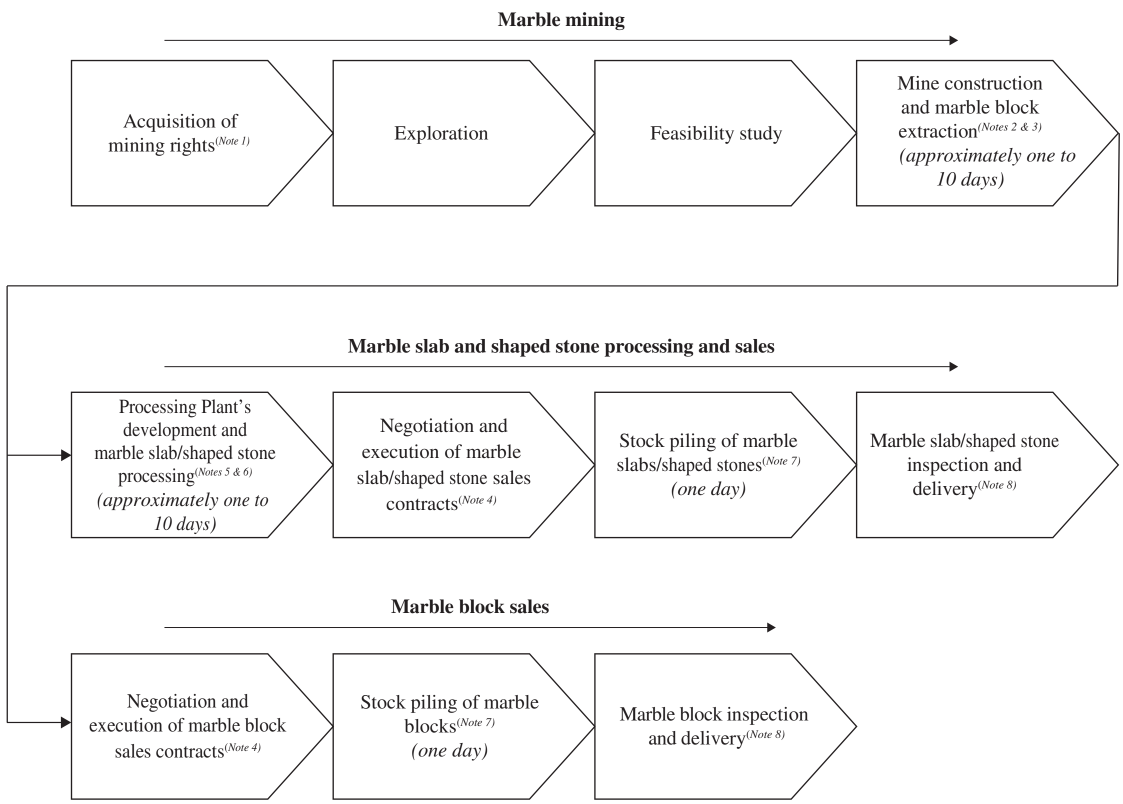
Strengthen our research and development and devote efforts to product standardisation.

We will strive to become an industry trend leader in marble product design and standardisation. To achieve this goal, we plan to devote resources to marble product research and development. We intend to establish collaborations with universities and research institutions to conduct research and development in the areas of product properties improvement, scrap reduction and the development of other extraction and processing techniques. We also plan to, through interactions with end customers and leveraging our industry experience, explore the opportunities of bringing standardised products to the market so as to improve our profitability.

OUR BUSINESS MODEL

We are a marble mining and processing company in China. Our businesses encompass marble block mining at our Leishoushan Project, an open-pit mine located in Shiqian County of Guizhou Province, China; processing a portion of the marble blocks mined at our Leishoushan Project into marble slabs and shaped stones at our Processing Plant, a marble processing facility that is 26 km away from our Leishoushan Project; as well as selling the processed marble slabs and shaped stones and the remaining marble blocks to customers. We plan to sell our products directly to end customers through our in-house sales efforts. We believe our vertically integrated operations will enable us to capture the opportunities in the marble industry and enhance our profitability.

The following diagram illustrates our business model and the estimated time required for the relevant steps where an estimate is possible:



Notes:

1. A mining licence is required for marble block extraction.

2. Mine construction can take place simultaneously with marble mining. Extraction of a certain batch of marble blocks is estimated to take approximately one to 10 days to complete depending on the quantity and branch colours of marble blocks ordered by customers.

3. We outsource blasting operations required for the topsoil stripping process of our mine block extraction to a qualified contractor which is an Independent Third Party.

4. Marble block, marble slab and shaped stone sales contracts may be negotiated and signed before marble blocks are mined or marble slabs and shaped stones are processed, as the case may be.

5. After marble blocks are extracted, we plan to sell approximately 30% of them to customers through entering into marble block sales contracts with them, and process the remaining 70% into marble slabs and shaped stones at our Processing Plant (except that in 2017, we plan to sell 4,500 m^3 of marble blocks (representing approximately 39.1% of our expected annual production volume in 2017) and process the remaining 7,000 m^3 of marble blocks (representing approximately 60.9% of our expected annual processing output in 2017) into marble slabs and shaped stones).

6. Marble slab and shaped stone processing is estimated to take approximately one to 10 days to complete depending on the quantity of products ordered by customers.

7. Stock piling of marble blocks, marble slabs and shaped stones is estimated to take one day to complete.

8. Customers will inspect marble blocks, marble slabs and shaped stones immediately before taking delivery and confirm the quality, specifications and grade of the marble products.

Acquisition of mining rights, exploration and feasibility study

Shiqian Investment acquired the mining rights in respect of our Leishoushan Project from the Tongren City State Land Resources Bureau through its successful bid in a listing-for-sale process as evidenced by a mining licence issued by the Tongren City State Land Resources Bureau in October 2012. The consideration for the acquisition was RMB2.18 million and had been fully paid by May 2015.

We commissioned the Chinese Building Materials Centre Geological Exploration Team in Gansu Province (中國建築材料工業地質勘查中心甘肅總隊) ("**Gansu Geological Team**") to conduct geological exploration at our Leishoushan Project in November 2015. In December 2015, we engaged Suzhou Sinoma to undertake a feasibility study of our Shiqian Project. Having reviewed the feasibility study report prepared by Suzhou Sinoma and the information provided by our subsidiary, Shiqian Investment, the Independent Technical Consultant is of the opinion that our Shiqian Project is technically and economically viable.

Mine construction and marble block extraction

Mine construction is a pre-requisite for marble block extraction. Mine construction includes stripping the topsoil and weathered rocks above the marble deposit, construction of working benches, construction of infrastructures such as connecting roads and waste rock dumps, as well as connecting power, water and other utilities. Marble block extraction involves cutting, overturning, separation and reshaping marble rocks using specialised mining equipment. Please refer to the paragraph headed "Planned production schedule and development plan" in this section for the status of our mine construction and marble block extraction.

Processing Plant's development and marble slab and shaped stone processing

Processing Plant's development involves construction of factory premises, installation of marble slab and shaped stone production lines and connecting utilities. Marble blocks extracted from our Leishoushan Project are expected to be processed into blocks of different sizes, marble slabs and shaped stones at our Processing Plant and sold to customers.

Product testing and inspection

Marble blocks as well as marble slabs and shaped stones are tested and inspected at our Leishoushan Project site and our Processing Plant, respectively before they are sold to customers. We implement stringent quality control across our marble block extraction and processing of marble slabs and shaped stones, and product testing and inspection form part of our quality control.

Negotiation and execution of sales contracts

We negotiate and execute contracts for sales of marble blocks, marble slabs and shaped stones with customers which set out, among other things, product specifications, quantity, prices, payment terms and product delivery schedule. Some of such contracts are Framework

Sales Contracts we entered into with our customers and contain minimum purchases requirements. The customers shall enter into a separate contract setting out more detailed terms with us each time when they purchase our products pursuant to these Framework Sales Contracts.

Stockpiling of products ordered by customers

We make ready and stockpile marble blocks, marble slabs and shaped stones after the customers have confirmed their orders.

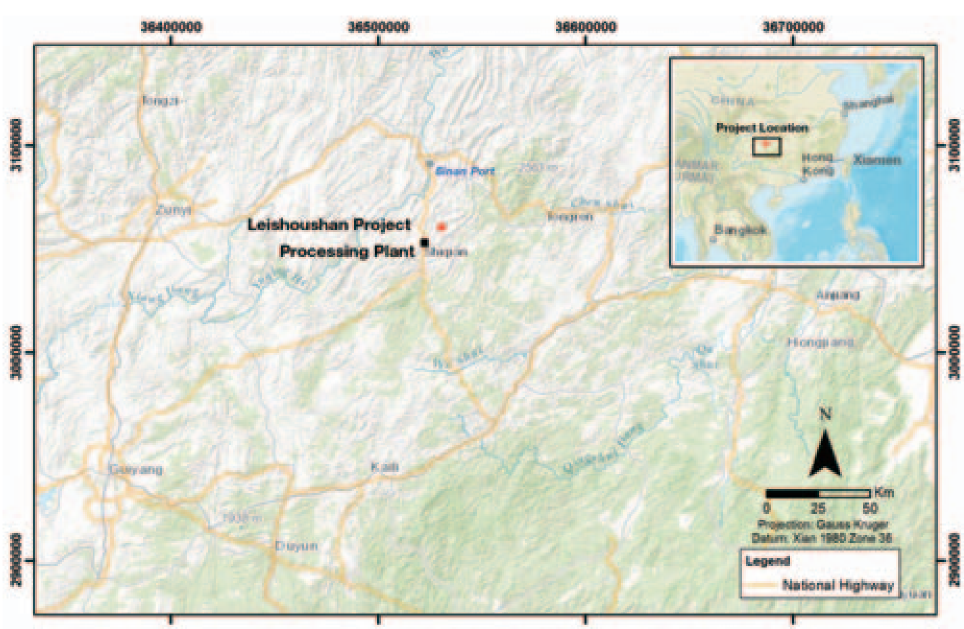
Inspection by and delivery to customers

Our customers will inspect and take delivery of marble blocks at our Leishoushan Project site and marble slabs and shaped stones at our Processing Plant. Transportation costs will be borne by customers. Title of the products and associated risks are passed to the customers upon product delivery.

OUR MINERAL RESOURCES AND MINING RIGHTS

Overview

Our Leishoushan Project is located in Pingdichang Township of Shiqian County, Guizhou Province, China, which is approximately 32 km to the northeast of Shiqian, or approximately 238 km to the northeast of Guiyang City, capital of Guizhou Province. We hold the mining rights in respect of our Leishoushan Project, and the Mining Licence Area is 1.0781 km^2. Access to our Leishoushan Project from Shiqian is by a series of paved provincial roads through Pingdichang Township. Shiqian is connected to Guiyang via Guiweng National Highway and then Anjiang National Highway for approximately 200 km. We also own our Processing Plant which is situated beside Yanrong Highway and is approximately 26 km away from our Leishoushan Project site and connected to the site through paved provincial roads. The map below illustrates the locations of our Leishoushan Project and Processing Plant:



Shiqian Project

The ore body of our Leishoushan Project is divided into four beds from bottom to top based on its stratigraphic position:

- ***Lower bed***. The lower bed comprises thickly bedded, very fine-grained marmorised crystalline limestone. The thickness of this unit ranges from 31 m to 61 m. This marble type is grey in colour and has a very fine grain size, uniform texture with interspersed red iron oxide and white calcite lines. Marble produced from this unit is commercially named as Athens Grey.

- ***Middle bed***. The middle bed comprises thickly bedded, very fine-grained marmorised crystalline limestone. The thickness of this unit ranges from 16 m to 33 m. This marble has a light pink background with pale and dark pink markings and a uniform texture and commonly has red iron oxide lines, presenting as coating on the grain boundaries and along the fine grained veinlets. Marble produced from this unit is commercially named as Carlo Rose.

- ***Upper bed***. The upper bed consists of very fine-grained, marmorised crystalline limestone. The thickness of this unit ranges from 18 m to 30 m. This marble generally appears beige with a very pale pink tinge, with a uniform texture and commonly with interspersing red iron oxide lines. Marble produced from this unit is commercially named as Royal Beige.

- ***Uppermost bed***. The uppermost bed consists of light grey, fine-grained, marmorised crystalline limestone. This unit is considered not suitable for dimension stone use, due to the relatively coarse grain size and poor physical properties.

The topography of the land on which our Leishoushan Project is located is characterised by a gentle slope whose elevations vary between 760 m ASL and 1,007 m ASL, resulting in an elevation difference of 247 m according to the Independent Technical Consultant. This fairly small elevation difference benefits marble extractions, as it allows simultaneous operations at multiple mining areas, which will enable us to quickly ramp up our production. The topography of our Leishoushan Project site is karst, which is a type of landscape that is formed on limestone, gypsum and other rocks by dissolution and is characterised by sinkholes, caves, underground drainage, flutes, runnels and enlarged joints. However, no large sinkholes or karst caves were found in the mining area of our Leishoushan Project according to the Independent Technical Consultant.

Resources and Reserves

Resources

According to the Independent Technical Consultant, the estimated Resources of our Leishoushan Project under the JORC Code as at 30 April 2017 were 56.98 million m^3, which comprises Indicated Resources of 34.29 million m^3 and Inferred Resources of 22.69 million m^3. The following table sets forth the estimated Resources of our Leishoushan Project by product type as at 30 April 2017:

Resources category	Royal Beige marble	Percentage in relevant Resources category	Carlo Rose marble	Percentage in relevant Resources category	Athens Grey marble	Percentage in relevant Resources category	Total
	(million m^3)		*(million m^3)*		*(million m^3)*		*(million m^3)*
Indicated	7.59	22.2%	11.18	32.6%	15.52	45.2%	34.29
Inferred	2.74	12.1%	3.08	13.6%	16.87	74.3%	22.69
Total	**10.33**		**14.26**		**32.39**		**56.98**

Reserves

According to the Independent Technical Consultant, the Probable Reserves of our Leishoushan Project under the JORC Code as at 30 April 2017 were 2.23 million m^3. The following table sets forth the Probable Reserves of our Leishoushan Project by product type as at 30 April 2017:

Reserves category	Royal Beige marble	Approximate percentage in total Reserves	Carlo Rose marble	Approximate percentage in total Reserves	Athens Grey marble	Approximate percentage in total Reserves	Total*(Note)*
	(million m^3)		*(million m^3)*		*(million m^3)*		*(million m^3)*
Probable	0.75	33.5%	0.97	43.3%	0.52	23.2%	2.23

Note: According to the Independent Technical Consultant, the proportion of the marble Indicated Resources that can be mined out at our Leishoushan Project site is at a block yield of 31.1%. Based on rates typical for this type of mine, a further loss of 10%, comprising a 5% block handling loss and a 5% loss in the transport process, is assumed. No Inferred Resources have been considered in Ore Reserve estimation according to the Independent Technical Consultant.

According to the Independent Technical Consultant, there had been no material change to the Resource and Reserve estimates of our Leishoushan Project since 30 April 2017, which is the effective date of the Independent Technical Report, and up to the Latest Practicable Date.

Block yield

The estimated block yield of our Leishoushan Project, which is calculated by dividing the aggregate output of 1,530 m^3 for marble blocks extracted by us at three test pits from March 2014 to June 2015, by the aggregate extracted volume of 4,920 m^3 during the same period, is 31.1% according to the Independent Technical Consultant. According to the Independent Technical Consultant, this block yield is estimated from shallow surface mining and our actual block yield might increase with depth after we mine through the weathered zone of our Leishoushan Project.

Explorations

Exploration work such as geological mapping and some surface sampling was first carried out at our Leishoushan Project in 2012 by Guizhou Tianchen Dikuang Technology Consulting Company* (貴州天辰地礦技術諮詢有限公司), an exploration company commissioned by Shiqian County State Land Resources Bureau, an Independent Third Party. In November 2015, we commissioned the Gansu Geological Team to conduct systematic exploration of the mining area of our Leishoushan Project. According to the Independent Technical Consultant, the work undertaken by the Gansu Geological Team included diamond core drilling of 32 holes totalling 2,742.89 m, a topographical and current test pits survey, geological and structural mapping, as well as a hydrological study and sampling for physical and chemical testwork, and surface and drill core samples were taken for physical and chemical analyses. The Independent Technical Consultant visited the site of our Leishoushan Project in December 2015 while the drilling and sampling were underway, and on other occasions in September and October 2015, April 2016, February and July 2017. According to the Independent Technical Consultant, our Resources and Reserves were estimated by reference to the exploration work undertaken by the Gansu Geological Team. Please refer to the section headed "Independent Technical Report" in Appendix IV to this prospectus for further details about the exploration work that has been undertaken in respect of our Leishoushan Project.

According to the Independent Technical Consultant, the estimated Probable Reserves of our Leishoushan Project under the JORC Code as at 30 April 2017 were 2.23 million m^3, which is sufficient to support our planned production schedule. As such, we currently have no plan to carry out any further exploration works at our Leishoushan Project site.

During the Track Record Period and the period from 1 May 2017 and up to the Latest Practicable Date, we incurred exploration expenses in the amount of approximately RMB2.4 million and nil, respectively. Approximately RMB0.6 million of the exploration expenses incurred during the Track Record Period was accounted for our deferred listing costs, which will be deducted from equity upon Listing, and the remaining RMB1.8 million was accounted for our Listing expenses in our profit or loss contained in the consolidated statements of profit or loss and other comprehensive income of our Group.

Major licences, permits and approvals

Mining licence

We hold a mining licence in respect of our Leishoushan Project which is valid until 15 October 2022. The following table sets forth particulars of our mining licence:

Name of mine:	Leishoushan Marble Mine of Pingdichang Township, Shiqian County, Guizhou Province
Holder of mining licence:	Shiqian Investment *(Note 1)*
Mining licence number:	C5222002015077130138974
Type of mineral:	Marble
Mining method:	Open pit
Approved production volume:	60,000 m^3 per year
Mining Licence Area:	1.0781 km^2
Mining depth:	810 m to 980 m ASL
Period of validity:	15 October 2012 *(Note 2)* to 15 October 2022 *(Note 3)*
Issuing authority:	Tongren City State Land Resources Bureau

Notes:

1. Shiqian Investment acquired the mining rights in respect of our Leishoushan Project, which is evidenced by the mining licence, through its successful bid in a listing-for-sale of the mining rights organised by the local government. The consideration for the acquisition was RMB2.18 million and had been fully paid by May 2015.

2. The current mining licence held by us is valid for a term commencing on 15 June 2015 and ending on 15 October 2022. It replaces the mining licence issued to us on 15 October 2012 which ceased to be effective on 15 June 2015 after the issue of the current mining licence held by us.

3. According to a confirmation letter issued by Shiqian County State Land Resources Bureau on 5 July 2017, the mining licence can be extended for another 10 years upon expiry of its existing term provided that we comply with the requirements for extension under relevant PRC laws. We currently intend to extend the mining licence during the mine life of our Leishoushan Project. As advised by our PRC Legal Advisers, according to the aforesaid written confirmation and the currently applicable PRC laws and regulations, we are required to apply for the extension of our existing mining licence 30 days before its term expires, and if we meet all the procedural and substantive requirements and conditions then prevailing prescribed by the competent government authority, there will be no material legal impediment for us to obtain approval of the extension from the authority.

Other major licences, permits and approvals

The following table sets forth a summary of our other material licences, permits and approvals that we have obtained for our operations and remained valid and effective as at the Latest Practicable Date:

Description of licence/permit/approval	Authority granting licence/permit/approval	Date of issuance	Validity period	Particulars	Whether the relevant licence/permit/approval is subject to renewal	Whether our Group has complied with requirements for renewal
Business licence	Tongren City Administration for Industry and Commerce (銅仁市工商行政管理局)	27 October 2016*(Note 1)*	8 August 2011 to 30 March 2046	Our business under the business licence is marble mining using open-pit mining method; processing and sale of stone slabs and shaped stones	Yes	Yes
Safety production permit	Tongren City Safety Supervision and Administration Bureau (銅仁市安全生產監督管理局)	4 January 2016	4 January 2016 to 30 December 2018	Applicable to marble mining and processing of our Shiqian Project	Yes	Yes
Water use permit	Shiqian County Water Bureau (石阡縣水務局)	29 February 2016	29 February 2016 to 28 February 2021	We are permitted to use water above the ground of a total volume of 10,100 m^3 at our Leishoushan Project site	Yes	Yes
Pollutant discharge permits (for each of our Leishoushan Project and our Processing Plant)	Shiqian County Environmental Protection Bureau (石阡縣環境保護局)	8 September 2016	8 September 2017 to 8 September 2018	Waste water from our Leishoushan Project and our Processing Plant shall be reused in production	Yes	Yes
Notice of approval of temporary land use	Shiqian County State Land Resources Bureau (石阡縣國土資源局)	27 December 2016	27 December 2016 to 26 December 2018	This notice covers land parcels at our Leishoushan Project site with an aggregate area of 289.17 mu	Yes	Yes

Description of licence/permit/ approval	Authority granting licence/permit/approval	Date of issuance	Validity period	Particulars	Whether the relevant licence/ permit/ approval is subject to renewal	Whether our Group has complied with requirements for renewal
Consent letter in respect of the use of forest land and approval for the change of the location of a portion of the forest land	Guizhou Province Forestry Department (貴州省林業廳)	25 May 2016 and 8 March 2017, respectively	25 May 2016 to 24 May 2018	This letter covers land parcels at our Leishoushan Project site with an aggregate area of 9.8505 ha (equivalent to 98,505 m^2)	Yes	Yes
Environmental impact assessment approval for our Leishoushan Project	Shiqian County Environmental Protection Bureau (石阡縣環境保護局)	21 December 2014	Not applicable*(Note 2)*	Approval for the construction of environmental facilities of our Leishoushan Project	No	Not applicable
Environmental impact assessment approval for our Processing Plant	Shiqian County Environmental Protection Bureau (石阡縣環境保護局)	26 September 2016	Not applicable*(Note 2)*	Approval for the construction of environmental facilities of the Processing Plant	No	Not applicable
Approval on the inspection and acceptance of completion of environmental protection facilities of our Leishoushan Project	Shiqian County Environmental Protection Bureau (石阡縣環境保護局)	29 September 2016	Not applicable*(Note 2)*	We are permitted to commence marble extraction at our Leishoushan Project	No	Not applicable
Approval on the inspection and acceptance of completion of environmental protection facilities of our Processing Plant	Shiqian County Environmental Protection Bureau (石阡縣環境保護局)	29 September 2016	Not applicable*(Note 2)*	We are permitted to commence marble processing at our Processing Plant	No	Not applicable
Water and soil conservation plan approval	Shiqian County Water Bureau (石阡縣水務局)	22 December 2014	Not applicable*(Note 2)*	Our engineering and flora protection measures generally meet the local water and soil conservation requirements	No	Not applicable

Description of licence/permit/ approval	Authority granting licence/permit/approval	Date of issuance	Validity period	Particulars	Whether the relevant licence/ permit/ approval is subject to renewal	Whether our Group has complied with requirements for renewal
Approval on the inspection and acceptance of water and soil conservation facilities	Shiqian County Water Bureau (石阡縣水務局)	21 January 2017	Not applicable*(Note 2)*	We are permitted to commence marble mining and processing activities	No	Not applicable
Filing of the fire prevention facility design and filing of acceptance of completion of fire prevention facilities	Shiqian Public Security Fire Brigade of Tongren City, Guizhou Province (貴州省銅仁市石阡縣公安消防大隊)	22 January 2017 and 23 February 2017	Not applicable*(Note 2)*	The fire prevention facilities of our Processing Plant received the filing of acceptance of completion	No	Not applicable

Notes:

1. The business licence of Shiqian Investment was last updated on 27 October 2016 as a result of the conversion of Shiqian Investment from a limited liability company into a wholly-foreign owned enterprise.

2. These approvals do not specify a validity period.

As advised by our PRC Legal Advisers, the issuing authorities of the mining licence and other major licences, permits and approvals are competent authorities to issue such licences, permits and approvals.

Our mining licence will expire on 15 October 2022. According to a supplemental written confirmation letter issued by Shiqian County State Land Resources Bureau on 16 May 2017, whose authority to issue this letter has been confirmed by Tongren City State Land Resources Bureau, the mining licence issuing authority for our Leishoushan Project which has delegated the mining licence extension work to Shiqian County State Land Resources Bureau, Shiqian County State Land Resources Bureau will, as and when appropriate, communicate with us on a quarterly basis to ensure that we will fulfil the requirements for extending the mining rights under the relevant laws and regulations. If Shiqian County State Land Resources Bureau becomes aware that we have not fulfilled such requirements and the requirements of Shiqian County State Land Resources Bureau in relation to the mining right extension prior to the expiry of the term of our mining licence, Shiqian County State Land Resources Bureau will serve prior notice on us for us to rectify the situation, and will extend the mining licence for us before the term expires, provided that we have rectified the situation within the prescribed time and upon confirmation by Shiqian County State Land Resources Bureau that we have fulfilled the relevant laws and regulations and all the requirements for the extension of the mining rights. In addition, we will, upon one year prior to the expiration of the mining licence, proactively and on regular basis communicate with the Shiqian County State Land Resources Bureau to keep abreast of the local government practices and ensure that we will continue to fulfil all the material requirements for extending the mining licence for another 10 years in case that there is any policy change or operational environment change. In the unlikely event that we fail to fulfil the requirements for the extension of the mining licence, we will, upon receipt of notice from Shiqian County State Land Resources Bureau, promptly take all necessary measures to satisfy the requirements for extension. We currently intend to extend the mining licence during the mine life of our Leishoushan Project.

Among the other major licences, permits and approvals held by us, the notice of approval of temporary land use issued by Shiqian County State Land Resources Bureau and the consent letter in respect of the use of forest land and approval for the change of the location of a portion of the forest land issued by Guizhou Province Forestry Department will expire on 26 December 2018 and 24 May 2018, respectively. We will communicate with the relevant government authorities on a quarterly basis to keep abreast of the local government practices and ensure that we will continue to fulfil all the material requirements for renewing the notice and the consent. We will commence the renewal process as early as possible to ensure that we will be able to continue to use the land and that our mining activities will not be interrupted.

As advised by our PRC Legal Advisers, by February 2017, we had obtained all material licences, permits and approvals required for our operations in compliance with the relevant PRC laws and regulations, and such licences, permits and approvals remained valid and effective and had not been revoked as at the Latest Practicable Date and based on the written confirmation letters from or on-site interviews with officials from the competent authorities for the issuance of material licences, permits and approvals, there would be no material legal impediment nor any restrictions for us to extend or renew the terms of such licences, permits and approvals upon expiry of their existing terms provided that we comply with the requirements for extension or renewal under PRC laws and complete relevant procedures prescribed by PRC laws and competent PRC authorities.

Please refer to the section headed "Regulatory overview" in this prospectus for the requirements for the renewal of our mining licence and other material licences, permits and approvals.

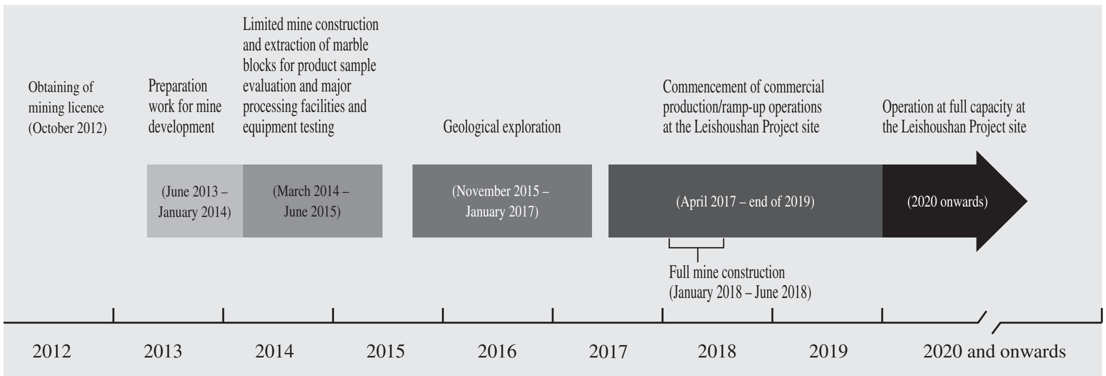
PLANNED PRODUCTION SCHEDULE AND DEVELOPMENT PLAN

Overview

The approved maximum annual production volume of our Leishoushan Project under our mining licence is 60,000 m^3 of marble blocks. It is expected that our Leishoushan Project will reach its full annual production volume of 60,000 m^3 of marble blocks in 2020 according to its mine design, and our Processing Plant will reach its full processing output of 1,428,000 m^2, comprising 1,368,000 m^2 of marble slabs and 60,000 m^2 of shaped stones by the same year. We plan to ramp up our production from 2017 to 2019.

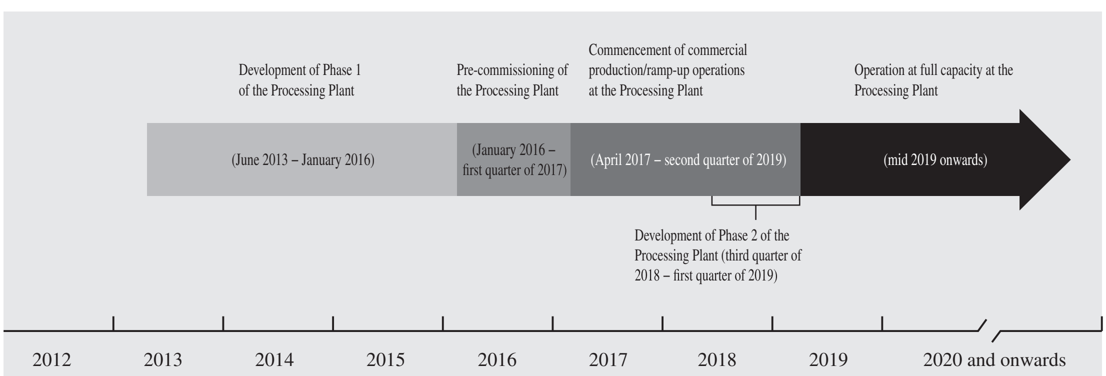
The following timeline chart illustrates key milestones in the development of our Leishoushan Project:

Development milestones



The following timeline chart illustrates key milestones in the development of our Processing Plant:

Development milestones



We carried out limited mine construction at our Leishoushan Project site from March 2014 to June 2015. For the infrastructures and utilities currently available at our Leishoushan Project, please refer to the paragraph headed "Infrastructure and utilities" in this section below. We plan to carry out mining activities at the existing three test pits at the initial stage of our mine development, and expect to carry out full mine construction of our Leishoushan Project in the first half of 2018.

During the period from March 2014 to June 2015, we extracted Royal Beige and Carlo Rose marble blocks with an aggregate volume of 1,530 m^3 at three test pits of our Leishoushan Project, a portion of which was processed into marble slabs and shaped stones for product sample evaluation and testing of major processing facilities and equipment.

We completed development of Phase 1 of the Processing Plant in January 2016 at which time our Processing Plant entered a pre-commissioning stage. As at the Latest Practicable Date, our Processing Plant had been installed with a marble slab production line and a shaped stone production line with an aggregate annual processing capacity of 600,000 m^2 of marble slabs and shaped stones. The strip ratio over the mine life of our Leishoushan Project is 0.13. In line with the ramp-up plan of our Processing Plant, we expect to commence development and commissioning of Phase 2 of the Processing Plant in the third quarter of 2018 and the second quarter of 2019, respectively.

Planned production schedule

Marble blocks

During the ramp-up period from 2017 to 2019, our Leishoushan Project is expected to reach an annual production volume of marble blocks of 11,500 m^3, 20,000 m^3 and 42,000 m^3 (representing approximately 19.2%, 33.3% and 70% of our expected full annual production volume of 60,000 m^3 in 2020, respectively) in 2017, 2018 and 2019, respectively, and to reach its full annual production volume of 60,000 m^3 of marble blocks by 2020.

The following table sets forth the volume of marble blocks by branch colours which are expected to be produced at our Leishoushan Project for the periods indicated:

Branch colour	2017	2018	2019	2020
Royal Beige marble (m^3)	11,500	19,240	32,323	36,373
Carlo Rose marble (m^3)	–	760	9,677	23,627
Athens Grey marble (m^3)*(Note 1)*	–	–	–	–
Total expected production volume (m^3)*(Note 2)*	11,500	20,000	42,000	60,000

Notes:

1. According to the Independent Technical Consultant, Athens Grey is located in the lowest bed of our Leishoushan Project. As such, we expect that Athens Grey marble will only be produced after 2020 when such type of marble is expected to be exposed in 2021.

2. The production volume above is based on the assumption that our Leishoushan Project will operate 300 days each year at two eight-hour shifts per day.

To enable us to meet the above production schedule, our Leishoushan Project is expected to reach an annual production capacity of 15,000 m^3, 25,000 m^3, 55,000 m^3 (representing approximately 22.7%, 37.9% and 83.3%, respectively, of our expected full annual production capacity of 66,000 m^3 in 2020, respectively) in 2017, 2018 and 2019, respectively, and to reach its full annual production capacity of 66,000 m^3 in 2020.

Marble slabs and shaped stones

Our Processing Plant is expected to reach an annual processing output of 238,000 m^2, 476,000 m^2 and 999,600 m^2 (representing approximately 16.7%, 33.3% and 70% of our expected full annual processing output of 1,428,000 m^2 in 2020, respectively) in 2017, 2018 and 2019, respectively, and to reach its full annual processing output of 1,428,000 m^2 by 2020.

The following table sets forth the product output of marble slabs and shaped stones which is expected to be processed at our Processing Plant for the periods indicated:

Product category*(Note 1)*	**2017**	**2018**	**2019**	**2020**
Marble slabs (m^2)*(Notes 2 & 3)*				
Royal Beige	228,000	438,672	736,960	829,309
Carlo Rose	–	17,328	220,640	538,691
Athens Grey	–	–	–	–
Sub-total	228,000	456,000	957,600	1,368,000
Shaped stones (m^2)*(Notes 2 & 4)*				
Royal Beige	10,000	19,240	32,323	36,373
Carlo Rose	–	760	9,677	23,627
Athens Grey	–	–	–	–
Sub-total	10,000	20,000	42,000	60,000
Total expected production output (m^2)	238,000	476,000	999,600	1,428,000

Notes:

1. It is expected that 60% and 10% of the marble blocks produced at our Leishoushan Project will be processed into marble slabs and shaped stones, respectively, and the remaining 30% of the marble blocks will be sold to customers, except that in 2017, approximately 52.2% and 8.7% of the marble blocks will be processed into marble slabs and shaped stones, respectively, and the remaining 39.1% marble blocks will be sold to customers. During the four years ending 31 December 2020, 4,500 m^3, 6,000 m^3, 12,600 m^3 and 18,000 m^3 of marble blocks, respectively, are expected to be sold to customers.

2. The production volume is based on the assumption that our Leishoushan Project will operate 300 days each year at two eight-hour shifts per day.

3. The production volume of marble slabs are based on a processing yield of 38 m^2/m^3.

4. The production volume of shaped stones are based on a processing yield of 10 m^2/m^3.

To enable us to meet the above production schedule, our Processing Plant is expected to maintain its current annual processing capacity of 600,000 m^2 (representing approximately 33.3% of our expected full annual processing capacity of 1,800,000 m^2 by mid 2019) in 2017 and 2018, respectively, and reach its full annual processing capacity of 1,800,000 m^2 by mid 2019.

The Independent Technical Consultant considers the above planned production schedule, the time allocated to construction and the ramp-up process are reasonable.

Development plan

Year 16 Pit Boundary Area

In the first 16 years of the 40-year mine life of our Leishoushan Project, we plan to carry out mining activities in the Year 16 Pit Boundary Area. During the ramp-up period of our Leishoushan Project, we will carry out initial mining in the Phase 1 and Phase 2 mining areas, details of which are described below. We have taken into account the Reserves within the Year 16 Pit Boundary Area in the formulation of such production schedule. We have leased the land within the Year 16 Pit Boundary Area from the relevant villagers' committees and have obtained the requisite government approvals for the use of such land. For further details about such leases and government approvals, please refer to the paragraph headed "Properties — Land used by our Leishoushan Project" below.

The following map shows the locations of our existing test pits, Phase 1 and Phase 2 mining areas, the Year 16 Pit Boundary Area and the Final Pit Boundary Area at the end of the 40-year mine life of our Leishoushan Project:

The following table summarises the status of the land covered by our mining licence:

Mining Licence Area	1,078,100 m^2
– comprising:	
• Final Pit Boundary Area	442,693 m^2
• Remaining area within the Mining Licence Area	635,407 m^2
Final Pit Boundary Area	442,693 m^2
– comprising:	
• Year 16 Pit Boundary Area	86,095 m^2
• Remaining area within the Final Pit Boundary Area	356,598 m^2

The approved elevation limit of our Leishoushan Project is between 810 m and 980 m ASL and the Resource has been limited to the area within the approved mining depth of 810 m to 980 m ASL under the mining licence currently held by us. According to our development plan, we will first carry out our mining activities within such approved elevation limit. As such, the mining licence granted to us is sufficient to cover the approved elevation limit of our Leishoushan Project. As advised by the Independent Technical Consultant, according to the mine design of our Leishoushan Project, the initial mining at our Leishoushan Project site will be conducted in two phases, details of which are set out below:

- ***Phase 1***. The Phase 1 mining area covers a site area of approximately 13,942 m^2 and contains three current test pits which were used by us during our extraction of marbles for product sample evaluation from March 2014 to June 2015. These test pits are at levels between 859 m and 889 m ASL. They contain 25,000 m^3 of marble mining inventory, which can serve our production schedule for two and a half years. 23,000 m^3 of weathered materials around these pits will be stripped to allow us access to the working benches. The Phase 1 mining area is expected to cease operation by June 2018 when our mining activities are expected to lower to level 865 m ASL.

- ***Phase 2***. The Phase 2 mining area is located to the north of Phase 1 mining area and covers a site area of approximately 14,989 m^2. The development of Phase 2 mining area is expected to commence in January 2018, while the Phase 1 mining area is still in operation. The Phase 2 mining area is expected to undergo a six-month development period till June 2018. Our Leishoushan Project is expected to reach the full annual production capacity of 66,000 m^3 of marble blocks by 2020 through our mining activities to be carried out at this Phase 2 mining area. The production at this area is expected to commence on level 930 m ASL and gradually lower to 910 m ASL.

After the first 16 years of our mine development, a pushback of the Phase 2 pit to a level above 930 m ASL will commence.

Development history and ramp-up plan

We had carried out limited mine construction at our Leishoushan Project and had completed development of Phase 1 of the Processing Plant by January 2016. We have started to ramp up the operations of our Leishoushan Project and our Processing Plant from April 2017 to 2019. During this ramp-up period, we will complete full mine construction at our Leishoushan Project site and the development of Phase 2 of the Processing Plant.

Prior to 2017

We carried out limited mine construction at our Leishoushan Project site from March 2014 to June 2015. By December 2016, we had constructed a haul road from the temporary staging area at the southeast section of our Leishoushan Project site to the test pit areas, which we believe is adequate for the on-site transportation of our mined blocks and the hauling of mining machinery and other materials used in our mining activities before we commence full mine construction in 2018. At the same time, our Leishoushan Project had been installed with a transformer with a capacity of 400 kVA which was connected to a state-owned power grid through a dedicated connection at a 10 kV capacity. We had also developed three test pits at levels between 859 m and 889 m ASL as at 31 December 2016, and we plan to start initial mining at these test pits. From March 2014 to June 2015, 1,530 m^3 of marble blocks were extracted, resulting in a block yield of 31.1% based on an aggregate mined volume of 4,920 m^3. In the second half of 2016, we carried out topsoil stripping in preparation for the commencement of mining activities at our Leishoushan Project site.

We carried out development of Phase 1 of the Processing Plant from June 2013 to January 2016. During this period, we completed the construction of roads, office building as well as infrastructures such as transformer substation and sewage processing system, all of which form parts of Phase 1 of the Processing Plant. In 2014, our Processing Plant had been installed with certain processing equipment, including gang saw, polishing machine and stone cutter. In 2015, additional equipment such as disc stone cutter was installed at our Processing Plant. In January 2016, construction of the Phase 1 of the Processing Plant was completed, and in 2016 and up to February 2017, we obtained the various approvals, licences and permits required for the commencement of production at our Processing Plant.

2017

Our Shiqian Project commenced limited commercial production in April 2017. We expect to conduct mining activities at the working faces of Phase 1 mining area of our Leishoushan Project. We expect our production volume for marble blocks to reach 11,500 m^3 and our processing output for marble slabs and shaped stones to reach 238,000 m^2 in 2017. We plan to procure additional mining and processing equipment to enable us to achieve the production capacity for marble blocks. We also plan to extend the existing road to Phase 1 mining area and upgrade part of the existing road at our Processing Plant.

2018

We plan to continue mining activities at the Phase 1 mining area. Concurrently, removal of topsoil and weathered rocks, construction of working benches and connecting roads to the Phase 2 mining area are expected to commence in early 2018. We plan to procure additional mining equipment in this year. Mine supporting facilities including upgraded water and electricity facilities will also be installed. We expect to complete full mine construction at our Leishoushan Project site in the first half of 2018. We plan to, in the third quarter of 2018, commence the development of Phase 2 of the Processing Plant, which comprises the expansion of the current production lines and construction of workers dormitory and office and auxiliary facilities. All construction work is expected to complete by the end of 2018. We expect our production volume for marble blocks to reach 20,000 m^3 and our processing output for marble slabs and shaped stones to reach 476,000 m^2 in 2018. As we will only complete the construction work of Phase 2 of the Processing Plant by the end of 2018, our processing capacity for marble slabs and shaped stones is expected to remain at 600,000 m^2 in 2018.

2019

All mining activities are expected to be conducted at the Phase 2 mining area in 2019. We plan to develop working benches on levels 920 m and 915 m ASL. We expect to complete the installation of equipment at our Processing Plant by the first quarter of 2019, which marks the completion of the development of Phase 2 of the Processing Plant. Commissioning of the Phase 2 of the Processing Plant is targeted to begin in the second quarter of 2019. As such, we expect our annual processing capacity will be further increased to 1,200,000 m^2 in the second quarter of 2019 and then to 1,800,000 m^2 by mid 2019. We also expect our production volume for marble blocks to reach 42,000 m^3 and our processing output for marble slabs and shaped stones to reach 999,600 m^2 in 2019.

2020 onwards

Mining activities are expected to be carried out from working benches on levels between 915 m and 900 m ASL. Our Leishoushan Project is expected to reach its full production volume of 60,000 m^3 of marble blocks, and our Processing Plant is expected to reach its full processing output of 1,428,000 m^2 of marble slabs and shaped stones in 2020.

We expect that Athens Grey marble will only be produced after 2020 when such type of Resources is expected to be exposed in 2021. After each type of marble is available for extraction, we will have greater flexibility to choose the right type of products in response to market demand.

Although our Directors believe that our development plan for our Shiqian Project is viable, we may not be able to ultimately extract the Resources and process marble slabs and shaped stones at a profit due to various factors. Please refer to the section headed "Risk factors — Risks relating to our business — We depend on a single marble project, Shiqian Project, for our cash flow from operating activities and our business operation is exposed to uncertainties in relation to our ramp-up plan. There may be unforeseen delay in implementing our ramp-up plan." in this prospectus for more details about the risks associated with our ramp-up plan in respect of our Shiqian Project.

If an upside market development occurs, we will expedite the development schedule of our Shiqian Project by pushing the capital expenditure forward to allow our Leishoushan Project and our Processing Plant to reach their respective full production and processing capacity earlier than scheduled. If a downside market development occurs, we will engage cost-cutting strategies such as reducing the number of workers and postponing the capital expenditure schedule to allow our Leishoushan Project and our Processing Plant to reach their respective full production and processing capacity later than scheduled.

Timeline for obtaining the approvals, licences and permits and making the filing required for the development of Phase 2 of the Processing Plant

We plan to develop Phase 2 of the Processing Plant from the third quarter of 2018 to the first quarter of 2019. To meet this schedule, we plan to apply for the relevant approvals, licences and permits and make the relevant filing according to the following timeline before the commencement of the construction work of Phase 2 of the Processing Plant:

Time	**The relevant approvals, licences and permits to be obtained, and the relevant filing to be made**	**Key requirements and conditions for making the relevant filing and applying for the relevant approvals, licences and permits**	**General validity period from the date of the relevant approvals, licenses and permits**
January – June 2018	• the planning permit for construction land (建設用地規劃許可證)	the state-owned land use rights grant contract (國有土地使用權出讓合同)	Two years
	• the planning permit for construction project (建設工程規劃許可證)	(a) the application form; (b) the planning permit for the subject construction land; and (c) the design scheme of the construction project	Two years
	• the approval of environmental impact assessment (環境影響評價批覆)	(a) environmental impact assessment report; (b) the technical assessment opinion; and (c) water and soil conservation plan	Five years
	• the filing of the fire prevention facility design (消防設施設計備案)	(a) the fire prevention facility design documents; and (b) the fire prevention facility design declaration form	Not stipulated
	• the construction permit (施工許可證)	the application form	Three months *(Note)*

Note: According to the Construction Law of the PRC, our Group shall commence the construction work within three months from the date of the construction permit.

Following the commencement of the construction work and before the commercial production of Phase 2 of the Processing Plant, we plan to apply for the following approvals, licences and permits according to the following timeline:

Time	Approvals, licences and permits to be obtained
January – March 2019	• the approval for the completion of construction project (建設工程竣工規劃認可證) • the approval on the inspection and acceptance of completion of environmental protection facilities (環境保護竣工驗收) • the evaluation report on safety production completion (安全生產竣工驗收評價報告) • the evaluation report on control effect of occupational disease (職業病危害控制效果評價報告) • the filing of acceptance of completion of fire prevention facilities (消防設施竣工驗收備案) • the real estate ownership certificate (不動產權證)

As advised by our PRC Legal Advisers, the applicable requirements and conditions for making the above filing and obtaining the above approvals, licences and permits are substantially the same as those for the development of Phase 1 of the Processing Plant, unless there is a change in the volume of the processing output of the Phase 2 as compared with Phase 1 of the Processing Plant, which may render additional conditions being imposed by the relevant governmental authority. As confirmed by our Directors, as at the Latest Practicable Date, it was our plan to make the relevant filing and apply for the relevant approvals, licences and permits before the commencement of the construction work of Phase 2 of the Processing Plant, and the documents to fulfil the above key requirements and conditions for making such filing and the application for such approvals, licences and permits are expected to be ready in or around January 2018 in accordance with our current development plan.

Capital costs

According to the Independent Technical Consultant, the aggregate capital costs for the development of our Shiqian Project with an annual production volume of 60,000 m^3 of marble blocks and an annual processing output of 1,428,000 m^2 of marble slabs and shaped stones is approximately RMB233.7 million, of which an aggregate amount of approximately RMB80.6 million had already been incurred by us as at 30 April 2017. For the remaining RMB153.1 million, approximately RMB12.6 million will be incurred from May to December 2017, approximately RMB62.5 million will be incurred in 2018 and approximately RMB78.0 million will be incurred in 2019. The amount of RMB153.1 million is expected to be fully financed by the net proceeds from the Global Offering. A contingency of approximately 8% was allowed in making the above estimations in order to address unforeseen events such as severe adverse weather conditions, natural disasters, additional development work required due to unexpected site conditions and minor adjustments to our development plan.

The following table sets forth a breakdown of the actual and projected capital costs for the development of our Leishoushan Project and our Processing Plant by category for the periods indicated, which are based on the Independent Technical Report:

Cost item	Prior to 2014 (actual)	2014 (actual)	2015 (actual)	2016 (actual)	2017 (forecast)	2018 (forecast)	2019 (forecast)
				RMB million			
Mine construction and road *(Notes 1 & 2)*	2.1	0.9	2.2	2.7	0.5	0.9	1.3
Mining equipment *(Note 3)*	0.2	9.1	0.1	0.2	6.7 *(Note 12)*	5.7	0.1
Mine supporting facilities *(Note 4)*	0.9	0.3	0.3	–	–	3.9	0.2
Mining licence fee *(Note 5)*	2.2	–	–	–	–	–	–
Technical studies *(Note 6)* and related works fee	0.7	0.2	0.1	–	–	–	0.3
Processing Plant's construction and equipment *(Note 7)*	6.2	12.6	3.0	1.4	6.3 *(Note 12)*	37.0	22.6
Processing Plant's supporting facilities *(Note 8)*	2.1	8.7	3.3	–	0.1	6.2	31.1
Land acquisition fee *(Note 9)*	1.4	–	–	10.9	–	–	10.0
Others *(Note 10)*	0.1	0.2	–	–	2.5	2.2	5.0
Subtotal	16.0	32.0	9.0	15.3	16.1	56.1	70.5
Contingency	–	–	–	–	1.2 *(Note 12)*	4.5	5.6
Rehabilitation fee *(Note 11)*	0.6	–	–	–	3.1	1.9	1.9
Total	**16.5**	**32.0**	**9.0**	**15.3**	**20.4**	**62.5**	**78.0**

Notes:

1. Mine construction cost includes the cost for stripping the topsoil and weathered rocks above the marble deposit and construction of working benches and building access and internal roads within the mine.

2. Cost for roads includes the cost for building access to the mine and on-site roads within the mine.

3. Mining equipment cost includes mining equipment purchase and installation cost.

4. Cost for mine supporting facilities includes cost for the purchase and installation of all supporting facilities, including the water supply system and electric transformers and their set-up, as well as cost for the construction of office, workshop and dormitory.

5. Mining licence fee represents the fee paid to the government for the acquisition of the mining licence.

6. Cost for technical studies represents the fee for undertaking exploration and technical studies for the development of our Leishoushan Project.

7. Cost for Processing Plant development and equipment represents the cost for the development of our Processing Plant and the installation of equipment including cutting saws and polishing machines at the plant.

8. Cost for Processing Plant supporting facilities includes cost for the purchase and installation of all supporting facilities such as water supply and reticulation system and electricity supply system as well as the construction of workers dormitory, workshop and administration office.

9. The land acquisition fee represents the fee for acquiring the land for our Processing Plant.

10. Others include costs for construction administration and supervision, employee training and purchase of furniture.

11. Rehabilitation fee represents the rehabilitation security deposit and environmental recovery deposit.

12. A total of RMB7.8 million had been incurred by us for the four months ended 30 April 2017, including RMB1.0 million for the purchase of mining equipment and RMB6.3 million for the purchase of processing equipment.

Forecasted operating costs

According to the Independent Technical Consultant, our unit cash operating costs for marble blocks, marble slabs and shaped stones are estimated at RMB1,052/m^3, RMB161/m^2 and RMB777/m^2, respectively, when our Leishoushan Project reaches its full target annual production volume of 60,000 m^3 of marble blocks and our Processing Plant reaches its full processing output of 1,428,000 m^2 of marble slabs and shaped stones by 2020.

The following table sets forth a breakdown of our projected operating costs for the years indicated, which are based on the Independent Technical Report:

Product	Unit	2017	2018	2019	2020
Block	*m^3*	4,500	6,000	12,600	18,000
Slab	*m^2*	228,000	456,000	957,600	1,368,000
Shaped stone	*m^2*	10,000	20,000	42,000	60,000
Workforce employment					
Block	*RMB/m^3*	139.1	106.6	74.0	70.0
Slab	*RMB/m^2*	37.8	35.7	33.7	33.0
Shaped stone	*RMB/m^2*	127.0	104.1	81.2	74.1
Consumables					
Block	*RMB/m^3*	240.5	184.2	128.0	121.1
Slab	*RMB/m^2*	66.5	63.0	59.4	58.3
Shaped stone	*RMB/m^2*	220.8	181.2	141.6	129.3
Fuel, electricity, water and other services					
Block	*RMB/m^3*	295.5	226.3	157.2	148.7
Slab	*RMB/m^2*	29.9	25.6	21.2	19.8
Shaped stone	*RMB/m^2*	219.5	170.8	122.1	107.0
On and offsite administration					
Block	*RMB/m^3*	333.9	302.8	257.1	257.0
Slab	*RMB/m^2*	21.0	19.1	16.2	14.7
Shaped stone	*RMB/m^2*	235.3	213.3	181.2	165.3
Environmental protection and monitoring					
Block	*RMB/m^3*	17.1	13.1	9.1	8.6
Slab	*RMB/m^2*	1.1	0.8	0.6	0.5
Shaped stone	*RMB/m^2*	12.0	9.2	6.4	5.5
Transportation of workforce					
Block	*RMB/m^3*	–	–	–	–
Slab	*RMB/m^2*	–	–	–	–
Shaped stone	*RMB/m^2*	–	–	–	–

Product	Unit	2017	2018	2019	2020
Product marketing and transport					
Block	*RMB/m³*	184.2	184.2	184.2	213.8
Slab	*RMB/m²*	11.6	11.6	11.6	12.3
Shaped stone	*RMB/m²*	129.8	129.8	129.8	137.5
Non-income taxes, royalties and other governmental charges					
Block	*RMB/m³*	118.0	118.0	118.0	137.0
Slab	*RMB/m²*	7.4	7.4	7.4	7.8
Shaped stone	*RMB/m²*	83.2	83.2	83.2	88.1
Contingency allowance					
Block	*RMB/m³*	132.8	113.5	92.8	95.6
Slab	*RMB/m²*	17.5	16.3	15.0	14.6
Shaped stone	*RMB/m²*	102.8	89.2	74.5	70.7
Total operating cash cost					
Block	*RMB million*	6.6	7.5	12.9	18.9
Slab	*RMB million*	44.0	81.5	158.1	220.4
Shaped stone	*RMB million*	11.3	19.5	34.4	46.6
Total	*RMB million*	61.9*(Note)*	108.5	205.4	286.0
Total unit operating cash cost					
Block	*RMB/m³*	1,461.1	1,248.7	1,020.5	1,051.8
Slab	*RMB/m²*	192.9	179.5	165.1	161.1
Shaped stone	*RMB/m²*	1,130.4	980.7	819.9	777.4

Note: In April 2017, a total operating cash cost of approximately RMB2.8 million was incurred.

According to the Independent Technical Consultant, the above projected operating costs are based on:

- cost estimates extracted from the feasibility study report prepared by Suzhou Sinoma;
- the contract entered into between us and one mining company which provides marble mining services at our Leishoushan Project site;
- the contracts entered into between us and two workforce solution companies which provide labour services to undertake marble slab and shaped stone processing at our Processing Plant;
- other supplier contracts;
- a resource tax of 3% of sales revenue;

- a value added tax (VAT) of 3% levied for the sales of marble products;
- an education levy of 5% of the total amount of the VAT generated by our Shiqian Project;
- a city maintenance and construction levy of 5% of the total amount of VAT generated by our Shiqian Project;
- a sales expense that is assumed at 5% of sales revenue; and
- a 10% contingency added to the total projected operating cost to account for unforeseen and unpredictable amount to cover the cost.

The Independent Technical Consultant has reviewed the detailed breakdown of the projected operating costs disclosed above and considers that the estimation is reasonable and is of a similar order of magnitude as other similar dimension stone projects in China. However, such projected operating costs are estimate only and are subject to change. Our future actual operating costs may differ materially from the above estimate due to various reasons, including the factors described in the section headed "Risk factors" in this prospectus. Please also refer to the section headed "Forward-looking statements" in this prospectus for the risks of placing undue reliance on any forward-looking information.

According to the Independent Technical Consultant, our Shiqian Project has a break-even prices of RMB1,256/m^3 for marble blocks, RMB173/m^2 for marble slabs and RMB910/m^2 for shaped stones, at which the project's NPV equals zero. A project is considered economically viable when its NPV is positive, whereas a project is not considered economically viable when its NPV is negative. For our Shiqian Project, our after-tax NPV, at a discount of 10%, was RMB1,813 million as at 30 April 2017, which indicates that our Shiqian Project is considered economically viable. The break-even prices for blocks, slabs and shaped stone were determined by flexing the input sales prices in the economic viability analysis to the point when the estimated NPV equals zero. The estimated payback period of our Shiqian Project is 3.4 years. The payback period refers to the period of time required to recoup initial capital incurred and to be expended. For our Shiqian Project, the payback period was determined by calculating the amount of time required for the estimated cumulative cash flow to offset the incurred and future capital costs as at 30 April 2017 according to the Independent Technical Consultant.

Sensitivity analysis

A sensitivity analysis for our after-tax NPV has also been undertaken by the Independent Technical Consultant with respect to the capital cost, operating cost, production rate and sales prices. In the analysis, a discount rate of 10% was adopted by the Independent Technical Consultant, based on the considerations of the real, risk-free, long-term interest rate (3.0% for the 5-year PRC Government Bond Rate), mining project risk (2% to 4%) and country risk (2% to 4%), and the determination of the discount rate is considered by the Independent Technical Consultant to be appropriate. According to the Independent Technical Consultant, the marble price is based on the assumptions presented in the feasibility study report prepared by Suzhou Sinoma; a straight line depreciation method was used; and any finance costs or company debts have not been taken into account in this analysis. For the basis of the 10% discount rate for after-tax NPV, please refer to the section "Independent Technical Report — 9. Costs — 9.3 Economic viability analysis" in Appendix IV to this prospectus. The results reveal the following changes:

- a 1% increase in operating cost will result in a 2.3% decrease in NPV;
- a 1% increase in capital cost will result in a 0.1% decrease in NPV;
- a 1% increase in block sales price will result in a 0.2% increase in NPV;
- a 1% increase in slab sales price will result in a 0.8% increase in NPV; and
- a 1% increase in shaped stone sales price will result in a 0.8% increase in NPV.

Of these parameters, the operating cost is the most sensitive parameter while the capital cost is the least sensitive parameter.

The following table sets forth a sensitivity analysis for our after-tax NPV prepared by the Independent Technical Consultant:

	After-tax NPV variation *(RMB million)*										
Parameters	+25%	+20%	+15%	+10%	+5%	0%	-5%	-10%	-15%	-20%	-25%
Operating cost	668	917	1,156	1,385	1,604	1,813	2,012	2,201	2,380	2,548	2,707
Capital cost	1,766	1,776	1,785	1,794	1,804	1,813	1,822	1,832	1,841	1,851	1,860
Blocks sales price	1,906	1,887	1,869	1,850	1,832	1,813	1,795	1,776	1,757	1,739	1,720
Slab sales price	2,185	2,111	2,036	1,962	1,887	1,813	1,739	1,664	1,590	1,516	1,441
Shaped stone sales price	2,175	2,102	2,030	1,958	1,885	1,813	1,741	1,669	1,596	1,524	1,452

As illustrated in the above table, a 25% increase in our operating cost or capital cost will reduce our after-tax NPV to RMB668 million and RMB1,766 million, respectively. A 25% increase in our marble blocks sales price or marble slab sales price or shaped stones sales price will raise our after-tax NPV to RMB1,906 million, RMB2,185 million and RMB2,175 million, respectively. A 25% decrease in our operating cost or capital cost will raise our after-tax NPV to RMB2,707 million and RMB1,860 million, respectively. A 25% decrease in our marble blocks sales price or marble slab sales price or shaped stones sales price will reduce our after-tax NPV to RMB1,720 million, RMB1,441 million and RMB1,452 million, respectively. In each case we assume all other variables hold constant.

The table below sets forth the impact of an increase in labour cost, consumable cost and fuel and power cost and a decrease in the price of our marble blocks, marble slabs and shaped stones on our cash operating cost for the year ending 31 December 2017:

	Total cash operating cost		Cash and cash equivalents	
	Amount	Change	Amount	Change
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*
Labour cost				
0% change	62,155	N/A	183,513	N/A
3% increase	62,560	0.6%	183,209	-0.2%
5% increase	62,830	1.1%	183,006	-0.3%
10% increase	63,505	2.1%	182,500	-0.6%
Consumable cost				
0% change	62,155	N/A	183,513	N/A
3% increase	62,532	0.8%	183,230	-0.2%
5% increase	62,784	1.3%	183,041	-0.3%
10% increase	63,413	2.6%	182,569	-0.5%
Fuel and power cost				
0% change	62,155	N/A	183,513	N/A
3% increase	62,354	0.4%	183,364	-0.1%
5% increase	62,486	0.7%	183,264	-0.1%
10% increase	62,817	1.3%	183,016	-0.3%
Decrease in price				
0% change	62,155	N/A	183,513	N/A
3% decrease	62,099	-0.1%	182,278	-0.7%
5% decrease	62,061	-0.2%	181,455	-1.1%
10% decrease	61,968	-0.4%	179,398	-2.2%

Labour cost, consumable cost and fuel and power cost are components of cash operating cost. As illustrated in the above table, an increase in each of labour cost, consumable cost and fuel and power cost will result in an increase in cash operating cost and a decrease in cash and cash equivalents. Resources tax, city maintenance and construction tax and education surcharge, which are calculated based on a certain percentage of the sales revenue or value-added tax, are also components of cash operating cost. As a result, a decrease in product prices will result in a decrease in resources tax, city maintenance and construction tax and education surcharge, which, in turn, will result in a decrease in cash operating cost and a decrease in cash and cash equivalents.

Risks associated with our Leishoushan Project

The following table sets forth a summary of the risk assessment undertaken by the Independent Technical Consultant, including its initial assessment result and recommendations, our responses, the status of our implementation of the recommendations as well as the ratings of the relevant risks:

Factor	Potential risk	Control recommendation	Our responses	Status of implementation of control recommendation	Residual risk rating
Jointing	Joints closer than expected resulting in reduction in block yield	Maintain records of jointing and have provisions to modify extraction plan to ensure maximisation of block size and yield. A small number of inclined drill holes may be necessary to investigate sub-vertical jointing at depth	We are seeking to formulate an ongoing joint and void mapping programme to keep track of the changes in joint and void density on the working panel. As at the Latest Practicable Date, no significant increase in joint density, including near those locations where geological structures are exposed on the surface, had been identified. Despite this, we plan to set up inclined holes at location where joint density substantially increases	We adopted applicable control recommendation in around December 2016. We have formulated a joint mapping programme but have not commenced drilling to study whether the joints are closer than expected in the marble unit because no significant increase in joint density has occurred and as a result, the potential risk has not materialised	Low
Karst and weathering effects	Karst and weathering effects greater than expected, resulting in reduction in block yield	Maintain records (mapping) of karst and have provisions to modify extraction plan to ensure maximisation of block size and yield	We are planning to drill multiple inclined holes to test geological structures in the event that joint density significantly increases to determine the nature of joint associated dissolution features, if any, at depth. The Independent Technical Consultant has indicated that no large sinkholes or karst caves were observed or reported in the mining area. Geological mapping at the test pits and drilling revealed that the surface weathering thickness ranges from 1.9 m to 7.9 m. Some small- to medium-scale karstic dissolution features, such as widened joints and small voids, penetrate below the weathering zone and have been taken into account by the Independent Technical Consultant during its Resource estimation	We adopted applicable control recommendation in around December 2016. As no significant increase in joint density has occurred and as a result, the potential risk has not materialised, we have not commenced drilling to study whether the karst and weathering effects are greater than expected in the marble unit	Low
Colour and texture	More variation in colour and texture than anticipated, resulting in reduction in block yield and price	Maintain records of colour and texture, consider marketability of different products, and use selective mining to produce a range of products	We are seeking to identify customers who purchase marble products with a variety of colours and textures	We adopted applicable control recommendation in around December 2016	Low

Factor	Potential risk	Control recommendation	Our responses	Status of implementation of control recommendation	Residual risk rating
Physical properties	Quality lower than indicated in tests, resulting in reduction in block prices	• Maintain a programme of quality control testing and documentation of extracted material during quarrying • Identify a range of buyers for different products • Modify mine plan if necessary	We are seeking to identify customers who purchase marble products of varying quality	We adopted applicable control recommendation in around December 2016. We have identified a range of buyers for different products. Our existing customers purchase products of varying colours and textures and with different qualities. Please refer to the paragraph headed "Sales and marketing — Customers" in this section below for details	Low
Geotechnical conditions	Geotechnical conditions are worse than anticipated, resulting in: • greater potential for injury/death • reduction in block yield • lower production rate	• Conduct a more detailed geotechnical analysis to identify and address potential issues • Modify mine plan if necessary • Ensure good mining practices are implemented	We are working to establish a geotechnical study to address potential geotechnical issues arising from the advanced development of our Leishoushan Project	We adopted the applicable control recommendation in around December 2016	Low
Mine plan/ management	Failure to meet production targets	Ensure adequate planning and supervision to ensure maximum efficiency. Identify issues that may cause delays and address them	Our mine management will regularly review the jointing density, quality, pattern and colour of the marbles and production data so as to adjust the mine planning and development schedule in a timely manner	We adopted applicable control recommendation in around December 2016	Low
Operating cost/ capital cost	Reduced profit margins	Identify inefficiencies, source appropriate equipment and consumables, ensure workforce is appropriately trained	We closely monitor our capital expenditure in accordance with our capital expenditure plan and only incur additional capital expenditure when adequate funds are available	We adopted applicable control recommendation in around December 2016	Low
Hydrological conditions	• Siltation and/or contamination of drainage • Increase of pH in natural drainage • Exhaustion of water supply	Conduct an additional hydrogeological analysis to identify and address potential issues	We are working to establish a hydrogeological study to address hydrological issues and identify a secondary water source	We adopted applicable control recommendation in around December 2016. We have started to implement mitigation measures to identify an engineering firm to design and implement the hydrogeological study	Low
Waste rock management	Insufficient on-site storage space	An alternative waste rock disposal plan should be developed well before storage space is full	We have identified a potential buyers of our waste rock and will sign a memorandum of understanding with the potential buyer for the sales of our waste rock and to extend the service life of the waste dump	We adopted applicable control recommendation in around December 2016. We have entered into a waste rock sales and purchase agreement with a purchaser	Low

Factor	Potential risk	Control recommendation	Our responses	Status of implementation of control recommendation	Residual risk rating
Land disturbance, and site rehabilitation and site closure requirements	• Impact on local flora and fauna • Lead to soil erosion • Destruction of the ecological system	Survey and record the operational areas of land prior to mining and use data as land is progressively rehabilitated for the project	We have initiated an ongoing rehabilitation programme which involves the use of local flora and soil to reduce soil erosion and to minimise the impact on local flora and fauna during our mine development. We consider that the rehabilitation programme will help to restore the ecological system significantly	We adopted applicable control recommendation in around December 2016	Low
Water management	• Pollution of the water above the ground and/or groundwater • Impact on local water supply	• Ensure water management is carried out according to the mine plan • Carry out additional work as necessary • Establish a fully functioning water monitoring report/planned programme	We have established and implemented a water management system, including the construction of settling pond. Construction of water and soil conservation facilities was completed and was approved by Shiqian County Water Bureau in January 2017	We adopted applicable control recommendation in around December 2016	Low
Dust and noise emission	Fugitive dust and noise pollution	• Use covered trucks for waste rock transportation • Use water truck to suppress dust as required • Develop an operational noise monitoring programme	We seek to use covered trucks for waste rock transportation. We will monitor the noise generated from the operations of our Leishoushan Project and install noise prevention and reduction equipment to effectively minimise the impact of the noise generated from the operations of our Leishoushan Project. We also require workers who are affected by the noise to use protective equipment such as ear plugs and covers	We adopted applicable control recommendation in around December 2016	Low
Occupational health and safety procedures	• Greater potential for injury/death due to substandard occupational health and safety procedures • Loss of productivity	• Ensure staff are adequately trained • Implement site hazard audit and monitoring programme, identify major hazards, implement risk controls	We are committed to developing a comprehensive occupational health and safety management system that covers all workplace activities, and will adapt the system to suit changing circumstances We have been in strict compliance with the occupational health and safety management laws and regulations and have passed on-site inspections by the relevant government authority on an ongoing basis	We adopted applicable control recommendation in around December 2016	Low

Factor	Potential risk	Control recommendation	Our responses	Status of implementation of control recommendation	Residual risk rating
Transportation costs	Transportation cost will be borne by customers, but increase in transportation cost will reduce interest from potential buyers to purchase products from us, which in turn will result in a reduction in profit	• Continue to seek additional markets • Monitor transport options	We have entered into sales contracts with different customers whereby our customers will bear the transportation costs. We will establish three sales centres in each of Guiyang City of Guizhou Province, Quanzhou City of Fujian Province and Chengdu City of Sichuan Province to facilitate the sales of our products in these regions. We will closely monitor transport options available to us and our customers	We adopted applicable control recommendation in around December 2016	Low
Markets	• Anticipated market prices not achieved • Sales growth not as fast as anticipated • Increased competition from new quarries	• Establish and implement a marketing plan to optimise product range and target diverse markets • Modify production rate, actively seek new markets, establish long term contracts • Markets and prices be monitored to ensure that prices received are maximised and all the products of our Leishoushan Project are sold	As at the Latest Practicable Date, we had entered into legally binding sales contracts with a total of five customers, including three One-off Sales Contracts, nine Framework Sales Contracts, 34 individual sales contracts entered into pursuant to the Framework Sales Contracts and one purchase order. For further details about these sales contracts, please refer to the paragraph headed "Sales and marketing — Customers". As our operations ramp up, we will seek to identify new customers, lower our production cost and lower production volume in response to possible weaker market demand in order to minimise our risk of exposure to market dynamics	We adopted applicable control recommendation in around December 2016. Save for the entering into of the One-off Sales Contracts, the Framework Sales Contracts, the individual sales contracts and the purchase orders, we have not implemented other measures referred to in our response as the potential risk has not materialised	Medium

The Independent Technical Consultant is of the opinion that the above risks can be managed if detailed risk assessments and control procedures are implemented, actions specified in our response are carried out, and if the standards and regulatory requirements of the PRC are followed.

Further discussions on factors bearing medium risks

Markets

As at the Latest Practicable Date, we had established business relationships with five customers and entered into sales contracts with them. We plan to implement the following measures to minimise the risks associated with the sales and marketing of our products:

(i) expand the geographical reach of our products. We plan to sell our products primarily in Fujian Province at the initial stage of our commercial production, and expand the sales to other regions of China as we ramp up our operations. We may also explore the opportunities of selling to the overseas market;

(ii) proactively market our products through a series of marketing activities to build our market recognition, and widen our customer base and enhance our sales network. We plan to establish a sales team to be responsible for our direct sales to customers. We also plan to increase customers' loyalty through recruiting marble product designers to produce and sell tailor-made products to end customers. Please refer to the paragraph headed "Sales and marketing — Marketing activities" in this section below for the marketing initiatives taken by us; and

(iii) reduce our production costs when we ramp up our operations through benefiting from the economy of scale.

Risk management

We have designed and implemented a risk management policy to manage and control our operational risks. Our risk management objectives include identifying and assessing risks associated with our operations; developing risk management strategies; monitoring risks and implementing measures to deal with the risks; and balancing risk management with our growth.

We have put in place a process flow for our risk management which encompasses risk identification and assessment, implementation of risk control measures as well as risk recording and reporting. Under our risk management policy, our Board is responsible for designing key risk management objectives and overseeing our overall risk management and assessing and updating our risk management policies. In particular, Mr. Luo Jinjun, our executive Director and the mine manager of our Group who has approximately 11 years of relevant experience in stone mining industry, including experience in the provision of technical services and advice on the formulation of mining production plan and supervision of mining processes which is similar to our Leishoushan Project, is responsible for reviewing material risks associated with the operations of our Leishoushan Project and establishing and implementing relevant risk management measures. For further details of our risks, please refer to the sections headed "Risk factors — Risks relating to our business" and "Financial information — Qualitative and quantitative disclosure about certain financial risks" in this prospectus. Based on the likelihood and potential impact of the risks we identified, we prioritise and mitigate each risk with a mitigation plan. Each of our departments is responsible for identifying and analysing risks associated with its function, maintaining a comprehensive risk register, preparing risk mitigation plans, measuring the effectiveness of such risk mitigation plans, and reporting on the status of risk management. Our administrative department coordinates the risk management of other internal departments, communicates with other departments to assess our strategic and decision-making risks, as well as puts forward and implements detailed risk management and control measures. Our finance department assesses our financial and operational risks. Our production department assesses technical risks and risks associated with our technological innovation and technology management. Each of these departments reports its risk assessment results to our administrative department, which will then coordinate the implementation of risk control measures. We believe that we have established an effective risk management system that allows us to identify, assess and manage risks associated with our business operations.

Key recommendations of the Independent Technical Consultant

The Independent Technical Consultant has also made certain recommendations in respect of our Leishoushan Project. The following table sets forth the key recommendations made by the Independent Technical Consultant and our commitments to address these recommendations:

Issue	Recommendations	Our commitments
Waste oil	Waste oil be stored with secondary containment in line with recognised international industry management practices; establish a waste oil management system which keeps official records of our Leishoushan Project's hazardous materials and register these records with the environmental protection bureau	We have designated spaces for the storage of hazardous materials and establish waste oil management system, and registered the records of such hazardous materials and waste oil with the relevant environmental protection bureau
Community engagement	Design and implement a public consultation and disclosure plan to ensure ongoing community engagement	We have consulted the residents in regions surrounding our Leishoushan Project about the impact of the operations of our Leishoushan Project on them periodically
Operational environmental protection and management	Develop and implement an operational environmental protection and management plan which includes a monitoring programme in line with the recognised international practices	We have implemented an operational environmental protection and management plan and will comply with the relevant environmental protection laws and regulations in the PRC. In particular, we will comply with the relevant environmental protection standards applicable to our Leishoushan Project
Labour protection	Workers use ear plugs and dust masks during production	We require our workers to wear safety protective equipment including ear plugs and dust masks before they enter the working areas. Each working group leader is required to perform inspection on the safety conditions of the working place

OUR PRODUCTS

Our principal products are marble blocks mined from our Leishoushan Project and marble slabs and shaped stones processed at our Processing Plant.

According to the Independent Technical Consultant, in the dimension stone industry, the term "marble" includes both true metamorphic marble as well as dense limestone that is capable of being polished and used as a building material. The material that is to be extracted from our Leishoushan Project is locally known as marble, even though parts of it contain fossils and the degree of marmorisation, which is recrystallisation due to heat and/or pressure, is low and variable. In the dimension stone industry, it is clearly within the definition of marble as it can be polished.

Properties of our products

According to the Independent Technical Consultant, the Gansu Geological Team has carried out laboratory tests to determine the physical and chemical characteristics of our marble products, and an independent research institution has undertaken a radioactivity analysis of our marble products. As advised by the Independent Technical Consultant, the results of the laboratory tests on our Royal Beige, Carlo Rose and Athens Grey marbles undertaken by the Gansu Geological Team and this research institution are as follows:

Physical characteristics of units and standard requirements

Unit	Statistics	Bulk density	Dry compressive strength	Dry flexural strength	Water absorption	Glossiness	Abrasion resistance
		(g/cm^3)	*(MPa)*	*(MPa)*	*(%)*	*(%)*	*(g/cm^3)*
Royal Beige marble	Number of samples	68	68	68	68	16	16
	Minimum	2.56	48.50	2.26	0.01	75.59	11.57
	Maximum	2.74	141.56	15.34	0.47	88.71	15.26
	Mean	2.67	81.32	10.53	0.12	80.06	13.11
	Standard deviation*(Note)*	0.04	23.51	2.02	0.11	3.72	0.98
Carlo Rose marble	Number of samples	86	86	86	86	11	11
	Minimum	2.56	49.28	8.03	0.01	72.49	12.34
	Maximum	2.73	125.63	13.95	0.35	84.57	17.34
	Mean	2.67	75.98	10.21	0.06	78.89	14.25
	Standard deviation*(Note)*	0.03	16.44	1.21	0.05	4.35	1.34
Athens Grey marble	Number of samples	145	145	145	145	5	5
	Minimum	2.54	30.30	3.54	0.01	76.84	12.35
	Maximum	2.74	147.53	15.98	0.39	80.61	15.23
	Mean	2.66	77.12	10.30	0.06	79.12	13.67
	Standard deviation*(Note)*	0.03	19.93	1.66	0.05	1.36	1.13
Chinese National Dimension Stone Standard for slabs		≥2.6	≥50.0	≥7.0	≤0.50	≥70.0	≥10

Unit	Statistics	Bulk density	Dry compressive strength	Dry flexural strength	Water absorption	Glossiness	Abrasion resistance
		(g/cm³)	*(MPa)*	*(MPa)*	*(%)*	*(%)*	*(g/cm³)*
Chinese National Dimension Stone Standard for blocks		2.56	≥50.0	≥7.0	≤0.50	≥70.0	≥10

Note: Standard deviation is a measure that is used to quantify the amount of variation or dispersion of a set of data values. A low standard deviation indicates that the data points tend to be close to the mean of the set, while a high standard deviation indicates that the data points are spread out over a wider range of values.

According to the Independent Technical Consultant, certain physical tests have been performed on our products and overall, the results of the tests indicate that the marble samples from our Leishoushan Project meet the appropriate Chinese standard specifications. The Independent Technical Consultant considers that these tests are the appropriate tests for assessing marble dimension stone covering the features that potential buyers would consider in assessing the quality of the stone.

The following table sets forth descriptions of the key physical characteristics of our products, which are based on the Independent Technical Report:

Characteristic	Description	Number of samples taken			Total	Conclusion
		Royal Beige	Carlo Rose	Athens Grey		
Bulk density and water absorption	Bulk density measures the unit weight of the stone and is required by architects and engineers for the design of the structure and fixtures for supporting the stone Water absorption test is a measure of the porosity of stone and can reflect its general durability and resistance to staining and salt attack	68	86	145	299	The majority of the samples have met the Chinese national standard

Characteristic	Description	Number of samples taken Royal Beige	Carlo Rose	Athens Grey	Total	Conclusion
Compressive and flexural strength	Strength tests measure the ability of stone to carry loads in buildings and other applications. The compressive strength is the maximum compressive load that a stone can resist without crushing or deforming. The flexural strength is a measure of the bending strength of the stone. It is measured by applying a load to a specimen that is supported near ends	68	86	145	299	The majority of the samples have met the Chinese national standard
Glossiness	The glossiness test is a measure of the level of polish that can be achieved when the stone is processed	16	11	5	32	All samples meet the Chinese national standard
Shore hardness	A rebound test designed to measure the elastic properties of the stone	16	11	5	32	All samples meet the Chinese national standard
Freeze-thaw test	This test is used to assess the stone's resistance to cracking from the freezing of absorbed water in cold climates	16	11	5	32	The samples of marble tested showed a significant reduction in strength compared to the average dry compressive strength for each of the marble units. These results indicate that the marble of our Leishoushan Project, like most other marbles, is not suitable for exterior applications in very cold climates

Characteristic	Description	Number of samples taken Royal Beige	Carlo Rose	Athens Grey	Total	Conclusion
Acid and alkali resistance	A test for rock resistance to acid or alkali solutions	16	11	5	32	The alkali resistance is, as expected, very high, being 99.9% or higher in all cases. As would be expected for marble, the acid resistance is lower
Soundness	This test is to estimate durability, and, also resistance to freezing of stone by soaking samples in a sodium sulphate solution for 48 hours and drying the samples over several cycles. The samples from our Leishoushan Project were soaked and dried for five cycles under the appropriate Chinese standard	16	11	5	32	The results of the test are expressed as the percentage of weight lost after five cycles. While there is no relevant specification, and the number of cycles used in the test is lower than that used in overseas specifications, the samples have low levels of loss which is below 0.4%, indicating that the stone is likely to be durable
Abrasion resistance	This test measures the resistance of stone to scratching, abrasion and loss of polish	16	11	5	32	All samples meet the Chinese national standard
Radioactivity	This test measures the radioactivity of stone which determines their applications	2	2	2	6	The radioactivity of the samples is extremely low. The samples belong to Class A[(Note)], indicating that there is no restrictions on their use

Note: According to the national mandatory standard (GB6566-2001), dimension stones are divided into four classes according to their radioactivity:

(i) Class A ($I_{Ra}\leq$ 1.0 and $I\gamma\leq$ 1.3): there is no restriction on their use;

(ii) Class B ($I_{Ra}\leq$ 1.3 and $I\gamma\leq$ 1.9): cannot be used for houses, flats, hospitals, schools, and other commercial buildings;

(iii) Class C ($I_{Ra}\leq$ 2.8): can only be used on building exteriors; and

(iv) Class D ($I\gamma\geq$2.8): can only be used for seawalls and piers.

According to the Independent Technical Consultant, an independent research institution has carried out a radioactivity testing of our marbles. Two samples from each of our Royal Beige, Carlo Rose and Athens Grey marbles were taken for the testing. According to the Independent Technical Consultant, the test results indicate that the radioactivity of our marbles is extremely low. There is no restriction on the applications of our marble products.

Product category

Our products are mainly marble blocks, marble slabs and shaped stones in three branch colours, namely Royal Beige, Carlo Rose and Athens Grey. During the Track Record Period, we processed certain marble slabs and shaped stones for the purposes of product sample evaluation and testing of major processing facilities and equipment, and sold such products to customers. The sales of such marble slabs and shaped stones amounted to approximately RMB0.24 million, RMB0.34 million and RMB0.70 million for the three years ended 31 December 2016, respectively. The proceeds of the sales were credited to the construction in progress under the International Accounting Standards 16 the details of which are set out in the section headed "Financial information — Discussion of certain items from the consolidated statements of profit or loss and other comprehensive income" in this prospectus. As such, no revenue was recorded by us during the three years ended 31 December 2016. We started to generate revenue of approximately RMB10.7 million for the four months ended 30 April 2017 as our Shiqian Project commenced limited commercial production in April 2017.

As advised by our PRC Legal Advisers, Shiqian Investment's sales of marble slabs and shaped stones were for product sample evaluation and testing of major processing facilities and equipment, and it did not amount to commercial production or operation of our Processing Plant. Given that Shiqian Investment did not commence commercial production or start operations in 2014, 2015 and 2016, our PRC Legal Advisers are of the view that the sales of marble slabs and shaped stones by Shiqian Investment in 2014, 2015 and 2016 were not in breach of any relevant PRC laws and regulations.

Marble blocks

According to the Independent Technical Consultant, marble blocks of all three branch colours will be produced at our Leishoushan Project. Three sizes of blocks are expected to be produced: (i) large sized marble blocks with a size $\geq 280 \times 80 \times 160$ cm; (ii) medium sized marble blocks with a size $\geq 200 \times 80 \times 130$ cm; and (iii) small sized marble blocks with a size $\geq 100 \times 50 \times 40$ cm. From 2018 onwards, 70% of the marble blocks will be consumed by our Processing Plant, where marble blocks will be processed into marble slabs and shaped stones and sold to customers. The remaining 30% will be sold to customers such as processing plants which are Independent Third Parties. Set out below are sample pictures of our representative marble blocks:

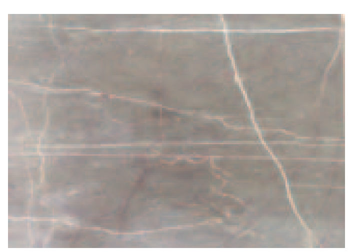
Marble slabs

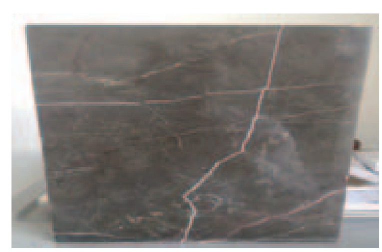
Marble slabs of all three branch colours will be processed at our Processing Plant. Our five standard marble slabs have sizes of 3,000 × 2,000 mm, 2,800 × 1,800 mm, 2,600 × 1,500 mm, 2,500 × 1,600 mm, and 2,400 × 1,700 mm, respectively, with a thickness range of 16-18 mm. The physical properties of marble slabs are represented by density, water absorption, dried compressive strength, dry and wet flexural strength, abrasion resistance, and glossiness. All the tested samples of our marble slabs meet the Chinese national standard according to the Independent Technical Consultant. Set out below are sample pictures of our representative marble slabs:

Royal Beige

Carlo Rose

Athens Grey





Shaped stones

According to the Independent Technical Consultant, our shaped stones include marble pillars, column bases, column caps, roman columns, twisted columns, straight and curved cornices, steps, balustrades, tiling patterns, countertops, fireplaces, car barrier stones, flower pots, furniture, kerb stones and embossments. These products are customised to the customers' demand and are of various sizes. Set out below are sample pictures of our representative shaped stones:

Square pillar

Round flower pots

Tea table

Market prices and price trend

Our marble products are commercially marketed and sold under the names of Royal Beige, Carlo Rose and Athens Grey, which are branch colours of yellow, red and grey, respectively. According to the Frost & Sullivan Report, the prices of yellow, red and grey marble blocks and slabs in China experienced a stable upward trend for the period from 2012 to 2016, primarily because marble is a natural resource and is prone to depletion due to extraction. According to the Frost & Sullivan Report, prices of marble products will increase as supply decreases if the demand for marble holds constant. The market price ranges of yellow, red and grey marble blocks mined in China in 2016 were RMB2,500/m^3 to RMB5,000/m^3, RMB2,500/m^3 to RMB4,500/m^3 and RMB2,500/m^3 to RMB5,500/m^3, respectively, and the market price ranges of yellow, red and grey marble slabs processed in China in 2016 were RMB200/m^2 to RMB300/m^2, RMB200/m^2 to RMB300/m^2 and RMB300/m^2 to RMB400/m^2, respectively. It is expected that the upward trend will continue in the coming years. The price ranges of our Royal Beige and Carlo Rose marble blocks and marble slabs under the One-off Sales Contracts, the Framework Sales Contracts and the individual sales contracts pursuant to the Framework Sales Contracts fall within the market price ranges of yellow and red marble blocks and marble slabs reported in the Frost & Sullivan Report. For further details of our pricing policies, please refer to the paragraph headed "Sales and marketing — Pricing" below in this section.

PRODUCTION

We plan to complete the development of our Leishoushan Project in 2018 and commissioning of Phase 2 of the Processing Plant is expected to begin in the second quarter of 2019, and reach full production volume of 60,000 m^3 of marble blocks for our Leishoushan Project and full processing output of 1,428,000 m^2 of marble slabs and shaped stones for our Processing Plant in 2020.

Machinery and equipment

Our major mining machinery and equipment includes diamond wire saws, drills, forklifts, wheel loaders and flatbed trucks, and our ancillary mining machinery and equipment includes diamond disc saws, mobile air compressors and dump trucks. Our major processing machinery and equipment includes trimming machine, gang saw, polishing machine and stone cutter for the polished slab production line and computerised stone cutter, water cutter, rubbing and trimming machine, disc stone cutter, basin cutter and a gantry crane for the shaped stone production line.

As at the Latest Practicable Date, our Leishoushan Project was equipped with a number of diamond wire saws and other mining equipment, and a marble slab production line and a shaped stone production line had been installed at our Processing Plant. The expected life span of our major mining and processing machinery and equipment is 10 years on average. Our machinery and equipment are purchased from manufacturers in China. We plan to continue to procure mining and processing machinery and equipment from manufacturers in China as our ramp-up plan progresses.

For further details relating to the depreciation method of our machinery and equipment, please refer to the section headed "Financial information — Critical accounting policies and estimates — Property, plant and equipment and depreciation".

Marble mining processes

We will use the open-pit method to carry out mining at our Leishoushan Project site. The following diagram illustrates our mining processes:

Step 1: Topsoil stripping

Topsoil is stripped using equipment such as wheel loaders. Marble blocks are exposed and ready for cutting

⇩

Step 2: Cutting

Holes are drilled both vertically and horizontally for the diamond wire saw to pass through the rock. A large rectangular stone is cut with dimensions of 10 m in length, 3.2 m in width and 5 m in height

⇩

Step 3: Overturning

A cushion layer, made up of crushed stone and soil is formed by a front end loader on the working bench. The large rectangular stone block is toppled by an airbag and air compressor

⇩

Step 4: Separation

The large overturned stone is separated into rough blocks of two to three metres in length with a diamond wire saw. The rough blocks are further shaped and trimmed by a light diamond wire saw. During separation and shaping, care is taken to avoid creating cracks and to maximise block yield

⇩

Step 5: Loading

The marble blocks are loaded by forklift onto flatbed truck for delivery to our Processing Plant or directly to customers. Some of the blocks are transported to the stockpile area located on the west edge of our Leishoushan Project site

⇩

Step 6: Cleaning

The rock fragments on the working bench are loaded into dump trucks by a wheel loader or an excavator for transfer to the next working level if needed, or to the waste dump

We outsource blasting operations, which form part of topsoil stripping, a step of our mining operations, to a contractor which is an Independent Third Party. We also outsource all other marble mining processes to a mining company which is an Independent Third Party. For further details relating to such arrangements, please refer to the paragraph headed "Suppliers — Contractors" in this section.

Marble processing process

Marble slab processing

The following diagram illustrates our marble slab processing process:

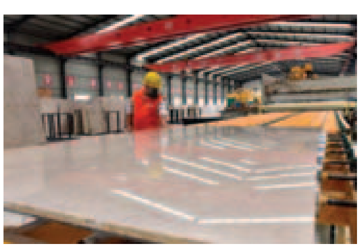
Step 1: Marble block cutting

A multi-bladed gang saw is used to cut the marble blocks into slabs. The distance between the saw blades is adjusted to produce slabs of different thickness

Step 2: Mesh and glue application

Glue is applied to the raw slabs and nylon mesh is affixed to the slabs to treat fractures and blisters on the surface and to reinforce the strength of the slabs. Glue can be air dried or dried by machine

Step 3: Polishing and thickness rendering



Slabs have uneven surfaces and differ in thickness. A polishing machine is used to smooth the slabs and to give them a consistent thickness for further polishing in the next step. After this, a polishing machine is then used to rub one side of the slab to give it the gloss required

Step 4: Packaging

As the final product, polished slabs are packed and stored for sale to customers

We outsource marble processing to a workforce solution company which is an Independent Third Party. For further details relating to such arrangement, please refer to the paragraph headed "Suppliers — Contractors" in this section.

Shaped stones processing

Marble blocks for shaped-stone production have various shapes and sizes. Different equipment is required for shaped stone processing. Marble blocks are first sent to a stone cutter or diamond wire saw by telescopic handler and cut to the required size. They are thereafter sent via a single-girder overhead travelling crane to the digitally controlled bridge cutting machine, bridge wire saw, fully automated cylindrical multi-stone cutter, lathe, and water cutter for shaping, rubbing, and polishing, to yield the final product. They can also be processed to have an antique or matte appearance, according to the customers' needs. Nearly 30% of semi-finished products require hand-rubbing and water polishing to produce large art works and special order items. Spalls can be further utilised as a material for producing railings, pillars and stone caps through a series of processes including lathe and wire saw cutting, chiselling, shaping, rubbing, and polishing. We outsource shaped stone processing to a workforce solution company which is an Independent Third Party. For further details relating to such arrangement, please refer to the paragraph headed "Suppliers — Contractors" in this section.

SALES AND MARKETING

Our Shiqian Project commenced limited commercial production in April 2017. We will establish a sales team to be responsible for the promotion and marketing of our products and dealing with our customers. We expect to sell our products primarily in Fujian Province at the initial stage of our commercial production, and expect to expand the sales to other regions of China as our operations ramp up. From 2018 onwards, we expect that approximately 30% of the marble blocks mined from our Leishoushan Project will be sold to customers such as processing plants which are Independent Third Parties, and the remaining 70% marble blocks will be processed into marble slabs and shaped stones at our Processing Plant and sold mainly to architecture decorative companies and home decoration users. As an exception to the general sales volume ratio of 30:70 in respect of marble blocks versus marble slabs and shaped stones, in 2017, we plan to sell 4,500 m^3 of marble blocks (representing approximately 39.1% of our expected annual production volume of 11,500 m^3 in 2017) and the remaining 7,000 m^3 of marble blocks (representing approximately 60.9% of our expected annual production volume of 11,500 m^3 in 2017) will be processed into marble slabs and shaped stones. We have anticipated a larger sales percentage for marble blocks in 2017 because we have contracted to sell more marble blocks in 2017. For further details about the sales of our products under our sales contracts, please refer to the paragraph headed "Sales and marketing — Customers" in this section.

Marketing activities

We currently carry out marketing activities primarily through participation in trade fairs and exhibitions, and visits to potential customers. We have received positive feedback on our products as a result of our marketing efforts. We plan to proactively market our products through a series of marketing activities to build our market recognition. Besides attending trade fairs, exhibitions and interior designer conferences to showcase our products, we also plan to make advertisements through magazines and internet such as stone trading websites. In particular, we have recently participated in The China Xiamen International Stone Fair (中國廈門國際石材展覽會) and intend to continue to participate in this trade fair annually to promote our products. We intend to set up product exhibition halls at places where a large number of potential customers are located and increase communications and interactions with architectural decoration industry participants. We also intend to actively take part in public tenders organised by the governmental departments to increase their awareness of our brand name. We also plan to play an active role as a vice president unit in the Dimension Stone Branch of CBDA to promote our products among its members.

Pricing

We price our products primarily based on their appearance, quality, specifications and quantity. We also take into account our production costs and make references to the market prices of our competitors' products of the same colours and similar appearances and quality. We categorise our marble blocks and marble slabs into three grades according to their quality and appearance: (i) products with no visible colour difference with well-defined vein lines, no crack and a fine texture; (ii) products with minor colour difference with slightly cluttered vein lines, no crack and not as fine texture; and (iii) products with relatively conspicuous colour difference with cluttered vein lines, no crack and not as fine texture. For each grade of our products, we adopt a price range, which may be subject to adjustments depending on individual circumstances of each transaction.

We offer discounts to customers with large purchases. Under our pricing policy, we generally offer a 1%, 3%, 6% and 10% discount to customers whose purchases of marble blocks exceed 3,000 m^3, 9,000 m^3, 15,000 m^3 and 21,000 m^3, respectively or whose purchases of marble slabs exceed 100,000 m^2, 150,000 m^2, 250,000 m^2 and 350,000 m^2, respectively. We also offer a 3% discount to customers who place repeated purchase of our products.

Please refer to the paragraph headed "Sales and marketing — Customers" in this section below for the price ranges of our marble blocks, marble slabs and shaped stones under our One-off Sales Contracts and Framework Sales Contracts. Such price ranges are in line with our pricing policy.

Customers

As at the Latest Practicable Date, we had entered into legally binding sales contracts with a total of five customers, including three One-off Sales Contracts, nine Framework Sales Contracts, 34 individual sales contracts entered into pursuant to the Framework Sales Contracts and one purchase order.

One-off Sales Contracts

As at the Latest Practicable Date, we had entered into three One-off Sales Contracts with our customers, all of whom are Independent Third Parties, for one-off sales of marble blocks with an aggregate sales volume of 1,500 m^3. All of the One-off Sales Contracts are legally binding. The One-off Sales Contracts have provided for, among others, product specifications, quantity, prices, quality requirements of our products, payment terms as well as product delivery schedule. The price of our marble blocks under the One-off Sales Contracts is ranging from RMB2,700/m^3 to RMB4,950/m^3, depending on the product quality. Under the One-off Sales Contracts, we were required to deliver products to the customers within 30 days upon the signing of the contracts on 22, 23 and 26 December 2016, respectively. In view of the festive seasons in China in January and February 2017 when the workers of our Leishoushan Project were away for holidays and the then anticipated time of commencement of limited commercial production of our Shiqian Project, which took place in April 2017, as well as the time required for the production of the marble blocks under the One-off Sales Contracts, we subsequently entered into three supplemental contracts with the customers on 6, 7 and 8 March 2017 to extend the product delivery time to no later than 30 April 2017. As agreed in the supplemental contracts dated 6, 7 and 8 March 2017, the customers would not make any claim for liabilities in respect of our late delivery. As at 30 April 2017, we had performed our obligation to deliver our products to the customers under the One-off Sales Contracts.

Framework Sales Contracts

As at the Latest Practicable Date, we had entered into nine Framework Sales Contracts with our customers, all of whom are Independent Third Parties, pursuant to which our customers had agreed to purchase from us certain quantity of marble blocks, marble slabs and shaped stones over a period of time. All of the Framework Sales Contracts are legally binding. According to the Frost & Sullivan Report, as the colour, pattern and texture of each marble mine are unique, it is an industry norm for customers and their suppliers to enter into long-term framework sales contracts with minimum purchase commitments from the customers in order to ensure the consistency of the colour, pattern and texture of the marble products by procuring marble products from a single mine.

The following table sets forth the background information of our customers who had entered into the Framework Sales Contracts with us as at the Latest Practicable Date:

Name of customers	Principal place of business	Nature of business	Scale of operation	Date of the Framework Sales Contracts	Product name	Minimum Purchase	Term
Fujian Nanan Xiangtai Dimension Stone Company Limited* (福建省南安市祥泰石業有限公司)(Note 1)	Mainly Beijing, Shanghai, Yunan and Guangdong of PRC	Processing and sale of dimension stone products	A large-sized company(Note 2)	20 June 2016	Marble blocks	2017: 1,000 m^3 2018: 1,800 m^3	1 July 2016 – 31 December 2018
				20 June 2016	Marble slabs	2017: 50,000 m^2 2018: 90,000 m^2	1 July 2016 – 31 December 2018
Xiamen Hefeng Dimension Stone Company Limited* (廈門和豐石材有限公司)	Mainly Southern China	Trading of ceramics, dimension stone and building materials	A small to medium-sized company(Note 2)	21 September 2016	Marble blocks	2017: 1,000 m^3 2018: 1,800 m^3	1 October 2016 – 31 December 2018
				21 September 2016	Marble slabs	2017: 50,000 m^2 2018: 70,000 m^2	1 October 2016 – 31 December 2018
				8 March 2017	Shaped Stones	2017: 9,000 m^2 2018: 18,000 m^2	1 March 2017 – 31 December 2018
Quanzhou Xinxing Dimension Stone Crafts Company Limited* (泉州市新興石材工藝有限公司)(Note 1)	PRC and overseas markets (such as the U.S., Canada and Australia)	Processing and sale of dimension stone slabs and other dimension stone products	A large-sized company(Note 2)	20 June 2016	Marble blocks	2017: 1,000 m^3 2018: 1,800 m^3	1 July 2016 – 31 December 2019(Note 2)
				20 June 2016	Marble slabs	2017: 50,000 m^2 2018: 90,000 m^2	1 July 2016 – 31 December 2019(Note 3)
Bizhong United (Hangzhou) Company Limited* (比中聯合(杭州)有限公司)	Eastern China (Mainly Jiangsu, Zhejiang and Shanghai)	Commodity trading	A small to medium-sized company(Note 2)	20 June 2016	Marble slabs	2017: 50,000 m^2 2018: 70,000 m^2	1 July 2016 – 31 December 2018
Quanzhou Gaoqi Dimension Stone Company Limited* (泉州高旗石業有限公司)(Note 1)	PRC and overseas markets (such as the U.S., Korea and Middle East)	Processing and sale of dimension stone slabs	A small to medium-sized company(Note 2)	7 March 2017	Marble slabs	2017: 28,000 m^2 2018: 90,000 m^2	1 March 2017 – 31 December 2018

Notes:

1. These customers also entered into the One-off Sales Contracts with our Group.

2. The categorisation is based on the Frost & Sullivan Report. A company is categorised as "large-sized" if its annual revenue is over RMB50 million and "small to medium-sized" if its annual revenue is lower than RMB50 million.

3. No minimum purchase volumes of marble blocks and marble slabs for 2019 were committed by this customer.

Save that the customers have entered into the One-off Sales Contracts, Framework Sales Contracts, individual sales contracts pursuant to the Framework Sales Contracts and purchase order with us, the customers do not have any past or present relationships with us, our subsidiaries, our shareholders, our Directors or any of our shareholders' or directors' respective associates.

The key terms of the Framework Sales Contracts are as follows:

- ***Term.*** The Framework Sales Contracts are for a term (the "**Term**") ranging from one year and ten months to three and a half years. Such term is subject to automatic renewal for another term of two years upon expiry of the existing term.

- ***Minimum purchases***. Our customers have agreed to give priority to our products in their procurement process. They have also committed to a minimum purchase quantity ("**Minimum Purchase**") for 2017 and 2018. Please refer to the paragraph headed "Sales and marketing — Customers — Aggregate purchases by our customers" in this section below for the amount of the aggregate minimum purchase. In the event that our customers fail to make the Minimum Purchase for any year, they are obligated to pay liquidated damages which are calculated according to the following formula:

  Liquidated damages = (Minimum Purchase – actual purchase quantities) x product prices

  Our customers have also undertaken to use best efforts to promote the use of our products throughout their business chains so as to maximise the sale of our products.

- ***Price.*** We have agreed to sell marble products at fixed price ranges, depending on the product quality. The price ranges are RMB3,000/m^3 to RMB5,500/m^3 for marble blocks, RMB200/m^2 to RMB290/m^2 for marble slabs and RMB2,200/m^2 to RMB2,980/m^2 for shaped stones. The parties may make upward or downward adjustments to these price ranges according to the condition of the products. In the event that there is significant discrepancy between the quality of the products and the quality standards applicable to the agreed price ranges, the parties may decide the prices upon further negotiation. In line with our pricing policy, we offer a discount of 1%, 3%, 6% and 10% to our customers when their purchases of marble blocks exceed 3,000 m^3, 9,000 m^3, 15,000 m^3 and 21,000 m^3, respectively or their purchases of marble slabs exceed 100,000 m^2, 150,000 m^2, 250,000 m^2 and 350,000 m^2, respectively.

- ***Payment term.*** A deposit equivalent to 15% of the purchase prices is generally required by us within three days after the purchase orders to be placed by our customers are confirmed by us. Our customers shall pay the full purchase prices to us within 15 days after they have completed inspection of our products.

- ***Other co-operations.*** Our customers have agreed to send relevant procurement and technical staff to our production facilities to receive training on our products and discuss with us on the optimisation of our products on a regular basis. The parties have agreed to share resources to actively promote each other's brand name and products. The parties have also agreed to set up long-term communication channels through regular mutual visits by senior management and communications on business strategies and market development at department levels.

- ***Termination***. The Framework Sales Contracts can be terminated upon occurrence of any of the following events: (i) the Term expires; (ii) the parties' mutual agreement to terminate the Framework Sales Contracts; (iii) a force majeure event has occurred which results in the frustration of the purpose of the Framework Sales Contracts; (iv) any party ceases its operations due to the cancellation of its business licence or bankruptcy; and (v) the Framework Sales Contracts are decided to be invalid by court or a competent authority.

Our Directors believe that the terms of the Framework Sales Contracts are in line with the industry practice.

Under the Framework Sales Contracts, we shall enter into an individual sales contract with our customer for each sales transaction. As at the Latest Practicable Date, we had entered into 34 individual sales contracts with our customers pursuant to the Framework Sales Contracts. Under the individual sales contracts, depending on the product quality, we sold marble blocks at prices ranging from RMB3,000/m^3 to RMB5,000/m^3 and marble slabs at prices ranging from RMB200/m^2 to RMB290/m^2, which fall within the price ranges set out under the respective Framework Sales Contracts.

Aggregate purchases by our customers

The aggregate sales volume of marble blocks under the One-off Sales Contracts and the aggregate Minimum Purchase of our marble blocks, marble slabs and shaped stones committed by our customers for 2017 and 2018 under the Framework Sales Contracts, as well as such aggregate sales volume and the aggregate Minimum Purchase as a percentage of our anticipated annual production volume of marble blocks and annual processing output of marble slabs and shaped stones, respectively, for each of 2017 and 2018 are as follows:

	Marble blocks		**Marble slabs**		**Shaped stones**	
	Aggregate sales volume and aggregate Minimum Purchase	**As a percentage of our expected annual direct sales volume**	**Aggregate Minimum Purchase**	**As a percentage of our expected annual processing output**	**Aggregate Minimum Purchase**	**As a percentage of our expected annual processing output**
	(m^3)		*(m^3)*		*(m^3)*	
2017	4,500*(Note)*	100%	228,000	100%	9,000	90%
2018	5,400	90%	410,000	90%	18,000	90%

Note: Includes 1,500 m^3 of marble blocks under the One-off Sales Contracts and the aggregate Minimum Purchase of 3,000 m^3 under the Framework Sales Contracts.

Measures to mitigate risks associated with deriving our revenue from a limited number of customers

Under the One-off Sales Contracts entered into with our customers as at the Latest Practicable Date, the customers had purchased from us 1,500 m^3 of marble blocks. Under the Framework Sales Contracts entered into with our customers as at the Latest Practicable Date, the customers had committed to an aggregate Minimum Purchase of 3,000 m^3 and 5,400 m^3 for marble blocks, 228,000 m^2 and 410,000 m^2 for marble slabs and 9,000 m^2 and 18,000 m^2 for shaped stones for each of the two years ending 31 December 2018. Our revenue for the two years ending 31 December 2018 will be derived entirely from sales to these customers if we are unable to develop new customers in a timely manner.

In the event that any of these customers substantially reduce the quantity of their purchases notwithstanding the Minimum Purchase they are obliged to make, or if they terminate business relationships with us and we are unable to develop new customers in a timely manner, our business and results of operations may be materially and adversely affected. Please refer to the section headed "Risk factors — Risks relating to our business — We have entered into sales contracts with a limited number of customers and may place reliance on these customers" in this prospectus for further details about the risks associated with deriving revenue from a limited number of customers. To mitigate such risks, we have implemented and intend to implement the following measures:

- our customers are obligated to purchase an aggregate volume of 1,500 m^3 of marble blocks under the One-off Sales Contracts and to make aggregate Minimum Purchase under the Framework Sales Contracts. The aggregate purchase volumes under the One-off Sales Contracts and the Framework Sales Contracts equal 90% to 100% of the marble blocks, marble slabs and shaped stones we plan to produce in 2017 and 2018, failing which they are required to pay us liquidated damages which equal the shortfall in the purchase prices;

- we will strengthen our relationships with our existing customers through interactions with them in the course of our cooperation. We will also keep close contacts with our existing customers to obtain first-hand information about their business conditions to allow us to seek alternative sales in a timely manner if they fail to make the Minimum Purchase; and

- we will continuously widen our customer base and enhance our sales network.

Reasons for our customers to purchase our products

Our Shiqian Project is located in Guizhou Province which is not the same provinces where the places of business of our existing customers are located. Under the One-off Sales Contracts, the Framework Sales Contracts and the individual sales contracts entered into pursuant to the Framework Sales Contracts, our customers are generally required to take product delivery at our Leishoushan Project and Processing Plant sites and bear the transportation costs themselves. We believe that the main reasons for our customers to purchase products from us irrespective of such transportation arrangements are the following:

- ***Market demand in Fujian Province***. While Fujian Province is a leading marble processing, distribution and trading centre in China, it is not a major place of origin of marble blocks as its production volume of marble blocks amounted to approximately 0.3 million m^3, accounting for only approximately 2.9% of the total production volume of marble blocks in China in 2016, according to the Frost & Sullivan Report. However, Fujian Province, ranking after Guangxi Province, was China's second largest marble slab processing region in terms of production volume in 2016, with marble slab processing output accounting for approximately 21.6% of China's total marble slab processing output in that year.

  The Fujian marble slab processing market has experienced a continuous growth in recent years. According to the Frost & Sullivan Report, the processing output of marble slabs in Fujian Province increased from approximately 46.0 million m^2 in 2012 to approximately 129.8 million m^2 in 2016, representing a CAGR of approximately 29.6% from 2012 to 2016. In addition, the local sales volume of marble blocks in Fujian Province increased from approximately 0.9 million m^3 in 2012 to approximately 2.4 million m^3 in 2016, representing a CAGR of approximately 27.8% from 2012 to 2016, and the local sales volume of marble slabs in Fujian Province increased from approximately 4.6 million m^2 in 2012 to approximately 12.2 million m^2 in 2016, representing a CAGR of approximately 27.6% from 2012 to 2016. In particular, the imbalance between the local sales volume of marble blocks in Fujian Province of approximately 2.4 million m^3 which accounted for approximately approximately 25.8% of China's total domestic sales volume of marble blocks, and its limited production volume of marble blocks of approximately 0.3 million m^3 in 2016 indicates that there is a potential demand for marble blocks in Fujian Province from other provinces in China. The difference of approximately 2.1 million m^3 represented the shortfall between the demand and supply of marble blocks in Fujian Province in 2016. The significant difference between the processing output of marble slabs in Fujian Province of approximately 129.8 million m^2 in 2016 and its local sales volume of marble slabs of approximately 12.2 million m^2 in 2016 was mainly because the local sales volume did not reflect the sales of marble slabs to other provinces in China and the overseas market, while most of the marble slabs processed in Fujian Province were sold to nationwide and worldwide customers and such sales accounted for over 20% of total sales of marble slabs in China according to the Frost & Sullivan Report.

Further, according to the Frost & Sullivan Report, from 2012 to 2016, the trade volume of marble products of Fujian Province, which equals to the sum of the local sales volume of marble products of Fujian Province and the volume of marble products derived from sales to other regions of China and export sales of Fujian Province, exceeded the production volume of marble products of Fujian Province. Due to such shortfall, market players in Fujian Province procure marble blocks from other regions of China such as Guizhou, Guangdong, Guangxi and Sichuan provinces and foreign countries such as Turkey, Spain and Italy in order to meet the local demand. As such, according to the Frost & Sullivan Report, approximately 90% of the marble blocks sold in Fujian Province in 2016 were purchased from other regions of China or overseas. Likewise, suppliers of marble blocks from other regions of China also sell marble blocks into Fujian Province. As Fujian Province is a leading marble processing, distribution and trading centre in China with marble slab processing output accounting for approximately 21.6% of China's total marble slab processing output in that year, suppliers from other regions also sell marble slabs to Fujian Province where the demand for marble slab is significant given its leading position.

- ***Marbles' nature as non-standard products***. Unlike other natural resources such as gold, marbles are non-standard products. The colour, pattern and texture of marbles contained in different marble mines vary across different geographic locations due to marbles' naturally occurring nature and such variation makes each marble mine unique. As a result, customers looking for a variety of colours, pattern and textures need to source marble products from marble mines of different locations. In placing purchase orders for marble products, customers would take into account a combination of factors such as colour, pattern, texture, colour variability, quality and transportation costs. Suppliers of marble products would also consider these factors when pricing their products. Given the uniqueness of marble products, the transportation cost becomes a less important factor for a customer if such transportation cost can be passed on to the end-user customers or those marble products of a specific colour, pattern or texture can only be sourced from one location but not from another. As such, customers may purchase marble products of their desired colours and textures from a location that is not close to their places of business.

- ***Competitiveness of our products.*** Colour is one of the most important factors which customers would consider prior to their purchase. We have a competitive product portfolio that comprises Royal Beige, Carlo Rose and Athens Grey marbles, which are the branch colours of yellow, red and grey, and yellow and grey, in turn, are among the most popular colour series in China's marble market. According to the Frost & Sullivan Report, yellow and grey are essential base colours of marbles used in architectural decoration. Our product portfolio allows our customers to procure certain prevailing products through one-stop purchases from us. Our marble products have good appearance and quality, which are characterised by well-defined vein lines and a fine texture, and there is generally no visible colour difference or crack on our products according to Frost & Sullivan Report and hence, our marble products have received positive feedbacks from customers. According to the Frost & Sullivan Report, the prices of PRC companies' products are also lower than imported marble products, which give PRC companies like us a competitive edge.

- ***Transportation to end users***. Marble products, in particular marble slabs purchased by a customer are not always transported to the customer's place of business. Rather, they may be requested to be transported to the place of business of the end users. Where our customers purchase our products for onward sales to end users, the end users may be located in places that are closer to our Shiqian Project than Fujian Province and hence, the transportation costs may be substantially lowered.

Our customers have started to purchase products from us pursuant to the Framework Sales Contracts, which has demonstrated the market acceptance of our products.

Product returns and warranty

As our customers generally source marble blocks from us for onward processing into marble slabs, and we allow our customers to conduct inspection of our marble blocks, marble slabs and shaped stones prior to their delivery, we do not accept returns for our products. We neither provide any warranty nor accept any warranty claim after our products are delivered to our customers.

As at the Latest Practicable Date, we had not incurred any expenses in connection with product returns or warranty claims, and had not received any product liability claims that would have a material adverse impact on our business, financial condition and results of operations.

INFRASTRUCTURE AND UTILITIES

On-site transportation

We have built a haul road from the temporary staging area at the southeast section of our Leishoushan Project site to the test pit area. We believe that this haul road is adequate for the on-site transportation of our mined blocks and the hauling of mining machinery and other materials used in our mining activities before we commence full mine construction in 2018.

Intra-site and external transportation

Our Leishoushan Project is located approximately 32 km to the northeast of Shiqian, or approximately 238 km to the northeast of Guiyang City, capital of Guizhou Province. Access to our Leishoushan Project from Shiqian is by a series of paved provincial roads through Pingdichang Township. Shiqian is connected to Guiyang via Guiweng National Highway and then Anjiang National Highway for approximately 200 km. Our Processing Plant, situated beside Yanrong Highway, is approximately 26 km away from our Leishoushan Project site. Our Leishoushan Project and Processing Plant are connected by paved provincial roads. Our access to these transportation infrastructures allows us to transport products to customers at fairly low costs.

There are three commercial airports in the area in which our Shiqian Project is located, namely Tongren, Zunyi and Guiyang airports, among which Guiyang airport is the largest one where daily flights to other major cities in China are available. The river port closest to us is located approximately 60 km to the north of Shiqian in Sinan where freight can be transported by barges along Wujiang River, a tributary of the Yangtze River. These airports and water port offer alternative transportation means to us.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any shortage of transportation capacity for our products. We will construct additional roads at our Leishoushan Project site in 2018. Upon completion of the construction of the additional roads, we believe that the transportation infrastructures of our Leishoushan Project will be sufficient for our business expansion.

Electricity and diesel supply

Our mining and processing operations depend on electricity as a key energy source. We procure electricity for our production use at our Leishoushan Project site from the local branch of a state-owned power grid which is the only electricity supplier in the area. Under an electricity supply contract entered into between us and the state-owned power grid on 24 October 2016, the power grid has agreed to supply electricity to our Leishoushan Project at a tariff approved by the local government. We shall pay electricity charges to the power grid periodically based on the amount of electricity consumed by our Leishoushan Project. This contract does not contain a provision relating to its term and can be terminated by mutual agreement by the parties and upon occurrence of certain events such as a breach of certain terms in the contract. As at 30 April 2017, our Leishoushan Project had been installed with a transformer with a capacity of 400 kVA which was connected to the state-owned power grid through a dedicated connection at a 10 kV capacity. We plan to increase our transformer capacity for an amount of 800 kVA to 1,200 kVA. The total power rating and total annual power consumption of our Leishoushan Project are expected to be 1,055 kVA and 2.81 million kWh, respectively. The Independent Technical Consultant is of the opinion that the designed power supply capacity of our Leishoushan Project is stable and sufficient to meet the requirements of the mine site. Electricity utilities of our Processing Plant are connected to the local power supply network. We pay electricity charges at market rates for electricity consumption by our Leishoushan Project and our Processing Plant.

Diesel is supplied and transported to our Leishoushan Project site by the local suppliers from the nearby town. The estimated diesel consumption during the years of full production which is from 2020 onwards is 2,305 tpa. The Independent Technical Consultant considers that the diesel supply to our Leishoushan Project site is stable and sufficient to meet its requirements. We believe the diesel fees paid by us are generally in line with the market rate.

Water supply

We also use water in our marble mining and processing operations. We source fresh water from a spring located in Majiaping Village, which is 3 km southeast of our Leishoushan Project site. As at the Latest Practicable Date, we had constructed the water supply system for our Leishoushan Project, which consisted of a water pond near the mouth of the spring in Majiaping Village, a pump station equipped with a 15 kW pump, pipes connecting Majiaping Village and the project site, a pump station with two 2.2 kW pumps as well as two 50 m^3 head tanks at our Leishoushan Project site. The estimated daily amount of water required for mining production at our Leishoushan Project is 100 m^3, comprising 70 m^3 of re-circulated water and 30 m^3 of fresh water. The estimated daily amount of fresh water required for the on-site camp is 2 m^3. Water utilities of our Processing Plant are connected to the local supply network, and we believe we are charged at the market rate for the water consumption by our Processing Plant.

Shiqian Investment has obtained a water use permit issued by Shiqian County Water Bureau for the validity period from 29 February 2016 to 28 February 2021, which allows Shiqian Investment to use water above the ground of a total volume of 10,100 m^3 at our Leishoushan Project site.

The Independent Technical Consultant considers that the water source available at our Leishoushan Project is stable and sufficient for the planned operations of the project, and the water utilities of our Processing Plant are sufficient for current use and our planned production capacity expansion.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruptions to our operations as a result of a shortage of electricity, diesel, water or other utilities. Our Directors believe that we will be able to identify alternative diesel suppliers at competitive prices in the market in the event that our business relationship with any of our existing diesel suppliers terminates for whatever reason. Our Directors do not foresee any difficulties on our part in securing the supply of electricity and water to support our development plans.

SUPPLIERS

Our mining and marble slab and shaped stone processing operations use a large variety of machinery and equipment. Please refer to the paragraph headed "Production — Machinery and equipment" in this section for further details relating to the major machinery and equipment used in our operations and the section headed "Independent Technical Report — 7. Mining — 7.4 Mining methods — 7.4.3 Mining equipment" in Appendix IV to this prospectus for further details of the machinery and equipment owned by us as at the date of the Independent Technical Report. As at the Latest Practicable Date, the average age of our machinery and equipment was less than three years. We also use certain raw materials, mainly industrial glue and nylon mesh in slab and shaped stone processing. During the Track Record Period, we procured construction materials and construction and engineering services in connection with the development of Phase 1 of the Processing Plant. We also procured labour services from certain individuals during our limited mine construction and topsoil stripping.

We source machinery and equipment, raw materials, construction materials, construction and engineering services and labour services from domestic suppliers. We generally do not enter into any long-term agreements with our suppliers. For our procurement of machinery and equipment, raw materials and construction materials, we either pay the purchase prices upon product delivery, or make prepayments after entering into sales contracts and settle the balances of the purchase prices upon product delivery. The prepayments normally equal a certain percentage of the purchase prices depending on our negotiations with the suppliers. We pay construction and engineering service fees according to the progress of the work undertaken by the service providers, and pay labour service fees to the service providers on a monthly basis. We typically pay suppliers by bank transfers.

We select suppliers primarily based on their product quality and prices. We also take into account the reliability of on-time delivery and the service quality of potential suppliers. To manage our reliance on any single supplier and to maximise our bargaining power, we generally maintain at least two suppliers for each type of machinery and equipment. We believe that we will be able to identify alternative suppliers at competitive prices in the market in the event that our business relationships with any of our existing suppliers terminates for whatever reason. We perform periodic reviews on our suppliers to ensure that they meet our supplier selection criteria. During the Track Record Period, we did not experience any shortage or delay in the supply of our machinery, equipment and raw materials.

As part of our quality control process, we inspect the equipment and raw materials purchased by us at the time of their delivery, and perform trial operations after the machinery and equipment are delivered to us. Defective machinery and equipment and raw materials as well as malfunctioned machinery and equipment are returned to suppliers. Our suppliers typically provide a one-year warranty period for the machinery and equipment purchased by us. We perform routine repair and maintenance on our machinery and equipment and our suppliers carry out overhaul on our machinery and equipment periodically.

During the three years ended 31 December 2016 and the four months ended 30 April 2017, purchases from our five largest suppliers were approximately RMB21.5 million, RMB6.3 million, RMB3.9 million and RMB12.3 million, respectively, representing 66.9%, 70.9%, 74.2% and 91.5% of our total purchases, and purchases from our largest supplier were approximately RMB8.4 million, RMB2.7 million, RMB1.9 million and RMB6.3 million, respectively, representing 26.1%, 30.6%, 35.1% and 47.0% of our total purchases for the same periods. Our five largest suppliers during the Track Record Period were mainly suppliers of machinery, equipment and construction material. All of them are Independent Third Parties. We have maintained business relationships with our five largest suppliers during the Track Record Period for a period of approximately seven months to four years. None of our Directors, their close associates or any Shareholders (meaning any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers during the Track Record Period.

The following table sets forth certain information about our five largest suppliers for the periods indicated:

For the year ended 31 December 2014

Supplier	Identity	Nature of business	Products/service procured by our Group	Amount of our purchases from the supplier	Percentage of our total purchase during the year	Business relationship with our Group commencing from
				(RMB'000)	*(%)*	
Supplier A	A PRC company	Sales, lease and maintenance of mechanical equipment	Mechanical equipment	8,370.7	26.1	January 2014
Supplier B	A PRC company	Manufacture and sales of premixed concrete	Concrete for construction use	4,182.9	13.0	September 2013
Supplier C	A PRC company	Provision of construction and engineering services	Construction work for plant facilities of our Group	3,382.0	10.5	June 2013
Supplier D	A PRC company	Manufacture and sales of stone machinery and equipment	Stone machinery and equipment	2,925.0	9.1	December 2013
Supplier E	A PRC company	Manufacture and sales of stone machinery and equipment	Stone cutting machinery and equipment	2,593.2	8.1	October 2013

For the year ended 31 December 2015

Supplier	Identity	Nature of business	Products/service procured by our Group	Amount of our purchases from the supplier	Percentage of our total purchase during the year	Business relationship with our Group commencing from
				(RMB'000)	*(%)*	
Supplier D	A PRC company	Manufacture and sales of stone machinery and equipment	Stone machinery and equipment	2,739.9	30.6	December 2013
Supplier B	A PRC company	Manufacture and sales of premixed concrete	Concrete for construction use	1,546.8	17.3	September 2013
Supplier C	A PRC company	Provision of construction and engineering services	Construction work for plant facilities of our Group	1,531.1	17.1	June 2013
Supplier F	A PRC individual	Provision of labour services	Labour services in construction contracting in foundation and cement works	268.4	3.0	April 2014
Supplier G	A PRC individual	Provision of intermediary services	Intermediary services for sourcing and engaging service providers in road freight transportation for our Group's products	260.0	2.9	January 2015

For the year ended 31 December 2016

Supplier	Identity	Nature of business	Products/service procured by our Group	Amount of our purchases from the supplier	Percentage of our total purchase during the year	Business relationship with our Group commencing from
				(RMB'000)	*(%)*	
Supplier H	A PRC individual	Provision of labour services	Labour services in granite and marble mining	1,861.4	35.1	March 2016
Supplier D	A PRC company	Manufacture and sales of stone machinery and equipment	Stone machinery and equipment	1,040.0	19.6	December 2013
Supplier I	A PRC individual	Provision of labour services	Labour services in marble mining	799.0	15.1	September 2016
Supplier J	A PRC company	Sales of mining machinery and equipment, and stone processing equipment and accessories	Stone processing equipment and accessories	151.0	2.8	April 2016
Supplier K	A PRC individual	Sales of hardware, machine parts and construction materials	Hardware, machine parts and construction materials	80.7	1.5	January 2014

For the four months ended 30 April 2017

Supplier	Identity	Nature of business	Products/services procured by our Group	Amount of our purchases from the supplier	Percentage of our total purchase during the period	Business relationship with our Group commencing from
				(RMB'000)	*(%)*	
Supplier L	A PRC company	Manufacture and sales of stone processing machinery and equipment	Stone cutting machinery and equipment	6,300.0	47.0	March 2017
Supplier M	A PRC company	Manufacture and sales of resin	Resin	2,800.0	20.9	April 2017
Supplier N	A PRC company	Provision of labour services	Labour services in marble mining	1,777.7	13.3	March 2017
Supplier O	A PRC company	Manufacture and sales of mining machinery and equipment, and stone processing equipment and accessories	Stone processing equipment and accessories	1,000.0	7.5	April 2017
Supplier P	A PRC company	Manufacture and sales of resin	Resin	392.5	2.9	February 2017

During the Track Record Period, none of our suppliers was our customer or vice versa.

As advised by our PRC Legal Advisers, our major service suppliers referred to in the tables above who provided certain types of services to us, including construction and engineering services, labour services and intermediary services, had obtained all the requisite qualifications for the provision of the relevant services to us.

Contractors

Blasting operations

We have engaged a contractor to perform blasting operations for us. The blasting operation agreement entered into between us and the contractor is for a term of three years commencing on 26 May 2016 and ending on 26 May 2019, which is subject to renewal for a term until completion of mining operations at our Leishoushan Project upon mutual agreement. Under this agreement, we pay the contractor fees based on a unit price of RMB12 per square metre of topsoil removed and an estimate of the amount of work before the work commences, and make adjustments based on the actual amount of work undertaken by the contractor. The level of fees is determined by reference to market rate. The fees are paid on a monthly basis. We are responsible for providing on-site guidance and security alert for the blasting operations, and shall perform a safety evaluation of the blasting operation design plan. We shall also perform rock drilling operations according to the blasting operation plans formulated by the contractor. The contractor is responsible for obtaining approval for the blasting operations from the relevant public security authority, and shall perform blasting operations in accordance with our design plan. It shall also take necessary safety measures in the course of the blasting operations. The contractor is also obligated to take out workplace safety insurance for all of its staff who carry out the blasting operations. The contractor shall be responsible for casualties and property damages caused by the blasting operations upon presentation by us of an appraisal result issued by a qualified appraisal firm. The contractor is entitled to terminate the blasting operation agreement if we fail to pay the fees according to the progress of the blasting operations.

Our contractor for blasting operations is a specialised blasting operation company with its business operations located in Shiqian County, Guizhou Province, PRC. It possesses the requisite qualifications for performing blasting operations. Our safety production staff monitors the contractor's blasting operations performed at our Leishoushan Project site to ensure that it complies with the applicable laws and regulations as well as the terms of the blasting operation agreement between us. We have engaged the contractor to perform blasting operations for us primarily because the contractor possesses the requisite qualifications. It also enables us to reduce capital expenditures and control production costs.

Security service

We have also engaged a security company to provide security service for us. Under the contract between us and the security company, the security company has agreed to provide security services to us at our Processing Plant for 24 hours per day at a monthly service fee of RMB6,000, which is payable on a monthly basis. The level of the service fee was determined based on RMB2,000 per guard per month and that the security company would despatch three guards to our Processing Plant to provide the service. The term of the current contract is from 6 March 2017 to 31 December 2017. The security service contract may be terminated by either party by serving 20 days' prior written notice to the other party. We believe that engaging the security company to provide the security service would enable us to devote more attention to our business operations.

Marble mining and processing

Marble mining and processing works are labour intensive, requiring sufficient amount of skilled labour force working at the mining site and processing plant. To optimise our labour costs while maintaining sufficient supply of manpower for our commercial production, we outsourced all marble mining and processing work to specialised marble mining and workforce solution companies. We believe that engaging such specialised marble mining and workforce solution companies will enable us to reduce capital expenditures and control production costs.

We have engaged a mining company to provide us with marble mining service. This mining company possesses the requisite qualifications for performing mining operations and has business operations in different parts of the PRC. The mining service agreement between us and the mining company is for a term of 11 months commencing from 20 March 2017 to 19 February 2018, which will be automatically renewed for one year unless either party objects to the renewal in writing. Under this agreement, we pay the service fees according to the production processes performed by the mining company at: (i) a unit price of RMB60 per cubic metre of marble blocks exposed for topsoil stripping; (ii) a unit price of RMB90 per cubic metre for rough blocks cut; and (iii) a unit price of RMB225 per cubic metre for qualified marble blocks shaped and trimmed. The marble blocks mined by the mining company are inspected by our quality control staff stationed in our Leishoushan Project site. 75% of the total fees payable to the mining company are paid on a monthly basis and the remaining 25% are paid when the marble blocks arrive at our Processing Plant. We are responsible for providing on-site guidance, machinery and equipment, utility and supply needs, design plan and contingency plan for the mining operations. We are also responsible for providing accommodation for the staff of the mining company. The mining company is responsible for obtaining approval for the mining operations from the relevant authority, paying the salaries, social insurance and housing provident funds contributions of its staff, the expenses in relation to the mining operations and the daily maintenance of machinery and equipment. It shall perform mining operations in accordance with our design plan and take necessary safety measures in the course of the mining operations. The mining company is also obligated to take out workplace safety insurance for all of its staff who carry out the mining operations. We are entitled to terminate the agreement if the mining company and/or its staff fails to obtain necessary approvals for the mining operations, subcontracts the mining operations to a third party, or fails to take necessary safety measures in the course of mining operations. Our safety production staff monitors the mining operations performed at our Leishoushan Project site to ensure that they comply with the applicable laws and regulations as well as the terms of the mining service agreement.

We have also engaged two workforce solution companies to provide us with labour services to undertake marble processing, one for marble slab processing and the other for shaped stone processing. Both of them possess the requisite qualifications for providing labour services in performing marble processing operations and have business operations in different parts of the PRC. The contracts between us and the two workforce solution companies are both for a term of one year commencing from 1 April 2017 to 31 March 2018, which shall be renewable upon agreement by the parties. Under the marble slab processing contract, we pay the service fee at a unit price of RMB18 per square metre of marble slab processed on a monthly basis. Under the shaped stone processing contract, the service fee will be negotiated between the parties on a case-by-case basis. We are responsible for providing safe working environment and on-site guidance, and the workforce solution companies are responsible for providing qualified labours and paying the salaries, social insurance and housing provident funds of their respective staff under both contracts. Our safety production staff monitors the processing operations performed at our Processing Plant to ensure that they comply with the applicable laws and regulations as well as the terms of the two labour service contracts.

We select contractors based on their qualifications, experience, quality of work, prices, reliability of on-time delivery, past performances and reputation in the industry. We verify their qualifications required for the performance of the work before engaging them. We believe that, if necessary, substitute contractors providing similar services on similar terms can be readily identified and engaged without material difficulty.

All of the contractors engaged by us are Independent Third Parties. We have maintained business relationships with our current contractors for a term of approximately seven months to two years. For the three years ended 31 December 2016 and the four months ended 30 April 2017, our total subcontracting fees amounted to RMB15,167, RMB46,000, RMB66,000 and RMB2.3 million, respectively. We did not commence commercial production for the three years ended 31 December 2016 and as a result, did not incur any cost of sales during the same periods. Our Shiqian Project commenced limited commercial production in April 2017. As such, we incurred cost of sales of approximately RMB3.0 million for the four months ended 30 April 2017.

INVENTORY MANAGEMENT

We expect that all raw material inventories we stock will be for production and not for resale or any other purposes. We have implemented a prudent inventory management policy, and seek to maintain our raw materials inventory at a level that is sufficient to meet our production needs so that no interruption to production will be caused. We expect to maintain marble blocks inventory based on the schedule of delivering marble blocks to customers, and at an appropriate level so as to ensure that we are able to timely deliver marble blocks to customers. Our Shiqian Project commenced limited commercial production in April 2017. As such, we recorded inventories of approximately RMB220,000 as at 30 April 2017.

We have implemented inventory provisioning policy. For further details, please refer to the section headed “Financial information — Discussion of certain items from the consolidated statements of financial position — Inventories” in this prospectus.

QUALITY CONTROL

As at the Latest Practicable Date, we had established a quality control team comprised of three staff. Our quality control team is led by Mr. Yang Duoneng, deputy engineer of our Group who has approximately 14 years of relevant experience in the stone mining industry. Our quality control team is responsible for overseeing our mining operations and production process and implementing our quality control measures.

We have implemented stringent quality control across our production lines. We inspect the equipment and raw materials purchased by us at the time of their delivery, and perform trial operations after the machinery and equipment are delivered to us. Defective machinery and equipment and raw materials as well as malfunctioned machinery and equipment are returned to suppliers. Our quality control team conducts regular inspections at our Leishoushan Project site to ensure that our mining activities are carried out in compliance with our mining quality control procedures. Our production staff strictly follow our quality control process in the measurement and cutting of marble blocks before they are delivered to customers. Our safety production staff monitors our contractor's blasting operations performed at our Leishoushan Project site and provide real-time guidance to the contractor to ensure it complies with our quality standard in the performance of blasting operations. Please refer to the paragraph headed "Suppliers — Contractors" in this section above for further details about the contractor's obligations. We have also implemented stringent quality control measures at our Processing Plant. We take measures to ensure that our processing equipment and inspection and testing equipment are in good working conditions. We implement quality control for the whole production cycle, from pre-production stage to product inspection.

SEASONALITY

We expect that after we have commenced commercial production, our revenue in the first half of a year will be lower than the second half of the year, primarily because business tends to be sluggish in January and February of each year due to the Chinese New Year holidays.

MARKET AND COMPETITION

China's marble industry is highly fragmented. According to the Frost & Sullivan Report, there are approximately 9,000 marble companies in China, a majority of which are small and medium-sized companies with low productivity level. Companies with larger operation scales, however, have begun to enter the mid-range and high-end markets after they have incorporated advanced technologies and upgraded processing equipment into their production lines. Market participants compete in the areas of resource, product price, research and development capability, target market, value chain coverage and product integration.

We face competition from both domestic and international competitors who might have longer history, more extensive sales network or better financial resources than us. Our Leishoushan Project contains a large quantity of marble resources. We believe that our large quantity of marble resources will place us in a better position to compete in China's marble market than many of our peers.

ENVIRONMENTAL PROTECTION, LAND REHABILITATION AND SOCIAL MATTERS

Environmental protection

Overview

We are subject to certain national and local environmental protection laws and regulations in the PRC. These laws and regulations govern a broad range of environmental protection matters, including air pollution, noise emissions, water and waste discharge control and, in particular, geological environment protection and land rehabilitation. For further details about such laws and regulations, please refer to the section headed "Regulatory overview" in this prospectus.

We obtained the environmental impact assessment approvals for our Leishoushan Project and the Processing Plant from the Shiqian County Environmental Protection Bureau (石阡縣環境保護局) on 21 December 2014 and 26 September 2016, respectively. On 29 September 2016, the Shiqian County Environmental Protection Bureau issued its approvals on the inspection and acceptance of completion of environmental protection facilities of our Leishoushan Project and our Processing Plant, respectively. Pursuant to these approvals, we are permitted by Shiqian County Environmental Protection Bureau to put our Leishoushan Project and the Processing Plant into commercial production.

On 3 July 2017, we received a written confirmation from the Shiqian County Environmental Protection Bureau which stated that (i) we had obtained the environmental impact assessment approvals prepared for our Leishoushan Project and our Processing Plant; (ii) we had completed the relevant procedures for the inspection and acceptance of completion of environmental protection facilities of our Leishoushan Project and our Processing Plant and had obtained the pollutant discharge permit, and was permitted to commence commercial production at our Leishoushan Project and our Processing Plant and sell our products; (iii) we had obtained all the requisite environmental protection licences, approvals and permits; and (iv) we had, since our establishment, complied with the relevant PRC environmental protection laws and regulations and had not been subject to any administrative penalties or investigations as a result of breach of environmental protection laws and regulations. We had not received any claim against us from the Shiqian County Environmental Protection Bureau for breach of any environmental protection laws and regulations.

We have been advised by our PRC Legal Advisers that the Shiqian County Environmental Protection Bureau is the competent authority to issue the above written confirmation.

Our PRC Legal Advisers advised that, pursuant to the confirmations from Shiqian County Environmental Protection Bureau and as stipulated in the relevant PRC laws, regulations and rules, Shiqian County Environmental Protection Bureau is the competent authority to issue the aforementioned written confirmations, including the issuance of the relevant environmental approvals, and Shiqian Investment has obtained all the material licences, approvals and permits in relation to environmental protection such that we are not required to obtain additional environmental approvals from the relevant provincial authorities.

As at the Latest Practicable Date, we were not subject to any legal proceedings, administrative penalties or investigations for breach of environmental laws and regulations.

Measures to mitigate impact on environment

We have adopted and will continue to adopt measures to mitigate the impact of our operations on the environment. Such measures include the following:

- *Flora and fauna.* No rare or endangered species have been identified in or around our Leishoushan Project site. Operations at our Leishoushan Project site will not change the biodiversity of the project site. According to the written confirmation issued by the Tongren City State Land Resources Bureau on 3 July 2017, since the establishment of Shiqian Investment, we had not been subject to any administrative penalties or investigations as a result of breach of land rehabilitation laws and regulations.

- *Water management*. Our use of water for production is mainly for dust suppression during stripping, mining and the use of the haul road at our Leishoushan Project site. We will build an intercepting ditch around our Leishoushan Project site and collect and treat stormwater through three settling ponds. Currently, we treat stormwater and waste water generated by our mining activities at a settling pond for reuse in dust suppression. Waste water from our Processing Plant is collected and treated by a waste water treatment facility operated by us and then reused in our processing activities.

- *Waste rock management*. Topsoil generated during our mining activities will be stored at a topsoil dump to be constructed by us, and waste rock generated during our mining activities is discharged to a waste rock dump at our Leishoushan Project site. We have signed a waste rock sales and purchase agreement with a purchaser for the sales of our waste rock and to extend the service life of the waste dump. We will construct a flood drainage system and a retaining wall for the topsoil dump and the waste rock dump. Waste rock generated from our Processing Plant is used by local people free of charge.

- *Dust emissions.* Dust emissions are mainly from open pit mining, loading and unloading, marble block cutting, waste rock dumping and movement of vehicles and mobile equipment. We will manage dust emissions at our Leishoushan Project site through water sprinkling for stripping and the use of diamond wire saws, speed limitation of vehicles as well as haul road maintenance and watering. We will adopt wet-method operation at our Processing Plant. We will treat gas emissions from the mess hall and discharge into the atmosphere.

- *Noise emissions*. Noise emissions are mainly from operations of the cutting and buffing facilities for our Leishoushan Project and our Processing Plant, blasting and the use of wire saws, circular-disk cutters, cranes, air compressors, loaders and vehicles. We will manage noise emissions through the use of greenbelts, flexible connection for pumps and equipment with low noise emissions as well as enclosure of noisy equipment.

- *Hazardous materials management*. Hazardous materials used by us are mainly waste oil and oily duster cloths used for machinery maintenance work. We will collect waste oil and oily cloths in airtight containers and deliver them to a qualified company for further treatment. We will store collected waste oil with secondary containment. We will also keep official records of the hazardous materials used by us and register these records with the environmental protection authority.

For the three years ended 31 December 2016 and the four months ended 30 April 2017, we incurred costs in connection with compliance with environmental protection laws and regulations in the amount of nil, nil, approximately RMB1.0 million and nil, respectively. We expect to incur an aggregate amount of cost of approximately RMB5.7 million in connection with compliance with environmental protection laws and regulations during the period between 2017 and 2019.

Land rehabilitation

The aggregate area of disturbed land used by us is 22.44 ha (equivalent to 224,400 m^2), which comprises 18.3 ha (equivalent to 183,000 m^2) at our Leishoushan Project site and 4.14 ha (equivalent to 41,400 m^2) at our Processing Plant.

China has promulgated environmental protection laws and regulations in relation to mine closure and land rehabilitation. Under these laws and regulations, we are required to prepare a site closure report and submit a site closure application to the Shiqian County State Land Resources Bureau and relevant environmental protection bureau for assessment and approval. We are also required to formulate and implement a land rehabilitation plan and to restore the land to a state appropriate for use by reclamation if our mining activities result in damages to the land. The land rehabilitation plan shall be approved by the relevant land resources authority. We are also required to set aside funds to be used in land rehabilitation. For further details about such requirements, please refer to the section headed "Regulatory overview" in this prospectus.

We have prepared a land rehabilitation plan and obtained approval of such plan from the Tongren City State Land Resources Bureau. We will develop an operational closure planning process for our Leishoushan Project that meets the relevant PRC regulatory requirements and incorporates an internationally recognised industry practice. To optimise the effects of our land rehabilitation work, we have prepared a geological environmental protection and recovery plan for our Leishoushan Project. According to this plan, we have undertaken and will undertake land rehabilitation at out Leishoushan Project site in two stages, details of which are follows:

- *stage 1 (2012 to 2014)*: we have built a drainage system, conduct greening at the site and set up a geological environment monitoring point; and

- *stage 2 (2014 to 2019)*: we have undertaken/will undertake collapse prevention and landslide prevention engineering work, cover working benches and slope with soil, conduct greening and rehabilitate the mine site.

According to the Independent Technical Consultant, the above measures are generally in line with the relevant recognised industry practices in China.

The investment required for the mine site geological environmental protection and recovery plan of our Leishoushan Project for the three years ending 31 December 2019 is estimated to be approximately RMB1.3 million. For calculation of the provision of rehabilitation costs and relevant accounting treatment, please refer to the section headed "Financial information — Critical accounting policies and estimates — Provision for rehabilitation" in this prospectus.

According to a written confirmation issued by the Tongren City State Land Resources Bureau on 3 July 2017, since its establishment, Shiqian Investment had not been subject to any administrative penalties or investigation as a result of breach of the relevant land rehabilitation laws and regulations. We have been advised by our PRC Legal Advisers that the Tongren City State Land Resources Bureau is the competent authority to issue the above written confirmation.

As at the Latest Practicable Date, we were not subject to any legal proceedings, administrative penalties or investigations for breach of land rehabilitation laws and regulations.

Social and local community concern

Our Leishoushan Project is located in Shiqian County, Tongren City of Guizhou Province. There is farm land, forest land and barren mountain within the project site area. The nearest village is Leishoushan Village and there are about 100 households of the Qilao ethnic group near the mine site. Our Processing Plant is located in an industrial park near Shiqian County.

According to the Independent Technical Report, there are no natural reserves or significant cultural heritage sites within or surrounding our Leishoushan Project site, and no community land access or compensation agreement has been entered into for the development of our Leishoushan Project. As advised by the Independent Technical Consultant, we will design and implement a public consultation and disclosure plan to ensure ongoing community engagement.

During the Track Record Period and up to the Latest Practicable Date, we had not received any non-compliance notices or complaints in relation to the development of our Leishoushan Project, and we had not received any notices in relation to any actual or potential impacts of non-governmental organisations on the sustainability of our Leishoushan Project. We made certain donations to the various social and community welfare schemes and for the alleviation of natural disasters during the Track Record Period.

As at the Latest Practicable Date, to the best of the knowledge and belief of our Directors, the local governments or communities had not raised any concern in relation to the development of our Leishoushan Project that may have a material adverse effect on our business, results of operations and prospect.

OCCUPATIONAL HEALTH AND WORK SAFETY

We have established an occupational health and safety management system that cover basic safety production management for excavation, drilling, cutting, polishing, loading, transportation, equipment maintenance, electro and gas welding, through the formulation and implementation of a comprehensive set of safety management procedures, equipment operating rules and emergency handling procedures. According to the Independent Technical Report, our occupational health and safety management system and procedures are generally in line with recognised industry practices and safety regulations in China. We will implement more stringent measures and adapt our occupational health and safety management system to suit our production scale as we ramp up our operations.

We hold a valid safety production permit issued by the Tongren Safety Supervision and Administration Bureau (銅仁市安全生產監督管理局) which is valid for a period from 4 January 2016 to 30 December 2018. We have also engaged an independent safety evaluation company to perform an assessment of the safety conditions of our Leishoushan Project, and such safety evaluation company has prepared an assessment report which contains the conclusion that the production equipment and facilities and safety production facilities of our Leishoushan Project meet the government's acceptance conditions.

On 25 December 2015, the Tongren Safety Supervision and Administration Bureau confirmed the filing of evaluation on the status of occupational hazards of both our Leishoushan Project and our Processing Plant.

According to two written confirmations in respect of occupational health and work safety issued by the Shiqian County Safety Production Supervision Bureau (石阡縣安全生產監督管理局) on 26 June 2017, since its establishment, Shiqian Investment, our sole PRC operating subsidiary, (i) had been in compliance with the relevant laws and regulations in relation to occupational health and production safety and had not incurred any accident concerning safety; and (ii) had not been subject to any administrative penalties or investigations as a result of breach of occupational health and production safety laws and regulations.

We have established rules and procedures for recording and handling occupational health and work safety accidents. Our work safety personnel closely monitor the working conditions of our production site and take prompt actions to eliminate and control occupational health and work safety risks.

As at the Latest Practicable Date, to the best knowledge and belief of our Directors, there had not been any occupational health or work safety accident or any claim arising from such accident that would have a material adverse effect on our business, financial condition and results of operations.

RESEARCH AND DEVELOPMENT

Currently, our research and development encompasses the formulation of mining policy, mine design and providing technical support to our mine construction and mining operations. Our deputy engineer, Mr. Yang Duoneng, oversees the evaluation of our mining policy and mine design. Mr. Yang and our other core technical team members including Mr. Luo Jinjun, mine manager of our Leishoushan Project and Mr. Jiang Dinglai, deputy mine manager of our Leishoushan Project, meet regularly to discuss the technical aspects of our mine construction and mining operations and evaluate the way of meeting our production schedule and optimising our efficiency. Mr. Yang has approximately 14 years of relevant experience in the stone mining industry, in particular, in the formulation of workflow of mining activities and providing technical support for various granite and marble mining projects with similar open-pit mining processes. Mr. Jiang has approximately 13 years of experience in the stone mining industry. For further details on the qualifications and industry experience of our core technical team, please refer to the section headed “Directors and senior management” in this prospectus.

We plan to strengthen our research and development when we ramp up our operations. We intend to establish collaborations with universities and research institutions to conduct research and development in the areas of product properties improvement, scrap reduction and the development of other extraction and processing techniques. We also plan to, through interactions with end customers and leveraging our industry experience, explore the opportunities of bringing standardised products to the market so as to improve our profitability. We will actively participate in the formulation of industrial standards for China’s dimension stone industry in our capacity as a vice president unit (副會長單位) of the Dimension Stone Branch of CBDA.

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any cooperation agreements in relation to research and development with any third party. For the three years ended 31 December 2016 and the four months ended 30 April 2017, we did not incur any expenses in research and development.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we were the registered owner of the “ ” trademark and the “ ” trademark in Hong Kong. We had also applied for the registration of the “ ” and the “ ” trademarks in the PRC as at the Latest Practicable Date. We do not currently own any patent. For further details about our intellectual property rights, please refer to the section headed “Statutory and general Information — Further information about the business of our Company — 8. Intellectual property rights” in Appendix VI to this prospectus.

As at the Latest Practicable Date, we were not involved in any disputes or legal or administrative proceedings relating to the infringement of intellectual property rights, nor are we aware of any such claims.

INSURANCE

As at the Latest Practicable Date, we had purchased safety production liability insurance (團體意外傷害險) for our employees. We have also purchased insurance for our motor vehicles. During the Track Record Period and up to the Latest Practicable Date, we did not make any claims under our insurance policies that had a material adverse effect on our business, financial condition or results of operations.

We do not maintain any fire, earthquake, liability or other property insurance with respect to our properties, equipment and inventories, nor do we maintain any business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental protection liabilities.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any business interruptions or losses or damages to our production facilities that had a material adverse effect on us. We believe that our insurance coverage is adequate and in line with the practice in the marble mining industry. We will closely monitor the risks associated with our operations and adjust our insurance coverage as necessary after we ramp up our operations.

PROPERTIES

Land used by our Leishoushan Project

Our Leishoushan Project is located in Pingdichang Township, Shiqian County of Guizhou Province, PRC. The Mining Licence Area of our Leishoushan Project is 1.0781 km^2 (equivalent to 1,078,100 m^2).

We plan to carry out mining activities within the Year 16 Pit Boundary Area in the first 16 years of the 40-year mine life of our Leishoushan Project, which comprises farm land, forest land and barren mountain. According to relevant PRC laws and regulations, in order to carry out mining operations within the Year 16 Pit Boundary Area, we are required to (i) lease the relevant land within the Year 16 Pit Boundary Area from the villagers or the villagers' committees; (ii) obtain approval for the temporary use of the relevant land within the Year 16 Pit Boundary Area from the relevant land authority; and (iii) obtain approval from the forest administrative authority for temporary use of the forest land within the Year 16 Pit Boundary Area according to the applicable PRC laws and regulations. In addition, pursuant to a written confirmation letter issued by Shiqian County State Land Resources Bureau on 31 July 2017, Shiqian County State Land Resources Bureau currently does not accept any applications of approval for long-term use of land for its mining activities due to its land use planning in accordance with the Modification of General Land Use Planning in Shiqian County (2014-2020). As a result, Shiqian Investment can only apply for the approval for the temporary use of the relevant land for its mining activities.

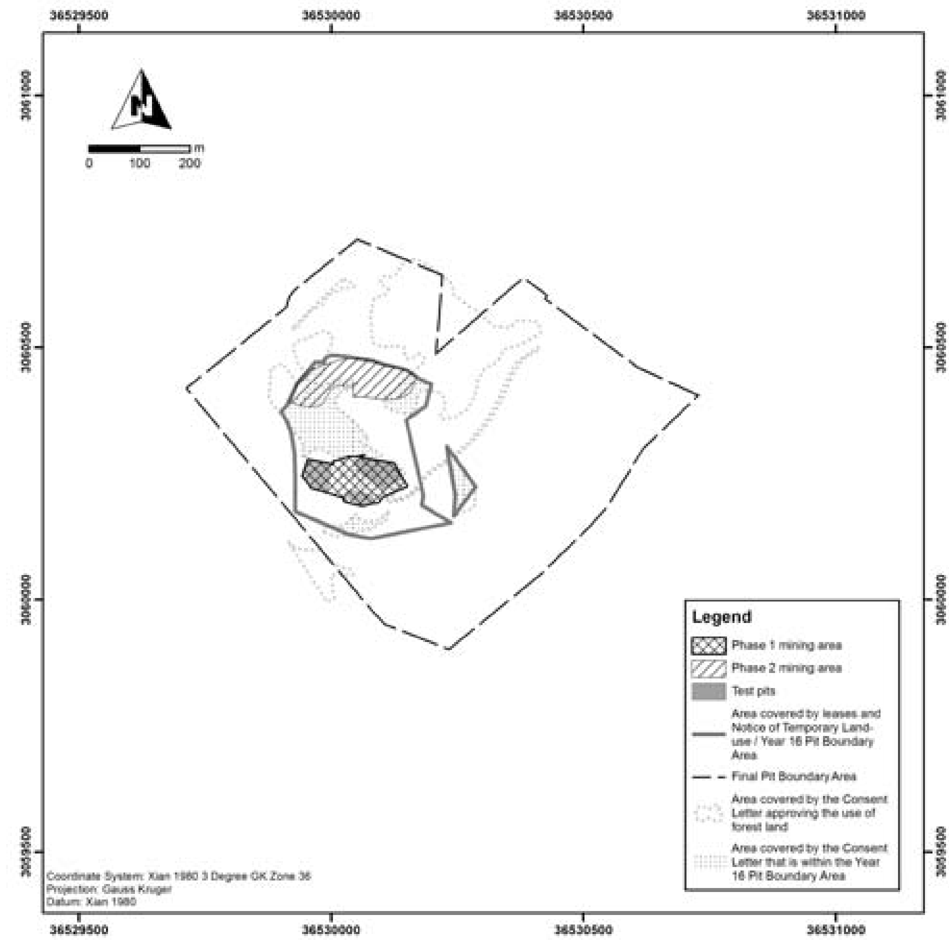
As at the Latest Practicable Date, (i) we had entered into two leases (the "**Leases**") for the use of the land within the Year 16 Pit Boundary Area with the relevant villagers' committees operating and managing such land; (ii) we had obtained the notice of approval of temporary land use in respect of the land within the Year 16 Pit Boundary Area issued by the Shiqian County State Land Resources Bureau (the "**Notice of Temporary Land-use**"); and (iii) we had obtained the Consent Letter Approving the Use of Forest Land (使用林地審核同意書) (together with a supplemental approval granted on 8 March 2017, the "**Consent Letter**") for the use of forest land with an aggregate site area of 9.8505 ha (equivalent to 98,505 m^2) from Guizhou Province Forestry Department, which covers all of the forest land within the Year 16 Pit Boundary Area and certain other forest land not falling within the Year 16 Pit Boundary Area. Please refer to the paragraph headed "Properties — The leases" in this section.

The following table sets forth information about the land covered by our mining licence including the land within the Year 16 Pit Boundary Area:

Category of land	**Area**	**Validity period of mining licence/Leases/ Notice of Temporary Land-use/Consent Letter**
Mining Licence Area	1.0781 km^2 (equivalent to 1,078,100 m^2)	10 years ending on 15 October 2022
Area covered by the Leases	289.17 mu (equivalent to approximately 192,780 m^2)	20 years ending on 29 July 2031 and 21 July 2036 respectively
Area covered by the Notice of Temporary Land-use	289.17 mu (equivalent to approximately 192,780 m^2)	Two years ending on 26 December 2018
Area covered by the Consent Letter that falls within the Year 16 Pit Boundary Area	33,066 m^2 *(Note)*	Two years ending on 24 May 2018

Note: This aggregate area of approximately 33,066 m^2 represents all of the forest land area that falls within the Year 16 Pit Boundary Area. The Consent Letter covers forest land with an aggregate area of 9.8505 ha (equivalent to 98,505 m^2), which includes such area of approximately 33,066 m^2. For further details, please refer to the paragraph headed "Properties — Land used by our Leishoushan Project — Consent Letter" below.

The following map shows the information about the Year 16 Pit Boundary Area, including the Leases, the Notice of Temporary Land-use and the Consent Letter in respect of the land within the Year 16 Pit Boundary Area:



The Independent Technical Consultant is of the view that based on our mine plan and production capacity, the Year 16 Pit Boundary Area of our Leishoushan Project is sufficient for us to carry on mining activities for the upcoming 16 years.

The Leases

As at the Latest Practicable Date, we had entered into two leases in respect of the land covered by the Year 16 Pit Boundary Area with an aggregate site area of 289.17 mu (equivalent to approximately 192,780 m^2) with two villagers' committees (the "**Villagers' Committees**") which owned such land.

On 11 August 2016, Shiqian Investment entered into a lease agreement (the "**August 2016 Lease Agreement**") with one of the Villagers' Committees. Pursuant to the August 2016 Lease Agreement, Shiqian Investment agreed to lease collectively-owned forest land located at our Leishoushan Project site with an aggregate site area of 7.14 mu (equivalent to approximately 4,760 m^2) from the Villagers' Committee. The valid term of the August 2016 Lease Agreement is 20 years commencing on 22 July 2016 and ending on 21 July 2036. Shiqian Investment agreed to pay the Villagers' Committee an aggregate amount of rent of RMB110,944.92 for the lease term under the lease. The Villagers' Committee shall assist Shiqian Investment to obtain the temporary land use approvals from the relevant state-land resources and forest land authorities at Shiqian Investment's costs.

On 30 July 2011, in anticipation of the establishment of Shiqian Investment by Mr. Huang and its other initial shareholders and the prospective acquisition of the mining rights in respect of our Leishoushan Project by Shiqian Investment, Fujian Panxing entered into an agreement (the "**Land Use Right Acquisition Agreement**") with Pingdichang Township People's Government, pursuant to which Fujian Panxing agreed to acquire the land use right in respect of certain collectively-owned land comprising farm land and barren mountain with an aggregate area of 282.03 mu (equivalent to approximately 188,020 m^2) located at our Leishoushan Project site from the said government. On 29 December 2016, Pingdichang Township People's Government, the Villagers' Committees, Fujian Panxing and Shiqian Investment jointly signed a confirmation letter (the "**December 2016 Confirmation Letter**") which has superseded the Land Use Right Acquisition Agreement, whereby the parties agreed that all the rights and obligations of Fujian Panxing under the Land Use Right Acquisition Agreement shall be novated to Shiqian Investment at nil consideration, and Shiqian Investment shall, by leasing the said land from the Villagers' Committee, assume the rights and obligations of the said land. The valid term of the lease shall commence on 30 July 2011 and end on 29 July 2031. As Shiqian Investment has paid the land use right acquisition fees in the amount of approximately RMB1.4 million under the Land Use Right Acquisition Agreement, no fees are payable by Shiqian Investment under the December 2016 Confirmation Letter. As advised by our PRC Legal Advisers, the December 2016 Confirmation Letter is legal, valid and binding against all parties under the PRC law.

Notice of Temporary Land-use

On 27 December 2016, Shiqian County State Land Resources Bureau issued the Notice of Temporary Land-use, pursuant to which we were granted the right to use certain land at our Leishoushan Project site with a site area of 289.17 mu (equivalent to approximately 192,780 m^2). The term of the Notice of Temporary Land-use is two years commencing on 27 December 2016 and ending on 26 December 2018.

As advised by our PRC Legal Advisers, according to the applicable PRC laws and the confirmation letters issued by each of Tongren City State Land Resources Bureau and Shiqian County State Land Resources Bureau, being the competent authorities to issue such competent letters, on 3 July 2017 and 5 July 2017, respectively, (i) within the prescribed scope of land use stated in the Notice of Temporary Land-use, we are entitled to use the land in accordance with the Notice of Temporary Land-use and the Leases; (ii) there is no material legal impediment for extending the Notice of Temporary Land-use upon expiry of its term, provided that we comply with the then applicable laws and regulations, the application procedures and requirements issued by relevant government authorities; and (iii) Shiqian County State Land Resources Bureau is the competent authority to issue the Notice of Temporary Land-use.

Consent Letter

On 25 May 2016 and 8 March 2017, Guizhou Province Forestry Department issued the Consent Letter, pursuant to which we were granted the right to use forest land with a site area of 9.8505 ha (equivalent to 98,505 m^2) for a term of two years commencing on 25 May 2016 and ending on 24 May 2018. The forest land under the Consent Letter includes the forest land with an aggregate site area of approximately 33,066 m^2 within the Year 16 Pit Boundary Area, comprising the forest land under the August 2016 Lease Agreement with a site area of 7.14 mu (equivalent to approximately 4,760 m^2) and a portion of the land under the December 2016 Confirmation Letter.

As advised by our PRC Legal Advisers, according to the applicable PRC laws and the results of an interview conducted by the PRC Legal Advisers with the Guizhou Province Forestry Department, (i) the Guizhou Province Forestry Department is the competent authority to issue the Consent Letter; (ii) within the term of the Consent Letter, we are entitled to use the forest land referred to in the Consent Letter in respect of which we had entered into the Leases with the Villagers' Committees; and (iii) there is no material legal impediment for us to renew the Consent Letter from the Guizhou Province Forestry Department for us to continue to use the forest land under the Consent Letter upon expiry of the term of the Consent Letter as long as we meet all relevant laws and regulations then applicable and the application procedures and requirements issued by the competent authorities.

As at the Latest Practicable Date, our Directors were not aware of any claims that may exist over the farm land and forest land on which our mining activities had been or would be carried out.

As we plan to carry out mining activities in the Year 16 Pit Boundary Area that covers a site area of approximately 289.17 mu in the first 16 years of the 40-year mine life of our Leishoushan Project, the relevant farm and forest land and barren mountain within the Year 16 Pit Boundary Area is crucial for us to carry on our mining activities. As advised by our PRC Legal Advisers, according to the relevant laws, regulations and rules, if we fail to obtain the approvals for the uses of the relevant farm and forest land and barren mountain within the Year 16 Pit Boundary Area before carrying out mining activities, the relevant land and forest land authorities will order us to terminate such unlawful acts and impose administrative penalty on us.

We believe that we will be able to continue to use the relevant land and forest land within the Year 16 Pit Boundary Area without any difficulty. As advised by our PRC Legal Advisers, according to the written confirmation letter issued by Shiqian County State Land Resources Bureau and on-site interview with the relevant officer of Guizhou Province Forestry Department, there would be no material legal impediment nor any restrictions for Shiqian Investment to renew the terms of the Notice of Temporary Land-use and the Consent Letter upon expiry of their existing terms, provided that Shiqian Investment complies with the requirements for renewal and completes relevant application procedures prescribed by relevant PRC laws and competent authorities. The term for the short-term use of land shall generally not exceed two years under PRC laws. Please refer to the section headed "Regulatory overview" in this prospectus for more details about the term of the short-term use of land in the PRC and the requirements for the extension of such term.

We will keep close contact with the relevant villagers' committees and will communicate with the villagers' committees in relation to the leasing of the remaining areas of the land of our Leishoushan Project site that do not fall within the Year 16 Pit Boundary Area as early as possible when such needs arise in the future, so as to ensure that we will continue to carry out mining activities in such remaining areas of land to achieve our business growth.

We will communicate with the relevant government authorities on a quarterly basis to keep abreast of the local government practices and ensure that we will continue to fulfil all the material requirements for renewing the Notice of Temporary Land-use and the Consent Letter. We will commence the renewal process as early as possible to ensure that we will be able to continue to use the land and that its mining activities would not be interrupted.

Premises of our Processing Plant

Our Processing Plant is situated on a parcel of industrial land located in Yabei Industrial Park of Shiqian County of Guizhou Province, PRC. The aggregate site area of this land parcel is 58,061 m^2, in respect of which we have obtained the land use right which is valid for a term of 50 years. We own the factory premises with an aggregate floor area of approximately 10,438 m^2 erected on such land, and have obtained real estate ownership certificates for such factory premises.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 18 employees. The following table sets forth a breakdown of our employees by function:

Function	**Number of employees**
Management	2
Mine operation and production	10
Quality control	2
Finance and accounting	1
Administration, compliance and human resources	3
Total	**18**

We recruit employees based on a number of factors, including the educational background and mining industry related work experience of the employees, our business ramp-up plan and job vacancies. We enter into employment contracts with our employees whose terms cover matters such as wages and other benefits, working hours, vacations, workplace safety and termination. We have entered into confidentiality agreements with managerial personnel pursuant to which the managerial personnel agree to maintain confidentiality of, among others, our techniques, know-how, customer list, marketing plan, pricing policy, procurement channels and financial information.

We provide regular training to our employees, which covers technical skills used in marble mining and processing, product quality, safety production and prevention of occupational deceases. Such training helps our employees improve their skills and enhance our operating efficiency.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulties in recruiting suitable employees for our business operations. Neither did we have any material disputes with our employees, nor experience any strike, labour disputes or industrial actions that may have a material adverse effect on our business, financial condition and results of operations.

Social insurance and housing provident funds contributions

Pursuant to the relevant PRC laws and regulations, employers are required to make contributions to, and employees are required to participate in, a number of social security funds, including funds for basic pension insurance, medical insurance, unemployment insurance, industry injury insurance and maternity insurance, and the housing provident fund. For further details, please refer to the section headed "Regulatory overview" in this prospectus.

During the Track Record Period, we had not made full contributions to the social insurance and housing provident funds based on the actual wages of our employees before the registration of Shiqian Investment with the Shiqian County Social Insurance Bureau (石阡縣社會保險事業局) (the "**Bureau**") and the Tongren City Housing Provident Funds Management Centre Shiqian Branch (銅仁市住戶公積金管理中心石阡管理部) (the "**Branch**"). During the Track Record Period, our total unpaid contributions for the social insurance and housing provident funds amounted to approximately RMB771,683.0 and RMB101,316.0, respectively, and the maximum amount of the applicable late payment fee which we may be ordered by the relevant government authorities to pay amounted to approximately RMB234,900.3.

As at the Latest Practicable Date, we had not received any notice, penalty or otherwise, from the relevant governmental authorities with respect to the payments of statutory employee benefits in arrears. According to a confirmation letter issued by the Bureau on 27 June 2017 and a confirmation letter issued by the Branch on 4 July 2017, (i) no administrative penalty was imposed against our Group during the Track Record Period; and (ii) they will not impose any administrative penalty against us. As advised by our PRC Legal Advisers, the Bureau and the Branch that issued the said confirmation letters are competent authorities in terms of the matters referenced in the said confirmation letters and to issue such confirmation letters. Our PRC Legal Advisers are of the view that the chance for Shiqian Investment to be subject to any administrative penalties due to the aforesaid non-contribution to the social insurance and housing provident funds is remote.

From the date of registration of Shiqian Investment with the Bureau on 23 June 2016 and the Branch on 3 August 2016, and up to the date of the said confirmation letters, we have made full contributions to the social insurance funds and housing provident funds for our employees in accordance with the relevant PRC law and regulatory requirements.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had a systemic non-compliance incident which may reflect negatively on our ability to operate in a compliant manner. Our Directors believe that such non-compliance incident will not have any material adverse effect on our business, financial condition and results of operations. The following table sets forth summaries of such non-compliance incident.

Non-compliance incident	Reason for the non-compliance	Legal consequences and potential maximum penalties and other financial losses	Latest status	Remedial actions taken to prevent any future breaches and ensure on-going compliance
According to the Regulations of Guizhou Province on Administration of Forest Land (貴州省林地管理條例) (the "**Forest Land Regulations**"), Shiqian Investment is required to obtain consent from the relevant PRC forestry authority before conducting certain activities on a parcel of forest land with an area of 32.868 mu (equivalent to approximately 21,912 m^2), but Shiqian Investment failed to obtain such consent before conducting certain activities on such parcel of forest land from the relevant PRC forestry authority.	Such non-compliance incident was mainly caused by an inadvertent oversight of the relevant PRC laws and regulations by one of our designated staff, as he was not familiar with the relevant PRC laws and regulations when the non-compliance incident occurred.	Pursuant to the Forest Land Regulations, Shiqian Investment may be required to (i) cease the non-compliance; (ii) restore the parcel of forest land to its original conditions within the prescribed time period; (iii) replant trees on the parcel of forest land; and (iv) pay a fine with a maximum amount of RMB300 per m^2 of forest land destroyed. On 13 October 2013, Shiqian County Forest Bureau ordered Shiqian Investment to (i) cease the non-compliance; (ii) restore the parcel of forest land to its original conditions by 30 June 2014; (iii) replant 3,287 trees on the parcel of forest land; and (iv) pay a fine of RMB300,000.	Shiqian Investment has fully settled the administrative penalty of RMB300,000 on 14 October 2013. According to a confirmation letter issued by the Shiqian County Forest Bureau (石阡縣林業局) on 28 June 2017, such bureau has confirmed that Shiqian Investment has ceased the non-compliance and has fully settled the administrative penalty, and since it is necessary for Shiqian Investment to continue to use the parcel of forest land, Shiqian County Forest Bureau had exempted Shiqian Investment from the liabilities of restoring the forest land to its original conditions and replanting trees, and no further penalties will be imposed on Shiqian Investment by the said bureau for such non-compliance.	We have implemented enhanced internal control measures to prevent the recurrence of non-compliance with laws and regulations including those relating to obtaining and extending of licences, permits and approvals in relation to our operations. For further details, please refer to the paragraph headed "Legal proceedings and compliance — Enhanced internal control measures to prevent recurrence of non-compliance incident" in this section.

Non-compliance incident	Reason for the non-compliance	Legal consequences and potential maximum penalties and other financial losses	Latest status	Remedial actions taken to prevent any future breaches and ensure on-going compliance
			Based on (i) the relevant facts confirmed in the above confirmation letter; and (ii) the Consent Letter issued by Guizhou Province Forestry Department (貴州省林業廳) for the use of forest land with an aggregate site area of 9.8505 ha (equivalent to 98,505 m^2), which covers all of the forest land with an aggregate site area of approximately 33,066 m^2 within the Year 16 Pit Boundary Area, our PRC legal Advisers are of the view that Shiqian Investment has ceased the non-compliance and is entitled to continue to use the relevant parcel of forest land under the Consent Letter. As advised by our PRC Legal Advisers, Shiqian County Forest Bureau is the competent authority to issue the confirmation letter. Our PRC Legal Advisers are of the view that the chance for Shiqian Investment to be subject to any additional administrative penalties due to such non-compliance is remote.	

Internal control

In connection with the Global Offering, we engaged an independent internal control consultant (the "**Internal Control Consultant**") to review our internal controls over certain agreed areas, including entity-level controls and business process level controls between June 2016 and March 2017. The Internal Control Consultant provided us with a number of findings and the relevant recommendations which we have adopted in full. In particular, we have adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving matters including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

The following are key controls we have implemented in response to the recommendations of the Internal Control Consultant:

- we have formulated a set of internal control rules and procedures, including, among others, corporate governance, risk evaluation and management, anti-corruption, disclosure of information, confidentiality and financial reporting; and

- we will engage a PRC legal counsel upon Listing to enhance our compliance capability. The PRC legal counsel will assist us to ensure our ongoing compliance with applicable laws and regulations and advise us on the developments of the requirements of laws and regulations applicable to us. We will also seek other legal advices and training from the legal advisers from time to time.

Enhanced internal control measures to prevent recurrence of non-compliance incident

To prevent the recurrence of non-compliance incident, we have implemented the following enhanced internal control measures:

- we have established the Compliance Committee, which comprises Mr. Lam Kai Yeung, our independent non-executive Director, Mr. Wong Chi Wah, our company secretary and the head of our administrative and compliance department, and Ms. Peng Fang, the office administrator of Shiqian Investment to oversee our compliance matters. The Compliance Committee will meet regularly to discuss compliance issues and report to the Board as and when necessary;

- in relation to government approvals and consents for our land use, we have formulated a control policy under which our Compliance Committee is required to review and approve the commencement of mining or construction activities before the committee is satisfied with all the relevant licences required for such activities are obtained. The Compliance Committee will report our compliance status to the Board and seek legal advices from our PRC legal counsel to be engaged upon Listing where necessary. We have also designated managerial personnel to monitor the status of our mining and construction activities and assess and advise our Compliance Committee on whether our land use is within the approved boundaries; and

- we have formulated future training plan and will arrange our Directors, senior management and relevant employees to attend training on applicable laws and regulations including those relating to obtaining and extending of licences, permits and approvals in relation to our operations and the Listing Rules on a regular basis.

Meanwhile, we have established procedures which allow us to monitor the implementation of our internal control measures. Mr. Wong Chi Wah, our company secretary, is responsible for communicating with our management and our administrative and finance departments to gather information about our compliance matters. Mr. Wong will report to the Compliance Committee regularly for it to assess the potential risks of non-compliances. The Compliance Committee will report the relevant matters to the Board as and when it deems necessary.

Views of our Directors and the Sole Sponsor

Our Directors consider that the abovementioned non-compliance incident would not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules having taken into account that (i) our Group has fully rectified the non-compliance incident, where appropriate; (ii) our Group has implemented (or will implement where applicable) the measures described above to avoid recurrence of the non-compliance incident; (iii) there was no recurrence of similar non-compliance incident since the implementation of such measures; and (iv) the non-compliance incident did not involve any dishonesty or fraudulent act on the part of our Directors. In view of the above, our Directors believe, and the Sole Sponsor concurs that, the internal control measures are sufficient and could effectively ensure a proper internal control system of our Group and prevent the recurrence of non-compliance incident.

During the Track Record Period and as at the Latest Practicable Date, neither we nor our Directors were involved in any litigation, arbitration, administrative proceedings or other legal proceedings that have a material adverse effect on our business, financial condition or results of operations. As at the Latest Practicable Date, there were no existing or threatened litigation, arbitration, administrative proceedings or other legal proceedings against us or any of our Directors that have a material adverse effect on our rights to explore our mine, our business, financial condition or results of operations.

OVERVIEW

Immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme), Xinghui Development will be directly interested in 67.5% of the total number of issued Shares. Since Xinghui Development, which is wholly owned by Mr. Lin, will continue to control more than 30% of the voting power at general meetings of our Company, Xinghui Development and Mr. Lin will be our Controlling Shareholders after the Global Offering. For the background of Mr. Lin, please refer to the section headed "Directors and senior management" in this prospectus. Xinghui Development was incorporated in the BVI on 9 March 2016 as a limited liability company and is an investment holding company. For further details on Xinghui Development, please refer to the section headed "History, development and Reorganisation" in this prospectus.

DELINEATION OF BUSINESS

Apart from our Group, our Controlling Shareholders and their respective close associates are currently conducting other businesses or holding interest directly or indirectly in certain companies which is principally engaged in the businesses of wholesale of oil products that did not form part of our business as at the Latest Practicable Date.

As we are principally engaged in the business of marble mining and processing in China and none of the business owned by our Controlling Shareholders and their respective close associates outside our Group is related to our principal business, our Directors are of the view that there is a clear delineation between the principal business of our Company and those of the companies owned by our Controlling Shareholders, therefore, none of the companies owned by our Controlling Shareholders or their respective close associates would compete, or would be likely to compete, directly or indirectly, with our principal business, which would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Deed of Non-competition with our Company to the effect that each of them will not, and will procure its subsidiaries (other than our Group) and his/its close associate(s) (as appropriate) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in, our principal business.

DIRECTORS' COMPETING INTERESTS

None of our Controlling Shareholders, Directors and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with our principal business, which would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

To ensure that competition will not exist in the future, our Controlling Shareholders have entered into Deed of Non-competition with our Company to the effect that each of them will not, and will procure their subsidiaries (other than our Company) and their close associate(s) not to, directly or indirectly participate in, or hold any interest or right or otherwise be involved in any business which may be in competition with undertakings our principal business.

Non-competition

Our Company entered into the Deed of Non-competition with each of our Controlling Shareholders on 6 October 2017, under which our Controlling Shareholders agreed not to, and to procure its subsidiaries and his/its respective close associate(s) (as appropriate) (other than our Group) not to compete, either directly or indirectly, with our principal business and granted to our Group the option for new business opportunities, option for acquisitions and pre-emptive rights.

Each of our Controlling Shareholders has jointly and severally irrevocably undertaken in the Deed of Non-competition that, during the term of the Deed of Non-competition, it/he (as appropriate) will not, and will also procure its subsidiaries and his/its respective close associate(s) (as appropriate) (other than our Group) not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with our principal business. The foregoing restrictions are subject to the fact that our Company may waive certain new business opportunities pursuant to the terms and conditions under the Deed of Non-competition.

The foregoing restrictions do not apply to (i) the purchase by our Controlling Shareholders, its subsidiaries or his/its close associate(s) (as appropriate) for investment purpose of not more than 10% equity interest in other listed companies whose business competes or is likely to compete with our principal business; or (ii) the holding by our Controlling Shareholders, their subsidiaries or his/its close associate(s) (as appropriate) of not more than 10% equity interest in other companies whose business competes or is likely to compete with our principal business, as a result of a debt restructuring of such companies (collectively referred to as "**Investment Companies**" for scenarios (i) and (ii)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which our Controlling Shareholders, its subsidiaries or his/its close associate(s) (as appropriate) are able to control their respective board of directors notwithstanding the fact that not more than 10% of the equity interest of such Investment Companies are being held by our Controlling Shareholders, its subsidiaries or his/its close associate(s) (as appropriate).

Options for new business opportunities

Each of our Controlling Shareholders has jointly and severally undertaken in the Deed of Non-competition that, during the term of the Deed of Non-competition, if our Controlling Shareholders and/or its subsidiaries and/or his/its close associate(s) (as appropriate) (other than our Group) become aware of a business opportunity which competes, or may compete, directly or indirectly with our principal business, our Controlling Shareholders will notify our Company in writing immediately and provide to us all information which is reasonably necessary for our Company to consider whether or not to engage in such business opportunity ("**Offer Notice**"). Our Controlling Shareholders are also obliged to use their best efforts to procure that such opportunity is first offered to our Company on terms that are fair and reasonable. Our Company is entitled to decide whether or not to take up such business opportunity within 30 business days from receiving the Offer Notice (subject to our request to extend the notice period of 30 business days), subject to compliance with the applicable requirements under the Listing Rules.

Our Controlling Shareholders will use their best efforts to procure their respective close associate(s) and/or its subsidiaries (as appropriate) (other than our Group) to offer to our Company an option to acquire any new business opportunity which competes, or is likely to compete, directly or indirectly with our principal business according to the terms of the Deed of Non-competition.

If our Company decide not to take up the new business opportunity for any reason or do not respond to our Controlling Shareholders and/or its subsidiaries and/or his/its close associate(s) (as appropriate) within 30 business days from receiving the Offer Notice (subject to our request to extend the notice period of 30 business days), our Company should be deemed to have decided not to take up such new business opportunity, and our Controlling Shareholders and/or its subsidiaries and/or his/its close associates (as appropriate) may operate such new business opportunity on its own.

Option for acquisitions

In relation to any new business opportunity of our Controlling Shareholders referred to in the Deed of Non-competition, which has been offered to, but has not been taken up by, our Company and has been retained by our Controlling Shareholders or any of its subsidiaries or any of his/its close associate(s) (as appropriate) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business, our Controlling Shareholders have undertaken to grant our Company the option, which is exercisable at any time during the term of the Deed of Non-competition, subject to applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part or all of the new business as described above, or to operate the new business as described above by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive right, in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), our option for acquisitions shall be subject to such third party rights. In this case, our Controlling Shareholders will use their best efforts to procure the third party to waive its pre-emptive right. As at the Latest Practicable Date, our Directors were not aware of any existing third parties' pre-emptive rights.

Each of our Controlling Shareholders shall use his/its best efforts to procure its subsidiaries and/or his/its close associate(s) (as appropriate) (other than our Group) to comply with the option granted to our Company by our Controlling Shareholders above. The consideration shall be determined following negotiation between the parties under the fair and reasonable principle based on the valuation conducted by a third party professional valuer (selected by both our Controlling Shareholders and our Company) and the mechanism and procedure provided by applicable laws and regulations.

Pre-emptive right

Each of our Controlling Shareholders has jointly and severally undertaken that, during the term of the Deed of Non-competition, if it intends to transfer, sell, lease, licence or otherwise permit to use, to a third party any new business opportunity of our Controlling Shareholders referred to in the Deed of Non-competition, which has been offered to, but has not been taken up by, our Company and has been retained by our Controlling Shareholders or any of its subsidiaries or any of his/its close associate(s) (as appropriate) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business, our Controlling Shareholders or its subsidiaries or any of his/its close associate(s) (as appropriate) shall notify our Company by written notice ("**Selling Notice**") in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or licence and any information which may be reasonably required by our Company. We shall reply to our Controlling Shareholders and/or its subsidiaries and/or his/its close associate(s) (as appropriate) within 30 business days after receiving the Selling Notice. Our Controlling Shareholders and/or its subsidiaries and/or his/its close associate(s) (as appropriate) (other than our Group) has undertaken that until it receives the reply from our Company, it shall not notify any third party of the intention to transfer, sell, lease or licence the business. If our Company decides not to exercise its pre-emptive right or if our Company does not reply within the agreed time period, or if our Company does not accept the terms as set out in the Selling Notice and issues to our Controlling Shareholders a written notice within the agreed time period stating acceptable conditions which, however, are not acceptable to our Controlling Shareholders or its subsidiaries or any of his/its close associate(s) (as appropriate) following negotiation between the parties under the fair and reasonable principle, our Controlling Shareholders or its subsidiaries or any of his/its close associate(s) (as appropriate) is entitled to transfer the business to a third party pursuant to the terms stipulated in the Selling Notice.

Our Controlling Shareholders shall procure its subsidiaries, and his/its close associate(s) (as appropriate) (other than our Group) to comply with the above pre-emptive right.

Our Controlling Shareholders' further undertakings

Each of our Controlling Shareholders has further jointly and severally undertaken that:

(i) it/he will provide all information necessary for our independent non-executive Directors to review our Controlling Shareholders', their subsidiaries' and their close associate(s)' compliance with and enforcement of the Deed of Non-competition;

(ii) it/he consents to the disclosure of the decision made by our independent non-executive Directors in relation to the compliance with and enforcement of the Deed of Non-competition in our annual report, or by way of announcement; and

(iii) it/he will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Deed of Non-competition for the disclosure in our annual report.

The Deed of Non-competition will become effective upon Listing and remain in full force and be terminated upon the earlier of:

(i) the date on which our Company becomes wholly owned by any of the Controlling Shareholders and/or his/its close associates;

(ii) the date on which the aggregate shareholding interests (whether direct or indirect) of the Controlling Shareholders and/or its/his close associates in our Company fall below 30% of the number of Shares in issue and the relevant Controlling Shareholder shall cease to be an executive Director; or

(iii) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares).

Each of our Controlling Shareholders jointly and severally undertakes to our Company that he/it would, during the term of the relevant Deed of Non-competition indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Company or any other member of our Group arising out of or in connection with any breach of his/its undertakings and/or obligations under the Deed of Non-competition, including any costs and expenses incurred as a result of such breach provided that the indemnity contained in the Deed of Non-competition shall be without prejudice to any other rights and remedies our Company is entitled to in relation to any such breach, including specific performance, and all such other things and remedies are hereby expressly reserved by our Company.

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide, inter alia, indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements, sums, outgoings, fees, losses and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the legal proceedings and non-compliance matters by any member of our Group as described in the section headed "Business — Legal proceedings and compliance" in this prospectus or in connection with any other non-compliance of any member of our Group which has occurred at any time on or before the Listing Date. For further details of the Deed of Indemnity, please refer to the section headed "Statutory and general information — Other information — 14. Estate duty, tax and other indemnities" in this prospectus.

Decision-making as to whether to take up the options or pre-emptive right

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for new business opportunity or the option for acquisitions or our pre-emptive right. In assessing whether or not to exercise such option(s) or pre-emptive right, our independent non-executive Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability of business and the legal, regulatory and contractual landscape and form their views based on the best interest of our Shareholders and our Company as a whole. Where necessary, our independent non-executive Directors will consider to engage an independent valuer to conduct evaluation. Our independent non-executive Directors are also entitled to engage a financial adviser, at the cost of our Company in this connection.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures are expected to be adopted by our Company.

(a) our Directors will comply with the Articles of Association which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested;

(b) our independent non-executive Directors will, on an annual basis, review the compliance and enforcement of the Deed of Non-competition by our Controlling Shareholders. Our Controlling Shareholders have undertaken that they will and will procure their subsidiaries and their close associates to provide all information reasonably required by our independent non-executive Directors to assist them in the assessment. Our Company will disclose the review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Deed of Non-competition and other connected transaction agreements in our annual report;

(c) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any new business opportunities offered during the year. Our Company will disclose such decisions and basis for them in our annual report or by way of announcement to the public;

(d) our Company will appoint a compliance adviser who shall provide it with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws; and

(e) any transaction (if any) between (or proposed to be made between) our Company and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

INDEPENDENCE OF MANAGEMENT, FINANCIAL AND OPERATION

Having considered the following factors, our Directors are satisfied that our Company will be able to be operationally and financially independent from our Controlling Shareholders and their respective close associates (other than our Company):

Non-competition

Although there are certain businesses owned by our Controlling Shareholders as mentioned above in this section, none of our Controlling Shareholders or their respective close associates has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of our Company. In addition, each of our Controlling Shareholders has executed the Deed of Non-competition in favour of our Company. For further details, please refer to the paragraph headed "Deed of Non-competition" in this section above.

Management independence

Our Board comprises two executive Directors and three independent non-executive Directors.

The following table sets forth a summary of positions and roles held by our Directors and members of our senior management team within our Company and Xinghui Development and/or its close associates and/or the company controlled by our Controlling Shareholders other than our Group:

Name	Position in our Company	Position in Xinghui Development and/or its close associates and/or company controlled by our Controlling Shareholders other than our Group
Mr. Lin Hui	executive Director	director of Xinghui Development

Save for the fact that Mr. Lin is a director of Xinghui Development, none of our Directors or members of the senior management holds any directorship or senior management position in Xinghui Development and/or its close associates and/or the companies controlled by our Controlling Shareholders other than our Group. Our executive Directors do not hold any executive role in any companies controlled by our Controlling Shareholders other than our Group. Our Company's management team is different from those of companies controlled by our Controlling Shareholders other than our Group. Therefore, there are sufficient non-overlapping Directors who are not executive management of companies controlled by our Controlling Shareholders other than our Group, and have relevant experience to ensure the proper functioning of the Board.

Despite the interest of our Controlling Shareholders in certain business outside our Company, we believe that our Directors and members of the senior management are able to perform their roles in our Company independently and that our Group is capable of managing our business independently from the Controlling Shareholders for the following reasons:

(a) each Director is aware of his fiduciary duties as a Director which requires, among other things, that he acts for the benefit and in the best interests of our Company and that he does not allow any conflict between his duties as a Director and his personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions;

(c) our Board comprises five Directors and three of them are independent non-executive Directors who represent not less than one-third of the members of the Board; This provides a balance between the number of interested and independent non-executive Directors with a view to promoting the interests of our Company and our Shareholders as a whole. This is also in line with the requirement as set out in the Listing Rules;

(d) our independent non-executive Directors will bring independent judgment to the decision making process of our Board; and

(e) our senior management team possesses in-depth experience and understanding of the industry in which our Group is engaged.

Based on the above, our Directors believe that our Company is capable of maintaining management independence from the Controlling Shareholders.

Financial independence

Our financial auditing system is independent from our Controlling Shareholders and we employ our own team of financial accounting personnel. We have our own accounting and finance department, accounting systems, treasury function for cash receipts and payment and access to third party financing. We make financial decisions according to our business needs. All the outstanding amount due to our Controlling Shareholder by our Group will be waived prior to Listing.

Based on the above, our Directors believe that our Company is capable of maintaining financial independence from our Controlling Shareholders.

Operational independence

Our Group engages in our mining business independently, with the independent right to make operational decisions and implement such decisions. Our Group has an independent work force to carry out our operation and has not shared its operation team, operational facilities, sales channels with our Controlling Shareholders' business outside our Company. As set out in note 31 to the accountants' report in Appendix I to this prospectus, there has been no material related party transaction during the Track Record Period.

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

DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible for and has general powers for the management and conduct of our business. Our Board consists of five Directors, including two executive Directors and three independent non-executive Directors. We have a core technical team comprising one executive Director and four members of our senior management, each of whom has at least five years of relevant industry experience in mining. In particular, each of the members of our core technical team, namely, Mr. Luo Jinjun, Mr. Jiang Dinglai, Mr. Yang Duoneng, Mr. Ni Zhizhong and Ms. Zhang Xiaomei has approximately 11, 13, 14, 21 and 32 years of relevant experience in the stone mining industry. Our Group believes that our core technical team possesses the management expertise and knowledge required for the mining operations of our Group.

Members of our Board

The following table sets out certain information regarding the members of our Board:

Name	Age	Present position in our Company	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. Lin Hui (林琿先生)	46	Chairman, executive Director and chief executive officer	18 January 2016	30 March 2016	Strategic planning and overall operation of our Group, including day-to-day business management, overseeing sales and marketing matters, procuring mining equipment, recruitment, as well as managing the external relationship with our business partners
Mr. Luo Jinjun (羅金鈞先生)	49	Executive Director	9 January 2016	11 January 2017	Formulation of mining production plan, management of production team, overseeing mine construction and mining matters, implementation of safety system and strengthening of safety management
Mr. Lam Kai Yeung (林繼陽先生)	48	Independent non-executive Director	11 January 2017	11 January 2017	Overseeing the management independently
Mr. Zhang Hancheng (張漢成先生)	48	Independent non-executive Director	11 January 2017	11 January 2017	Overseeing the management independently
Mr. Chau On Ta Yuen (周安達源先生)	70	Independent non-executive Director	11 January 2017	11 January 2017	Overseeing the management independently

Senior management

The following table sets out certain information regarding the current members of our senior management:

Name	Age	Present position in our Company	Date of joining our Group	Date of appointment as our senior management	Roles and responsibilities
Mr. Jiang Dinglai (江定來先生)	55	Deputy mine manager	3 January 2017	3 January 2017	Overseeing production safety matters, environmental conservation matters and training matters of mining personnel
Mr. Yang Duoneng (楊多能先生)	64	Deputy engineer	3 January 2017	3 January 2017	Evaluation of mining policy, mine design, quality control and mining site production safety matters
Mr. Ni Zhizhong (倪志忠先生)	49	Deputy engineer	3 January 2017	3 January 2017	Conducting and supervising mining production matters, overseeing stone processing technology and equipment, staff training and production matters
Ms. Zhang Xiaomei (張小梅女士)	65	Deputy engineer	3 January 2017	3 January 2017	Overseeing slab processing techniques, monitoring production safety and quality control

To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

There is no relationship amongst our Directors and members of our senior management.

Executive Directors

Mr. Lin Hui (林琿先生), aged 46, is the chairman of our Board, chief executive officer of our Company and executive Director. He has served as a director of Shiqian Investment since January 2016 and is responsible for, amongst others, the overall operation of our Group, which includes the operation of our Leishoushan Project. Mr. Lin is primarily responsible for the strategic planning and overall operation, including day-to-day business management, overseeing sales and marketing matters, procuring mining equipment, recruitment, as well as managing the external relationship with our business partners.

Mr. Lin has approximately 23 years of experience in business management. His previous work experiences and/or responsibilities and/or qualifications are summarised below:

Period	Positions	Companies/ institutions	Principal business activities of the companies/institutions	Relevant experience and/or responsibilities and/or qualifications
September 1993 – April 2002	Deputy general manager of energy petrochemical (能源石油化工) department	Xiamen Temao Co. Ltd.* (廈門特貿有限公司)	import and export business	Responsible for overall management import and export trading matters and sales and marketing matters
August 2010 – January 2017	Director, general manager	Fujian Panxing	wholesale of oil and oil products	Responsible for the overall operation and marketing and sales matters
April 2002 – March 2017	General manager	Xiamen Panxing Import and Export Trading Ltd* (廈門盤興進出口貿易有限公司) ("**Xiamen Panxing Import and Export**"), a subsidiary of Fujian Panxing. Mr. Lin is also one of the shareholders of Xiamen Panxing Import and Export.	wholesale of oil products	Responsible for the overall operation and marketing and sales matters
May 2016 – March 2017	Director	Bazhong Panxing Western China Logistics Park Co., Ltd.* (巴中盤興中國西部物流園區股份有限公司), a subsidiary of Fujian Panxing	Development of logistics park and real estate investment	Responsible for overall operation

Details of Mr. Lin's academic qualification and other achievements are set out below:

Date of achievement	Academic qualification and other achievements
July 1989	Graduated from Xiamen Foreign Language School (廈門外國語學校) (formerly known as Fujian Xiamen English School* (福建省廈門市英語中學))

Mr. Lin had not been a director in any public company, the securities of which are listed on any securities market in Hong Kong or overseas over the past three years.

Mr. Luo Jinjun (羅金鈞先生), aged 49, is our executive Director. He is also appointed as the mine manager (礦長) of our Group since 12 July 2016. He has approximately 11 years of relevant experience in the stone mining industry.

Mr. Luo is the key on-site person-in-charge of the daily operation of our Leishoushan Project. Mr. Luo is primarily responsible for formulation of mining and production plan, management of mining production team, overseeing mine construction and mining matters, implementation of safety system and strengthening of safety management. Since joining our Group, he has been closely involved in production planning, supervising mining personnel and overseeing production safety. His previous work experiences are summarised below:

From March 2004 to March 2010, Mr. Luo worked at Suzhou Sinoma, where he held the following position and his relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	Position	Relevant experience and/or responsibilities and/or qualifications
March 2004 – March 2010	Engineer	Worked at limestone mine projects which shares similar characteristics, mining processes and safety measures as our Leishoushan Project with the following responsibilities: • construction design work of mining projects • preparation of safety manual • provision of technical services for mining projects which involved open-pit mining of dimension stone quarries which is same as our Leishoushan Project

From April 2010 to December 2015, Mr. Luo worked at Qinghai Honfoo Mining Co., Ltd* (青海鴻福礦業有限公司), a company principally engaged in mining, processing and sales of dimension stone including serpentine marble, where he held the following position and his relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	Position	Relevant experience and/or responsibilities and/or qualifications
April 2010 – December 2015	Deputy chief engineer and manager of mining management department	Worked at serpentine marble mine projects which share similar characteristics, mining workflow and safety measures as our Leishoushan Project with the following responsibilities: • formulation of mining, operation and production plan, supervision of resources exploration work • provision of technical services on mining construction matters • management of mining, operation technique which are commonly employed in open-pit mining of dimension stone quarries with similar mining processes as our Leishoushan Project • provision of technical services on safety matters of contracted operation teams • implementation of cost control of mining projects • formulation, implementation and training of production safety system and emergency plan for the mining operations

Details of Mr. Luo's academic qualification and other achievements are set out below:

Date of achievement	Academic qualification and other achievements
July 1990	Graduated from Guangxi University (廣西大學) in the PRC specialising in mining engineering (採礦工程)
February 1997	Accredited as an engineering technology engineer (工程技術工程師) by Wuzhou Regional Professional and Political Leadership Group* (梧州地區職政領導小組)
September 2008	Accredited as a registered safety engineer by Ministry of Human Resources and Social Security of the PRC* (中華人民共和國人力資源和社會保障部) and State Administration of Work Safety of the PRC* (中華人民共和國國家安全生產監督管理總局)

Mr. Luo had not been a director in any public company, the securities of which are listed on any securities market in Hong Kong or overseas over the past three years.

Independent non-executive Directors

Mr. Lam Kai Yeung (林繼陽先生), aged 48, is our independent non-executive Director. His previous work experiences and/or responsibilities and/or qualifications are summarised below:

Period	Positions	Company name	Stock code	Principal business activities of the company
July 2006 – August 2013	Company secretary and qualified accountant	Hunan Nonferrous Metals Corporation Limited	2626 (subsequently delisted from the Stock Exchange on 1 April 2015)	Exploration, mining, production and refining of nonferrous metals, excluding aluminium, in the PRC
August 2008 – June 2015	Independent non-executive director	Northeast Tiger Pharmaceutical Company Limited	8197	Breeding, processing and sales of underground ginseng and related traditional Chinese medicine herbs
June 2012 – present	Independent non-executive director	Silverman Holdings Limited	1616	Manufacturing and sales of textile products and provision of related processing service, and the production and distribution of television drama series
August 2014 – present	Independent non-executive director	Highlight China IoT International Limited (formerly known as Ford Glory Group Holdings Limited)	1682	Trading and manufacturing of garment products and provision of quality inspection services

Period	Positions	Company name	Stock code	Principal business activities of the company
December 2014 – May 2015	Non-executive director	Ping Shan Tea Group Limited	364	Provision of fabric processing services and manufacture and sale of fabrics; manufacture and sale of yarns and blankets; raw teas, refined teas and other related products
May 2015 – present	Independent non-executive director	Sunway International Holdings Limited	58	Manufacturing and trading of pre-stressed steel bars, pre-stressed high strength concrete piles, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products
June 2015 – present	Independent non-executive director	Finsoft Financial Investment Holdings Limited	8018	Provision of financial trading software solutions, other internet financial platforms, referral services, money lending business, assets investments, corporate finance advisory services and design and fitting-out services in Hong Kong
June 2015 – present	Independent non-executive director	Holly Futures Co., Ltd.	3678	Business lines include futures brokerage, asset management, commodity trading and risk management
October 2015 – present	Independent non-executive director	Kong Shum Union Property Management (Holding) Limited	8181	Provision of property management services in Hong Kong primarily targeting residential properties

Mr. Lam was admitted as a fellow of the Association of Chartered Certified Accountants in March 2006 and a fellow of the Hong Kong Institute of Certified Public Accountants in April 2008. He is also a licensed representative of China International Capital Limited for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Mr. Lam obtained a bachelor degree of accounting from Xiamen University (廈門大學) in the PRC in July 1990 and a master degree in business administration from Oxford Brookes University in the U.K. in July 2010.

Save as disclosed above, Mr. Lam has not been a director in any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Zhang Hancheng (張漢成先生), aged 48, is our independent non-executive Director. Mr. Zhang has approximately 26 years of experience in the mining industry.

From July 1991 to December 2003, he worked in Baiyin Non-ferrous Metals Group Co., Ltd.* (白銀有色集團股份有限公司) (formerly known as Baiyin Non-ferrous Metals Company* (白銀有色金屬公司)) which was mainly engaged in mining, mineral processing, smelting and rolling processing of non-ferrous metals and precious metals, and the development, production and sales of mineral products and related products. From July 1991 to December 1992, he served as a geological technician and was mainly responsible for field geological survey, report preparation and selection of potential area with high quality minerals. From January 1993 to December 1996, he served as an assistant geological engineer and was mainly responsible for field geological survey, report preparation and testing, data organisation and application promotion for certain technology application project. From January 1997 to December 2003, he served as a geological engineer and participated in multiple mining projects including marble and granite projects and mining research projects where he was mainly responsible for geological research and report preparation, technology management of geological exploration, management of mining and processing of raw blocks, testing, data organisation and industrial application of certain mine processing method, field geological mapping work, selection of potential area with high quality minerals, and provision of technical support and guidance for the mining of granite.

From January 2004 to May 2015, Mr. Zhang worked in Beijing Institute of Geology for Mineral Resources (北京礦產地質研究院), which is mainly engaged in the development of technology and methods of mineral geology and exploration. From January 2004 to October 2009, he worked as a senior geological engineer and participated in multiple survey and research projects where he was responsible for geological research, field geological survey, technology management of geological exploration, database establishment and report preparation. From November 2009 to May 2015, he worked as a senior geological engineer at the professor level and participated in multiple mining projects where he was responsible for technology management of geological exploration, database establishment, and report preparation.

From June 2015 to present, Mr. Zhang worked in China Non-ferrous Metals Resource Geological Survey Centre (有色金屬礦產地質調查中心), which is mainly engaged in mineral geological survey, regional geological survey, geophysical and geochemical survey, remote sensing geological survey, hydraulic ring geological survey, information consulting and technical services business. Mr. Zhang served as a senior geological engineer at the professor level and is mainly responsible for technology management of geological exploration, database establishment, and report preparation for multiple mining projects.

Mr. Zhang obtained a bachelor degree majoring in geological surveying (地質礦產勘查) from Guilin University of Technology* (桂林理工大學) (formerly known as Guilin Institute of Metallurgical Geology* (桂林冶金地質學院)) in the PRC in July 1991. He was awarded a doctoral degree in gitology (礦床學), mineralogy (礦物學), and petrology (岩石學) from China University of Geosciences (Beijing) (中國地質大學(北京)) in the PRC in June 2004 respectively. He had conducted researches on gitology at Guangzhou Institute of Geochemistry of Chinese Academy of Sciences* (中國科學院廣州地球化學研究所) from August 2004 to July 2006.

Mr. Zhang has not been a director in any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Chau On Ta Yuen (周安達源先生), aged 70, is our independent non-executive Director. His previous work experiences and/or responsibilities and/or qualifications are summarised below:

Period	Positions	Company name	Stock code	Principal business activities of the company
March 2000 – November 2006	Executive director	Rosan Resources Holdings Limited	578	Production and sale of coal and trading of purchased coal in the PRC
June 2003 – August 2009	Independent non-executive director	Hao Wen Holdings Limited	8019	Money lending business, trading and manufacturing of biomass fuel and the sale of biodegradable food containers and disposable industrial packaging for consumer products

Period	Positions	Company name	Stock code	Principal business activities of the company
July 2007 – present	Independent non-executive director	Good Resources Holdings Limited	109	Provision of financial services and investment holding
September 2007 – June 2015	Executive director	China Ocean Industry Group Limited	651	Production and operation of shipbuilding and securities trading business
December 2008 – September 2010	Independent non-executive director	GP Properties Limited	108	Property investment and hotel management
February 2009 – present	Independent non-executive director	Come Sure Group (Holdings) Limited	794	Manufacture and sale of corrugated board, corrugated paper-based packing and offset printed corrugated products; properties leased
December 2010 – May 2016	Independent non-executive director	Leyou Technologies Holdings Limited	1089	Trading and manufacturing of chicken meat products, animal feeds and chicken breeds
January 2014 – present	Independent non-executive director	Redco Properties Group Limited	1622	Property development in the PRC
September 2014 – present	Chairman and executive director	ELL Environmental Holdings Limited	1395	Provision of wastewater treatment services in China
June 2015 – present	Non-executive director, honorary Chairman	China Ocean Industry Group Limited	651	Production and operation of shipbuilding and securities trading business

Mr. Chau was also a director of Wealthy Sea Holdings Limited (潤海集團有限公司) ("**Wealthy Sea**"), a company incorporated in Hong Kong on 28 April 1997. On 8 September 2006, Wealthy Sea was struck off and dissolved due to its failure to file annual return to the Companies Registry after 2002. On 21 June 2011, the High Court of the Hong Kong Special Administrative Region granted the order for restoration of the name of the company "Wealthy Sea Holdings Limited (潤海集團有限公司)" to the register of the Companies Registry.

Mr. Chau was the director of the following companies which were incorporated in Hong Kong and were deregistered pursuant to section 291AA of the Companies (Winding Up and Miscellaneous Provisions) Ordinance which provides that a defunct, solvent company may be dissolved by way of deregistration. The deregistration of all the following three companies was voluntary by way of submitting an application to the Companies Registry of Hong Kong because these companies had either never commenced business or operation or ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

Name of company	Nature of business	Date of incorporation	Date of deregistration
Everbest Water Treatment Investment (Rugao) Limited (恒發水務投資(如皋)有限公司)	Investment holding	23 March 2004	27 February 2009
Gold Power Holdings Limited (金英集團有限公司)	Inactive	19 September 1997	14 November 2003
Wealthy Sea Group (H.K.) Limited (潤海集團(香港)有限公司)	Trading and investment	1 November 2006	16 November 2012

Mr. Chau completed a five-year course in Chinese language and literature at Xiamen University (廈門大學) in the PRC in August 1968. He is currently a member of the twelfth National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議), a deputy officer of the Social and Legal Affairs Committee of the Chinese People's Political Consultative Conference (全國政協社會和法制委員會) and the vice chairman and the Secretary-General of the tenth board of directors of the Hong Kong Federation of Fujian Associations (香港福建社團聯會). Mr. Chau was awarded the Bronze Bauhinia Star and Silver Bauhinia Star by the Hong Kong Government in 2010 and 2016 respectively.

Save as disclosed above, Mr. Chau has not been a director in any public company, the securities of which are listed on securities market in Hong Kong or overseas in the past three years.

Senior management

Mr. Jiang Dinglai (江定來先生), aged 55, is the deputy mine manager of our Group. He is primarily responsible for overseeing production safety matters, environmental conservation matters and training matters of mining personnel.

Mr. Jiang has approximately 13 years of relevant experience in the stone mining industry. His previous work experiences are summarised below:

From August 1982 to June 2016, Mr. Jiang worked at Institute of Resources Geological Exploration* (資源地質勘察院) of Gansu Geological Team, where he held the following positions and his relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	Positions	Relevant experience and/or responsibilities and/or qualifications
August 1982 – April 1987	Geological staff (地質員)	Worked at limestone mine projects which share similar characteristics as our Leishoushan Project and was responsible for searching, mapping and profiling of mines
May 1987 – October 1987	Leader of geology team and project manager	Worked at limestone mine projects which share similar characteristics as our Leishoushan Project with the following responsibilities: • searching of limestone mines which share similar characteristics as our Leishoushan Project • preparation of mine search geological reports
May 1988 – August 1989	Leader of geology team and project manager	Worked at basalt (玄武岩) and granite mine projects with the following responsibilities: • searching of mines which share similar characteristics as our Leishoushan Project • preparation of the geological survey design
February 1991 – November 1991	Leader of geology team and project manager	Worked at granite mine projects which share similar characteristics as our Leishoushan Project and was responsible for mine prospecting and preparation of the geological survey reports

Period	Positions	Relevant experience and/or responsibilities and/or qualifications
October 2005 – March 2006	Leader of geology team and project manager	Worked at a limestone mine project which shares similar characteristics as our Leishoushan Project and was responsible for preparation of reserve verification report
May 2009 – September 2009	Leader of geology team and project manager	Worked at granite mine projects which share similar characteristics, mining processes and safety measures as our Leishoushan Project with the following responsibilities: • searching of mining resources • conducting on-site training in relation to mining techniques, organising technical demonstration of techniques commonly employed in dimension stone mining, including open-pit mining techniques that are applicable to our Leishoushan Project, production safety and environmental conservation matters to mining personnel
October 2009 – April 2013	Standing deputy head of institute	Worked at granite mine projects which share similar characteristics, mining processes and safety measures as our Leishoushan Project with the following responsibilities: • conducting mine surveying • management and supervision of mining and production team • conducting production safety and assessment on effects on the environment of the mining projects • negotiation of contracts with companies • supervision and provision of guidance on mining and product inspection
May 2013 – May 2014	Standing deputy head of institute	Worked at granite mine projects which share similar characteristics as our Leishoushan Project with the following responsibilities: • management and instruction of the geological surveying process • preparation of the geological survey report

Period	Positions	Relevant experience and/or responsibilities and/or qualifications
May 2015 – February 2016	Standing deputy head of institute	Worked at granite and marble mine projects which share similar characteristics as our Leishoushan Project with the following responsibilities: • management and instruction of the geological surveying process • preparation of the geological survey report

Details of Mr. Jiang's academic qualification and other achievements are set out below:

Date of achievement	Academic qualification and other achievements
July 1982	Graduated from Sichuan Institute of Construction Materials Industry* (四川建築材料工業學院) (currently known as Southwest University of Science and Technology (西南科技大學)) in the PRC specialising in non-metallic mineral and geological surveying
November 1989	Accredited as a geological engineer (地質工程師) by the State Bureau of Construction Materials Industry* (國家建築材料工業局) of the PRC
November 2007	Accredited as a senior engineer by China National Materials Group Corporation Limited (中國中材集團有限公司)

Mr. Jiang had not been a director in any public company, the securities of which are listed on any securities market in Hong Kong or overseas over the past three years.

Mr. Yang Duoneng (楊多能先生), aged 64, is the deputy engineer of our Group. He is primarily responsible for evaluation of mining policy, mine design, quality control and mining site production safety matters.

Mr. Yang has approximately 14 years of relevant experience in the stone mining industry, in particular, formulation of workflow of mining activities and providing technical support of various granite and marble mining projects with similar open-pit mining processes. Mr. Yang's previous work experiences are summarised below:

From April 1983 to October 2008, Mr. Yang worked at Institute of Resources Geological Exploration* (資源地質勘察院) of Gansu Geological Team where he held the following positions and his relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	Positions	Relevant experience and/or responsibilities and/or qualifications
April 1983 – March 1986	Technician	Worked at a limestone mine project which shares similar characteristics and mining processes as our Leishoushan Project with the following responsibilities: • exploration and mining of limestone • improvement of the mining techniques
October 1986 – December 1988	Technician	Worked at a granite mine project which shares similar characteristics and mining processes as our Leishoushan Project with the following responsibilities: • evaluation of mineral resources • formulation of the workflow of the mine • provision of technical support in mine construction
February 1991- December 1992	Engineer	Worked at a granite mine project which shares similar characteristics and mining processes as our Leishoushan Project with the following responsibilities: • evaluation of mineral resources • formulation of the workflow of granite mine which share similar mining workflow as our Leishoushan Project • provision of technical support in mine construction, analysing and determining the budget of projects • evaluation of mine quality • provision of technical consultations services and technical guidance to mining personnel on mining techniques

Period	Positions	Relevant experience and/or responsibilities and/or qualifications
March 1993 – November 1994	Engineer	Worked at granite and marble mine projects which share similar characteristics and mining processes as our Leishoushan Project with the following responsibilities: • evaluation of mineral resources • formulation of the workflow of mining activities • provision of technical support in mine construction and mine design, evaluation of mine quality and quality control of mine products
January 2000 – November 2002	Engineer	Worked at granite mine projects which share similar characteristics, mining processes and safety measures as our Leishoushan Project with the following responsibilities: • evaluation of mineral resources • formulation of the workflow of mining activities which share similar mining workflow as our Leishoushan Project • provision of technical support in mine construction and mine design, evaluation of mine quality and quality control of mine products and production safety
March 2003 – December 2005	Senior engineer	Worked at a granite mine project which shares similar characteristics and mining processes as our Leishoushan Project with the following responsibilities: • evaluation of mineral resources • formulation of the workflow of mining activities which share similar mining workflow as our Leishoushan Project • provision of technical support in mine construction and mine design • conducting cost analysis and budgeting of mine projects • evaluation of mine quality, conducting feasibility studies for stone mining projects • supervision of the technical implementation of mining processes and production quality control matters • management of the mining activities for multiple open-pit stone mining projects which the techniques that are applicable to our Leishoushan Project

Period	Positions	Relevant experience and/or responsibilities and/or qualifications
March 2006-December 2006	Senior engineer	• prospecting of geological conditions in Hexi District of Gansu province • conducting feasibility studies on the mineral resources in stone mine projects in Hexi District of Gansu province which share similar mining workflow as our Leishoushan Project

Details of Mr. Yang's academic qualification and other achievements are set out below:

Date of achievement	Academic qualification and other achievements
February 1980	Graduated from Chengdu Institute of Geology* (成都地質學院) (currently known as Chengdu University of Technology (成都理工大學)) in the PRC specialising in mineral and geological surveying
December 1990	Accredited as an engineer by the State Bureau of Construction Materials Industry* (國家建築材料工業局) of the PRC
November 2000	Accredited as a senior engineer by China National Nonmetallic Mineral Industry (Group) Corporation* (中國非金屬礦工業(集團)總公司)

Mr. Yang had not been a director in any public company, the securities of which are listed on any securities market in Hong Kong or overseas over the past three years.

Mr. Ni Zhizhong (倪志忠先生), aged 49, is currently the deputy engineer of our Group. He is primarily responsible for conducting and supervising mining production matters, stone processing technology and equipment, staff training and production matters.

Mr. Ni has approximately 21 years of relevant experience in the stone mining industry, in particular, managing granite and marble mine production. Mr. Ni's previous work experiences are summarised below:

From August 1994 to December 1999, Mr. Ni worked at the production and technology department of Xinjiang Hami Stone Factory* (新疆哈密地區石材廠), a company principally engaged in mining and processing of various types of stones, where he held the following position and his relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	**Position**	**Relevant experience and/or responsibilities and/or qualifications**
August 1994 – December 1999	Technician	Worked at granite and marble mine projects which share similar characteristics and mining processes as our Leishoushan Project with the following responsibilities: • conducting mining production matters and management projects with similar mining workflow as our Leishoushan Project

From January 2000 to December 2005, Mr. Ni worked at Xinjiang New Tianyi Stone Material Co, Ltd* (新疆新天怡石材有限責任公司), a company principally engaged in mining, processing and sales of granite, where he held the following position and his relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	**Position**	**Relevant experience and/or responsibilities and/or qualifications**
January 2000 – December 2005	Mine manager	Worked at granite mine projects which share similar characteristics and mining processes as our Leishoushan Project with the following responsibilities: • supervision of mining production matters and management of projects with similar mining workflow as our Leishoushan Project • management and supervision of production matters • conducting training to mining personnel on mining techniques

From January 2006 to February 2007, Mr. Ni worked at Hami Jinshan Stone Co. Ltd*(哈密金山石材有限公司), a company principally engaged in mining, processing and sales of granite, where he held the following position and his relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	Position	Relevant experience and/or responsibilities and/or qualifications
January 2006 – February 2007	Mine manager	Worked at granite mine projects which share similar characteristics and mining processes as our Leishoushan Project with the following responsibilities: • supervision of mining production matters and management of projects with similar mining workflow as our Leishoushan Project • conducting training to mining personnel on mining techniques • management of day-to-day production matters, on-site inspection and inventory management

From July 2007 to January 2009, Mr. Ni worked at Helin Geer Zhongjian Wanli Stone Co., Ltd *(和林格爾中建萬里石材有限公司), a company principally engaged in processing and sales of stones, where he held the following positions and his relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	Position	Relevant experience and/or responsibilities and/or qualifications
July 2007 – January 2009	General manager	Worked at granite mine projects which share similar characteristics and mining processes as our Leishoushan Project with the following responsibilities: • supervision of mining production matters and management of projects with similar mining workflow as our Leishoushan Project • overseeing stone processing technology and equipment matters in granite mine projects which share similar technology requirement in production as our Leishoushan Project • providing training to mining personnel on mining techniques

From January 2009 to August 2016, Mr. Ni worked at Fujian Southern Minerals Investment Co., Ltd* (福建省南方礦業投資有限公司) ("**Fujian Nanfang**"), which principally engages in mining investment. From February 2012 to August 2016, he also worked at Sichuan Southern Minerals Investment Co., Ltd.* (四川省南方礦業投資有限公司) ("**Sichuan Nanfang**"), a related company of Fujian Nanfang, which principally engages in operation and open-pit mining and sales of decorations stones, investment and management of minerals, processing and sales of marble slabs and artificial marble.

Mr. Ni held the following positions and his relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	**Positions**	**Relevant experience and/or responsibilities and/or qualifications**
January 2009 – August 2016	Head of mine management department of Fujian Nanfang	Worked at marble mine projects which share substantially the same characteristics and mining processes as our Leishoushan Project and was responsible for mine production management and the preparatory work of mine development
February 2012 – August 2016	Standing deputy general manager (常務副總) and mine manager of Sichuan Nanfang	Worked at marble mine projects which share substantially the same characteristics, mining processes and safety measures as our Leishoushan Project with the following responsibilities: • management of the mining department • overall mine planning, mining production and safety management of mine projects which have similar mining workflow as our Leishoushan Project and on-site production management • provision of guidance for mining techniques, organising staff training on safety matters • personnel management • conducting on-site inspection and inventory management

Details of Mr. Ni's academic qualifications and other achievements are set out below:

Date of achievement	Academic qualification and other achievements
July 1991	Graduated from Xinjiang Hami Technical School* (新疆哈密地區技工學校) (currently known as Hami Vocational and Technical College* (哈密職業技術學院)) in the PRC specialising in stone crafting
July 1994	Graduated from the Department of Business Administration of Hebei Vocational College* (河北職工大學企管系) (currently known as Hebei Software Institute* (河北軟件職業技術學院)) in the PRC specialising in business administration
July 1998	Accredited as an assistant engineer by the department of personnel in Xinjiang Uyghur Autonomous Region (新疆維吾爾自治區人事廳) of the PRC
December 2002	Graduated from Correspondence College of the Central School of the Communist Party of China* (中共中央黨校函授學院) in the PRC specialising in economic management

Mr. Ni had not been a director in any public company, the securities of which are listed on any securities market in Hong Kong or overseas over the past three years.

Ms. Zhang Xiaomei (張小梅女士), aged 65, is the deputy engineer of our Group. She is primarily responsible for overseeing slab processing techniques, monitoring production safety and quality control.

Ms. Zhang has approximately 32 years of relevant experience in the mining industry with a particular focus on mining technology, mine design and providing technical support in mine construction to a number of dimension stone mines with open-pit mining processes. Ms. Zhang's previous work experiences are summarised below:

From December 1981 to January 2008, Ms. Zhang worked at Suzhou Sinoma where she held the following positions and her relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	Positions	Relevant experience and/or responsibilities and/or qualifications
December 1981 – September 1999	Chief engineer and key person-in-charge of a number of dimension stone mining projects	Worked at granite mine projects which share similar characteristics as our Leishoushan Project with the following responsibilities: • provision of technical consultation on mine plans and conducting of feasibility studies for a number of dimension stone quarries • evaluation of the relevant mineral resources, reviewing and analysing of exploration reports and feasibility studies, and assisting the implementation of mine plans for a member of dimension stone mining projects
October 1999 – October 2004	Head of the Stone Research Institute (石材研究所)	Worked at limestone mine projects which share similar characteristics and mining processes as our Leishoushan Project with the following responsibilities: • formulation of research direction for the institute and conducting research on mining techniques and method to enhance the production process of dimension stone quarries • providing training to mining personnel on mining techniques and organising technical demonstration of techniques commonly employed in dimension stone mining
November 2004 – January 2008	Management personnel, production management department	Worked at marble mine projects which have substantially the same characteristics and mining processes as our Leishoushan Project with the following responsibilities: • management of the mining technique employed in Suzhou Sinoma's mining projects

From February 2008 to August 2012, Ms. Zhang worked at Jinbo (Shanghai) Construction Group Co. Ltd (金博上海建工集團有限公司) ("**Jinbo**"), a company principally engaged in dimension stone mining and processing, where she held the following position and her relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	Position	Relevant experience and/or responsibilities and/or qualifications
February 2008 – August 2012	Senior consultant, head of the mine management centre and deputy chief engineer	Worked at marble and granite mine projects which share similar characteristics and mining processes as our Leishoushan Project with the following responsibilities: • management of the research on mining methodology and stone processing techniques at the research and development centre of Jinbo • provision of technical services on overall operation and production of several marble quarries with open-pit mining processes • conducting detailed revisions and analysis on the workflow of the operation of the mine, approval and implementation of mine plan, mine safety evaluation and management, overseeing production quality assurance, and managing production activities to ensure safety at the mine site • conducting site visits to the relevant dimension stone quarries to inspect and evaluation of the mineral resources and providing comprehensive technical guidance on the mining workflow to ensure the production plans are being implemented efficiently

From September 2013 to August 2015, Ms. Zhang worked at Xiangyang Future Bright Mining Limited (襄陽高鵬礦業有限公司), a subsidiary of Future Bright Mining Holdings Limited (高鵬礦業控股有限公司) (stock code: 2212) which is a company currently listed on main board of the Stock Exchange, and principally engaged in production and sale of marble and marble related products, where she held the following her position and her relevant experience and/or responsibilities and/or qualifications are summarised as follows:

Period	Position	Relevant experience and/or responsibilities and/or qualifications
September 2013 – August 2015	Deputy chief engineer and technical consultant	Worked at the marble mine project which has substantially the same characteristics and mining processes as our Leishoushan Project and was responsible for supervision of mining activities, provision of training to miners, provision of technical support in mining techniques and mining equipment, quality control and overseeing the technical aspects of the mining processes in the marble mine

Details of Ms. Zhang's academic qualification and other achievements are set out below:

Date of achievement	Academic qualification and other achievements
October 1976	Graduated from Hubei Architecture Industrial Institute* (湖北建築工業學院) (currently known as Wuhan University of Technology (武漢理工大學)) in the PRC specialising in building material and machinery
December 1994	Awarded the title of senior engineer by the State Bureau of Construction Materials Industry* (國家建築材料工業局) of the PRC
1998 – 2009	Appointed as the representative of the standing director unit of China Stone Material Industry Association* (中國石材工業協會)
2003 – present	Appointed as director and technical consultant of the Shanghai Stone Trade Association* (上海石材行業協會), where she is also a tutor for various training courses in relation to stone mining and processing

Date of achievement	Academic qualification and other achievements
2005 – present	Appointed as a member of the expert panel of the Stone Material Applications and Maintenance Committee of China Stone Material Association (中國石材協會石材應用會理專業委員會)
2005 – 2011	Appointed as an expert at the stone and mineral resources committee of the China Stone Material Industry Association* (中國石材工業協會)
February 2008	Accredited as a certified mechanical engineer by the Jiangsu Provincial Personnel Department* (江蘇省人事廳) of the PRC
October 2008 – October 2011	Appointed as member of the first session of the expert panel of the Stone Chamber of All-China Federation of Industry & Commerce (中華全國工商業聯合會石材業商會)
2011 – 2013	Participated in the drafting of Continuous Polishing Machine for Stone Materials (石材連續磨機) (JC/T612-2011), a building material industry standard issued by the Ministry of the Industry and Information Technology of the PRC in December 2011 and which came into effect in July 2012

Ms. Zhang had not been a director in any public company, the securities of which are listed on any securities market in Hong Kong or overseas over the past three years.

Comparison of extraction and exploration activities for marble, granite, limestone and basalt

As set out above, certain members of our senior management and Directors were involved in marble, and/or granite, limestone and basalt mining. As confirmed by the Independent Technical Consultant, the mining processes of granite, limestone and basalt dimension stone do not differ materially from marble process and the skills applicable to the mining of granite, limestone and basalt dimension stone are relevant and transferrable to marble mining activities our Company is pursuing, as marble, and granite, limestone and basalt are substantially similar in the following areas: (i) characteristics; (ii) mine planning; (iii) exploration, ore extraction and production; (iv) ore handling and processing; and (v) safety measures.

As confirmed by the Independent Technical Consultant, the mining processes and skills for the extraction and exploration of marble, granite, limestone and basalt are similar in the following aspects:

(i) marble, granite, limestone and basalt and various other stones that are extracted in large blocks, cut and processed for decorative and monumental applications are referred to as dimension stone;

(ii) marble, granite, limestone and basalt, when extracted as dimension stone, share substantially similar design practices for mine construction and mine production;

(iii) the mining processes for marble, granite, limestone and basalt dimension stone are very similar, and such processes include overburden and weathered rock stripping, bench development, bench block separated by cutting, overturning the separated bench block, separating the large bench blocks to appropriate smaller sized blocks for commercial production, trimming the blocks to regular rectangular shape, block transportation, and slag removal;

(iv) the mining approach for marble, granite, limestone and basalt dimension stone is the same, namely open-pit mining by bench;

(v) the mining method for marble, granite, limestone and basalt dimension stone is the same, namely drilling and splitting and mechanical sawing;

(vi) the equipment for mining marble, granite, limestone and basalt dimension stone is usually the same, namely vertical and horizontal drills, diamond wire saws, disk saws, etc.;

(vii) the lifting and hoisting equipment, as well as transportation equipment, for mining marble, granite, limestone and basalt dimension stone is essentially the same; and

(viii) the general design and construction of the safety measures for marble, granite, limestone and basalt mines are the same.

COMPANY SECRETARY

Mr. Wong Chi Wah (王志華先生), aged 43, joined our Company as the company secretary on 13 January 2017. He has approximately 20 years of experience in auditing and accounting fields. Mr. Wong worked at RSM Nelson Wheeler from June 1996 to January 2000, where he last held the position of audit senior, and Ernst & Young from February 2000 to September 2003, where he last held the position of senior accountant. He then worked as the financial controller of Kingsun-Aima Biotech Co. Ltd., a company principally engaged in wholesale of pre-packed food and development of biotechnology, from December 2003 to February 2010. Mr. Wong was the chief financial controller of China Automotive Interior Decoration Holdings Limited (stock code: 48), a company currently listed on the Main Board of the Stock Exchange, from February 2010 to June 2011. Mr. Wong also served as the company secretary of this company from April 2010 to June 2011. Mr. Wong has been the chief financial officer of Wanguo International Mining Group Limited (stock code: 3939), a company currently listed on the Main Board of the Stock Exchange, since July 2011 and its company secretary since May 2012.

Mr. Wong received a bachelor degree in accountancy from the Hong Kong Polytechnic University in Hong Kong in November 1996. He has been a fellow member of the Association of Chartered Certified Accountants since December 2004 and a member of the Hong Kong Institute of Certified Public Accountants since October 1999.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Under Corporate Governance Code A.2.1 under Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The positions of chairman and chief executive officer of our Company are both currently carried on by Mr. Lin. Our Board considers that the structure currently operated by our Company does not undermine the balance of power and authority between our Board and our management. Our Board believes that having the same person performing the roles of both chairman and chief executive officer can provide our Group with strong and consistent leadership that would allow for more effective and efficient overall strategic planning of our Group.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

BOARD COMMITTEES

Audit Committee

Our Company will establish the Audit Committee with written terms of reference in compliance with Rule 3.21 and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules on 6 October 2017 with effect upon the Listing. The primary duties of the Audit Committee include ensuring that an effective financial reporting, internal control and risk management systems are in place and compliance of the Listing Rules, controlling the completeness of our Company's financial statements, selecting external auditors and assessing their independence and qualifications, and ensuring the effective communication between our internal and external auditors. The Audit Committee initially comprises three members, namely Mr. Lam Kai Yeung, Mr. Zhang Hancheng and Mr. Chau On Ta Yuen. Mr. Lam Kai Yeung is the chairman of the Audit Committee.

Remuneration Committee

Our Company will establish the Remuneration Committee with written terms of reference in compliance with Rule 3.25 and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules on 6 October 2017 with effect upon the Listing. The primary duties of the Remuneration Committee include assisting the Board in determining the remuneration policy for and structure of our Directors and senior management, reviewing incentive schemes and service contracts of our Directors, and ensuring the execution of the remuneration packages of the executive Directors and senior management. The Remuneration Committee initially comprises three members, namely Mr. Lam Kai Yeung, Mr. Lin Hui and Mr. Chau On Ta Yuen. Mr. Lam Kai Yeung is the chairman of the Remuneration Committee.

Nomination Committee

Our Company will establish the Nomination Committee with written terms of reference in compliance with paragraph A.5.1 of Appendix 14 to the Listing Rules on 6 October 2017 with effect upon the Listing. The primary duties of the Nomination Committee include assisting the Board in identifying suitable candidates for our Directors and making recommendations to the Board, assessing the structure and composition of the Board, preparing, making recommendations to and supervising the execution of the nomination policy of our Company. The Nomination Committee initially comprises three members, namely Mr. Lin Hui, Mr. Lam Kai Yeung and Mr. Zhang Hancheng. Mr. Lin Hui is the chairman of the Nomination Committee.

COMPLIANCE ADVISER

Our Company has appointed Guotai Junan Capital, in accordance with Rule 3A.19 of the Listing Rules, as our compliance adviser for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. Pursuant to 3A.23 of the Listing Rules, the compliance adviser will provide advice to us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notification or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or if our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Stock Exchange makes any inquiry to us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment will commence on the Listing Date and end on the date on which we distribute the annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

REMUNERATION POLICY

We value our employees and recognise the importance of a good relationship with our employees. The remuneration to our employees includes salaries and allowances. We provide our mining personnel formal and on-the-job training to enhance their technical mining skills as well as knowledge of industry quality standards and work place safety standards.

Our Directors and senior management receive compensation in the form of salaries, bonuses, contributions to pension schemes and other allowances and benefits in kind subject to applicable laws, rules and regulations. The aggregate amounts of emoluments (including fees, salaries and other benefits, performance related bonus and retirement benefit scheme contribution) paid to our Directors for the three years ended 31 December 2016 and the four months ended 30 April 2017 were nil, nil, RMB72,000 and RMB27,000, respectively.

For the three years ended 31 December 2016 and the four months ended 30 April 2017, the aggregate amounts of emoluments (including fees, salaries and other benefits, performance related bonus and retirement benefit scheme contribution) paid to the five highest paid individuals were RMB278,000, RMB247,000, RMB334,000 and RMB286,000, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended 31 December 2016 and the four months ended 30 April 2017. Further, none of our Directors had waived any remuneration during the Track Record Period.

The primary goal of the remuneration policy with regard to the remuneration packages of our executive Directors is to enable our Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. The principal elements of our executive Directors remuneration packages include basic salaries and discretionary bonuses.

Under the arrangements currently in force, we estimate that the aggregate amounts of emoluments (excluding discretionary bonus) payable to and benefits in kind receivable by our Directors (including independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2017 will be approximately RMB987,000.

We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. Further information on the remuneration of each Director during the Track Record Period as well as information on the highest paid individuals is set out in notes 7 and 8 to the accountants' report as set out in Appendix I to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to motivate the relevant participants to optimise their future contributions and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. Additionally, in the case of the executive directors and senior management of our Group, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The principal terms of this scheme are summarised in the section headed "Statutory and general information — Other information — 13. Share option scheme" in Appendix VI to this prospectus.

AUTHORISED AND ISSUED SHARE CAPITAL

Assuming the Over-allotment Option is not exercised, the authorised and issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering is set out as follows:

		US$
Authorised share capital		
2,400,000,000	Shares of US$0.01 each	24,000,000
Issued and to be issued, fully paid or credited as fully paid		
5,000,000	Shares in issue as at the date of this prospectus	50,000
1,165,000,000	Shares to be issued pursuant to the Capitalisation Issue	11,650,000
390,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option and any Shares which may be issued pursuant to exercise of the options which have been or may be granted under the Share Option Scheme)	3,900,000
Total		
1,560,000,000	Shares	15,600,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Global Offering is made.

The above table does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate given to our Directors to allot and issue or repurchase Shares pursuant to the Repurchase Mandate as described below.

RANKING

The Offer Shares and the Shares that may be issued pursuant to exercise of the Over-allotment Option will be ordinary shares and will rank pari passu in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions thereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total number of issued shares must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares and must have an expected market capitalisation at the time of listing of not less than HK$50 million.

Based on the information in the table above, our Company will meet the public float requirement under the Listing Rules after the completion of the Capitalisation Issue and the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 6 October 2017. Under the Share Option Scheme, the eligible participants of the scheme, including Directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. For further details of the rules of the Share Option Scheme, please refer to the section headed "Statutory and general information — Other information — 13. Share option scheme" in Appendix VI to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate number of such Shares not exceeding the aggregate of (a) 20% of the number of issued Shares as enlarged by the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the Over-allotment Option); and (b) the number of such Shares which may be repurchased by our Company under the Repurchase Mandate (the "**Issuing Mandate**").

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements. The aggregate number of Shares which our Directors are authorised to allot and issue under the Issuing Mandate will not be reduced by the allotment and issue of such Shares.

The Issuing Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further details of this general mandate, please refer to the section headed "Statutory and general information — Further information about our Company — 3. Resolutions in writing of our Shareholders passed on 6 October 2017" in this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares not exceeding 10% of the aggregate number of issued Shares, as enlarged by the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option) (the "**Repurchase Mandate**").

The Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed "Statutory and general information — Further information about our Company — 6. Securities repurchase mandate." in Appendix VI to this prospectus.

The Repurchase Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association or any applicable laws of the Cayman Islands to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further information about the Repurchase Mandate, please refer to the section headed "Statutory and general information — Further information about our Company — 3. Resolutions in writing of our Shareholders passed on 6 October 2017" in Appendix VI to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

As a matter of the Cayman Islands Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles of Association, a summary of which is set out in the section headed "Summary of the constitution of our Company and the Cayman Islands Companies Law" in this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, each of the following persons will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group:

Interest in our Company

Shareholders	Name of Group member	Nature of interest	Number of Shares held[1]	Percentage of shareholding in our Company
Xinghui Development[2]	Our Company	Beneficial owner	1,053,000,000 Shares (L)	67.5%
Mr. Lin	Our Company	Interest of controlled corporation	1,053,000,000 Shares (L)	67.5%
Ms. Lin Jing[3]	Our Company	Interest of spouse	1,053,000,000 Shares (L)	67.5%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in our Shares.

(2) Xinghui Development is wholly owned by Mr. Lin. As such, Mr. Lin controls more than one-third of the voting rights of Xinghui Development and is deemed to be interested in the Shares held by Xinghui Development by virtue of the SFO.

(3) Ms. Lin Jing (林靜女士) is the spouse of Mr. Lin. Under SFO, Ms. Lin Jing is deemed to be interested in the Shares held by Mr. Lin.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Capitalisation Issue and the Global Offering (without taking into account any Shares that may be issued pursuant to the exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% of the issued voting shares of any other member of our Group.

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the accountants' report included as Appendix I to this prospectus. Our financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. For further details, see the section headed "Risk factors" in this prospectus.

OVERVIEW

We are a marble mining and processing company in China. Our Shiqian Project, which consists of our Leishoushan Project and our Processing Plant, is strategically located in Guizhou Province, one of China's major marble producing regions. Such geographic location allows us to benefit from Guizhou government's support for dimension stone production and development.

Our Leishoushan Project contains marble resources of three branch colours, which are commercially named as Royal Beige, Carlo Rose and Athens Grey, and we will offer marble blocks, marble slabs and shaped stones in each branch colour.

Our Leishoushan Project contains a large quantity of marble resources. According to the Independent Technical Consultant, the estimated Resources of our Leishoushan Project under the JORC Code as at 30 April 2017 were 56.98 million m^3, comprising Indicated Resources of 34.29 million m^3 and Inferred Resources of 22.69 million m^3; the estimated Probable Reserves of our Leishoushan Project under the JORC Code as at 30 April 2017 were 2.23 million m^3; the estimated block yield of our Leishoushan Project was 31.1%; the estimated mine life of our Leishoushan Project was approximately 40 years based on the Probable Reserves of 2.23 million m^3 and an anticipated annual production volume of 60,000 m^3 of marble blocks upon implementation of our ramp-up plan.

During the Track Record Period, we focused on preparing our Shiqian Project for commercial production, and carried out limited mine construction from March 2014 to June 2015. By February 2017, we had obtained all material approvals and licences required for commercial production of our Leishoushan Project and Phase 1 of the Processing Plant. Our Shiqian Project commenced limited commercial production in April 2017. As at the Latest Practicable Date, our Processing Plant had an annual processing capacity of 600,000 m^2 of marble slabs and shaped stones. We hold a mining licence for our Leishoushan Project which is valid for a term of 10 years commencing on 15 October 2012, which can be extended for another 10 years provided that we comply with the requirements for extension under the relevant PRC laws. The Mining Licence Area is 1.0781 km^2, and the approved mining depth under this licence is 810 m to 980 m ASL. The approved annual production volume under this licence is 60,000 m^3 of marble blocks. We adopt the open-pit mining method, which is the mining of a deposit from a pit open to surface and is usually carried out by the stripping of overburden materials, for the extraction of marbles at our Leishoushan Project, which allows us to operate at a relatively low cost. Open-pit mining is also generally safer than underground mining. We currently intend to extend the mining licence during the mine life of our Leishoushan Project.

Our Leishoushan Project is expected to reach its full annual production volume of 60,000 m^3 of marble blocks by 2020, and our Processing Plant is expected to reach its full annual processing output of 1,428,000 m^2, comprising 1,368,000 m^2 of marble slabs and 60,000 m^2 of shaped stones by the same year. Our estimated capital expenditure for the development of our Shiqian Project will amount to RMB233.7 million, of which RMB80.6 million had been incurred by us as at 30 April 2017, and the remaining amount of RMB153.1 million is expected to be incurred from 1 May 2017 to 31 December 2019 and fully financed by the net proceeds from the Global Offering.

Our Processing Plant, which is located at Yabei Industrial Park of Shiqian County, Guizhou Province, is approximately 26 km southwest of our Leishoushan Project and covers a site area of 58,061 m^2. It consists of two phases. Development of Phase 1 of the Processing Plant with a gross floor area of approximately 10,438 m^2 had been completed in January 2016. As at the Latest Practicable Date, our Processing Plant had been installed with a marble slab production line and a shaped stone production line with an aggregate annual processing capacity of 600,000 m^2 of marble slabs and shaped stones. We expect to commence development and commissioning of Phase 2 of the Processing Plant in the third quarter of 2018 and the second quarter of 2019, respectively. Upon completion of development of Phase 2 of the Processing Plant, our Processing Plant is expected to reach its full annual processing output of 1,428,000 m^2, comprising 1,368,000 m^2 of marble slabs and 60,000 m^2 of shaped stones by 2020. Our Directors are of the view that there will be no material capital expenditure requirement (other than the capital costs for our Shiqian Project) for our future plans after Listing.

From 2018 onwards, we plan to sell approximately 30% of the marble blocks mined from our Leishoushan Project to customers, and process the remaining 70% marble blocks into marble slabs and shaped stones at our Processing Plant for onward sales. We have determined such product mix after taking into account market demands for different types of our products. We believe such product mix will enable us to optimise our profitability.

We expect to carry out marketing activities primarily from Xiamen City of Fujian Province, one of China's most important marble distribution and trading centres, which allows us to benefit from the thriving marble trading market and large potential customer base in the Southeast China region.

During the Track Record Period, we focused on constructing and developing our Leishoushan Project for the purpose of commercial production and we commenced limited commercial production in April 2017. For the three years ended 31 December 2016 and the four months ended 30 April 2017, we incurred losses of RMB3.0 million, RMB3.4 million, RMB12.4 million and RMB0.6 million, respectively. For illustrative purpose, by excluding the effect of non-recurring Listing expenses, we recorded adjusted net losses of RMB2.7 million, RMB4.2 million and adjusted net profit of RMB4.2 million for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition, results of operations and the period-to-period comparability of our financial results have been and are expected to be affected by a number of factors, some of which are beyond our control. In addition to those discussed in the section headed "Risk factors" in this prospectus, the principal factors affecting our financial condition and results of operations are as follows:

Product portfolio, demand and pricing

Our principal products are marble blocks mined from our Leishoushan Project and marble slabs and shaped stones processed at our Processing Plant. From 2018 onwards, we plan to sell approximately 30% of the marble blocks mined from our Leishoushan Project to customers, and process the remaining 70% marble blocks into marble slabs and shaped stones at our Processing Plant for onward sales to customers. We may offer marble slabs with standardised sizes to participants and end users of the home decoration and public decoration markets, in particular the home decoration market. Our marble products are categorised into three branch colours, namely Royal Beige, Carlo Rose and Athens Grey. Customers' specifications and colour preferences of marble products and our product portfolio in terms of branch colours and specifications affect the prices of our products and our profitability. According to the Independent Technical Consultant, overall, the samples of our marble products meet the relevant Chinese standard specifications, and our marble products are considered to be suitable for their intended applications as blocks, slabs and other products under normal conditions.

We plan to sell our products mainly to marble processing, construction and decoration companies. We price our products based on their appearance, quality, specifications and quantity. We also take into account our production costs and make references to the market prices of our competitors' products of the same colours and similar appearances and quality. We categorise our marble blocks and marble slabs into three grades according to their quality and appearance: (i) products with no visible colour difference with well-defined vein lines, no crack and a fine texture; (ii) products with minor colour difference with slightly cluttered vein lines, no crack and not as fine texture; and (iii) products with relatively conspicuous colour difference with cluttered vein lines, no crack and not as fine texture. For each grade of our products, we adopt a price range, which may be subject to adjustments depending on individual circumstances of each transaction.

According to the Frost & Sullivan Report, market demand for, and prices of marble blocks and marble slabs have risen steadily during the past years and are estimated to continue to rise from 2017 to 2021. Despite this, marble prices may be influenced by numerous factors beyond our control, including market supply and demand or other macro-economic factors such as interest rates or general global economic conditions. According to the Independent Technical Consultant, marble prices are also affected by a number of variables including production cost, colour, pattern, texture, general appearance, block size, polishability, standard test results and the size of the order. Our financial results may be affected in case of market prices fluctuations.

As at the Latest Practicable Date, we had entered into three One-off Sales Contracts with our customers for one-off sales of marble blocks with an aggregate sales volume of 1,500 m^3. We had also entered into nine Framework Sales Contracts, 34 individual sales contracts under the Framework Sales Contracts and one purchase order with our customers, pursuant to which we had agreed to sell marble products at fixed price ranges, depending on the product quality. Such price ranges are RMB3,000/m^3 to RMB5,500/m^3 for marble blocks, RMB200/m^2 to RMB290/m^2 for marble slabs and RMB2,200/m^2 to RMB2,980/m^2 for shaped stones. The parties may make upward or downward adjustments to these price ranges according to the condition of the products. In the event that there is significant discrepancy between the quality of the products and the quality standards applicable to the agreed price ranges, the parties may decide the prices upon further negotiation. We will price our marble products based on our pricing policy and market conditions in the future. For further details, please refer to the section headed "Business — Sales and marketing" in this prospectus.

Production and sales volume

Our production volume will be primarily determined by the Reserves at our Leishoushan Project and our production and processing capacities. Our production and processing capacities, in turn, are affected by factors such as the financial resources available for us to ramp up our operations, transportation conditions of our products, our ability to obtain regulatory approvals required for our operations in a timely manner and our ability to train new production staff. Our Shiqian Project had commenced limited commercial production in April 2017. We are expected to reach full annual production volume of 60,000 m^3 of marble blocks and full annual processing output of 1,428,000 m^2 of marble slabs and shaped stones by 2020. The following table sets forth the expected production and sales volumes of marble blocks, as well as processing output and sales volumes of marble slabs and shaped stones according to our development plan:

Year	Expected production volume of marble blocks	Expected direct sales volume of marble blocks	Expected processing output of marble slabs	Expected processing output of shaped stones
	(m^3)	*(m^3)*	*(m^2)*	*(m^2)*
2017	11,500	4,500	228,000	10,000
2018	20,000	6,000	456,000	20,000
2019	42,000	12,600	957,600	42,000
2020	60,000	18,000	1,368,000	60,000

We plan to sell approximately 30% of the marble blocks mined from our Leishoushan Project site to customers through entering into marble block sales contracts with them, and process the remaining 70% into marble slabs and shaped stones at our Processing Plant except that in 2017, we plan to sell 4,500 m^3 of marble blocks (representing approximately 39.1% of our expected annual production volume of 11,500 m^3 in 2017) and process the remaining 7,000 m^3 of marble blocks (representing approximately 60.9% of our expected annual production volume of 11,500 m^3 in 2017) into marble slabs and shaped stones.

Our sales volume will be largely dependent upon customers' preferences and market demands, our production capacity and transportation capacity, as well as changes in the economy and market conditions in the areas to which we sell our products. As we intend to establish our own retail network, our future sales volume will also be affected by our ability to manage our retail business.

Production costs

Production costs will be a key factor affecting our profitability. We did not commence commercial production for the three years ended 31 December 2016 and as a result, we did not incur any production cost during the same periods. Our Shiqian Project commenced limited commercial production in April 2017, and as such we incurred cost of sales of approximately RMB3.0 million for the four months ended 30 April 2017.

Major components of our costs of production are directly related to production volume. Our operating cash costs mainly consist of mining cost, fuel and electricity, staff costs, general and administration and other costs. Variation in production volume and the costs associated with mining proceeds are key factors that affect our cash costs of production. We expect our unit production cost to decrease when we achieve our expected full production rate in 2020. According to the Independent Technical Consultant, our unit cash operating costs for marble blocks, marble slabs and shaped stones are estimated at RMB1,052/m^3, RMB161/m^2 and RMB777/m^2, respectively, when our Leishoushan Project reaches its full target annual production volume of 60,000 m^3 of marble blocks and our Processing Plant reaches its full processing output of 1,428,000 m^2 of marble slabs and shaped stones by 2020.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the section headed "History, development and Reorganisation — Reorganisation" in this prospectus, the Company became the holding company of the companies now comprising our Group on 27 October 2016 by way of share swaps with the existing shareholders of Shiqian Investment. The companies now comprising our Group were under the common control of Mr. Lin before and after the Reorganisation. As the Reorganisation only involved inserting new holding entities at the top of an existing company (i.e. Shiqian Investment) and has not resulted in any change of economic substances, the historical financial information for the Track Record Period has been presented as a continuation of the existing company using the pooling of interests method. Accordingly, the historical financial information contained in the accountants' report set out in Appendix I hereto has been prepared on a consolidated basis by applying the principles of pooling of interests method as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date of incorporation, where this is a shorter period. The consolidated statements of financial position of our Group as at 31 December 2014, 2015 and 2016 and 30 April 2017 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

Our Group recorded net current liabilities of approximately RMB52.0 million, RMB63.7 million and RMB41.6 million as at 31 December 2014, 2015 and 2016, respectively. In view of the net current liabilities position, our Directors have given careful consideration to the future liquidity and performance of our Group and its available sources of finance in assessing whether our Group will have sufficient financial resources to continue as a going concern, having considered that our ultimate Controlling Shareholder contributed an additional amount of approximately RMB50 million to our Group in March 2017. As a result, we recorded net current assets of approximately RMB5.0 million as at 30 April 2017.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements prepared in accordance with IFRS. Our financial condition and results of operations are sensitive to accounting methods, assumptions and estimates. The estimates and assumptions are based on our industry experience and various factors including our Directors' expectations of future events which they believe to be reasonable and most appropriate in the circumstances for the purposes of giving a true and fair view of our results and financial condition. Actual results may differ from those estimates and assumptions. The selection of critical accounting policies, the judgments and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our historical financial information. We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our historical financial information.

Revenue recognition

Revenue recognition involves estimates and judgments in respect of timing. Significant changes in our management's estimates and judgments may result in revenue adjustments. Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Since we did not commence commercial production during the three years ended 31 December 2016, we did not record any revenue in our consolidated statements of profit or loss and other comprehensive income during the same periods. However, we started to generate revenue of approximately RMB10.7 million for the four months ended 30 April 2017 as our Shiqian Project commenced limited commercial production in April 2017.

According to the One-off Sales Contracts, the individual sales contracts pursuant to the Framework Sales Contracts and the purchase order we have entered into, we generally pass the risk to the buyer when the marble products have been loaded onto the vehicles arranged by our customers.

Property, plant and equipment and depreciation

Depending on the nature of items of property, plant and equipment, depreciation is calculated either (i) on a straight line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life or (ii) using the units of production method to write-off the cost of the assets in proportion to the proved and probable mineral reserves. Our management estimates the useful lives, proved and probable reserves, residual values and related depreciation charges for property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of each item of property, plant and equipment of a similar nature and function. They could change significantly as a result of technical innovations and actions of our competitors. The assumptions used in the determination of useful lives of property, plant and equipment are reviewed periodically.

Construction in progress represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Under IAS 16, the cost of an item of property, plant and equipment includes any costs directly attributable to bringing the asset to location and condition necessary for it to be capable of operating in the manner intended by management.

The direct attributable costs of an item of property, plant and equipment include the costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition.

The amount of depreciation and amortisation expenses to be recorded of an asset is affected by a number of estimates made by our management, based on our industry experience and knowledge such as estimated useful lives, proved and probable reserves and residual values. If different judgments are used, material differences may result in the amount and timing of the depreciation and amortisation charges related to the asset.

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

	Useful lives
Buildings	20 years
Office equipment	5 years
Machinery	10 years
Motor vehicles	10 years

Stripping costs

As part of our mining operations, we incurs stripping (waste removal) costs during the development phase of our operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised in property, plant and equipment as part of the cost of constructing the mine and subsequently amortised over its useful life using the Units of Production ("UOP") method.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised on a UOP basis over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines. If the mining property is abandoned, mining rights are written off to profit or loss.

For our Leishoushan Project, the estimated useful life of the mining right is based on its unexpired period, which is no later than 15 October 2022.

Impairment of non-financial assets

Our non-financial assets primarily include property, plant and equipment, intangible assets, prepaid land lease payment and long-term prepayment.

We assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from sales contracts in arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, our management must estimate the expected future cash flows using a pre-tax discount rate in order to calculate the present value of those cash flows that reflects current market assessments of the time value of money and the risks specific to the asset.

We did not incur any impairment of non-financial assets during the Track Record Period.

Ore reserves

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

Provision for rehabilitation

Our provisions for rehabilitation are mainly recognised for the present value of estimated costs to be incurred by us in compliance with our Group's obligations for the closure and environmental restoration and clean-up upon completion of our Group's mining activities. These costs are expected to be incurred upon mine closure, based on the estimated rehabilitation expenditures at the mine when the mining licence expires, and are discounted at a discount rate of 6.15%, 4.90%, 4.90% and 4.90% for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively. Changes in assumptions could significantly affect these estimates.

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statements of financial position by adjusting the rehabilitation asset and liability. The carrying amounts of provision for rehabilitation as at 31 December 2014, 2015 and 2016 and 30 April 2017 were RMB1,050,000, RMB1,216,000, RMB1,277,000 and RMB1,298,000, respectively.

A land rehabilitation report for the required land rehabilitation and restoration work prepared by Guizhou Shuntianyi Engineering Consulting Co., Ltd.* (貴州順天意工程諮詢有限公司) was issued in December 2012 and approved by Tongren City State Land Resources Bureau. According to this report, the total rehabilitation cost of our Leishoushan Project amounted to approximately RMB1.3 million as estimated as at December 2012. In accordance with the requirement under the land rehabilitation report and the applicable accounting treatments, we will continue to set aside provisions for the rehabilitation cost each year and expect to set aside the full amount of the provision by 2022. Our Directors confirmed and considered that the amount of rehabilitation cost stated in the land rehabilitation report is adequate for all rehabilitation and restoration works.

For further details, please refer to the section headed "Business — Environmental protection, land rehabilitation and social matters — Land rehabilitation" in this prospectus.

DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated. This information should be read together with our historical financial information and related notes, which have been prepared in accordance with IFRS and set out in the accountants' report in Appendix I to this prospectus. Our operating results in any period are not necessarily indicative of results that may be expected for any future period.

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	–	–	–	–	10,676
Cost of sales	–	–	–	–	(3,043)
Gross profit	–	–	–	–	7,633
Other income	1	1	51	16	16
Administrative expenses	(3,326)	(4,224)	(14,500)	(3,420)	(7,026)
Other expenses	(262)	(28)	(57)	(3)	(18)
Finance costs	(64)	(66)	(61)	(20)	(21)
Profit/(loss) before tax	(3,651)	(4,317)	(14,567)	(3,427)	584
Income tax credit/(expense)	689	951	2,215	740	(1,184)
Loss for the year/period attributable to owners of the parent	(2,962)	(3,366)	(12,352)	(2,687)	(600)
Other comprehensive loss:					
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	–	–	(113)	–	(171)
Other comprehensive loss for the year/period, net of tax	–	–	(113)	–	(171)
Total comprehensive loss for the year/period attributable to owners of the parent	(2,962)	(3,366)	(12,465)	(2,687)	(771)

Revenue

Revenue represents the net invoice value of goods sold, net of VAT, trade discounts and returns and various types of government surcharges, where applicable. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. The revenue generated during the development of our Leishoushan Project was unintended and such activity was integral to the development of the project as we focus on mining construction and development during the three years ended 31 December 2016. Since the main purpose of the activities is the development of the mine, the aforesaid revenue generated should be credited to the construction in progress under the relevant accounting standards. We recorded revenue of approximately RMB10.7 million for the four months ended 30 April 2017 as our Shiqian Project commenced limited commercial production in April 2017.

Cost of sales

Our cost of sales comprises mainly consumables, fuel and electricity used in mining and processing operations and subcontracting fees. We recorded cost of sales of approximately RMB3.0 million for the four months ended 30 April 2017 as our Shiqian Project commenced limited commercial production in April 2017.

Gross profit

We recorded gross profit of approximately RMB7.6 million for the four months ended 30 April 2017 as our Shiqian Project commenced limited commercial production in April 2017.

Other income

During the Track Record Period, we had other income which mainly represented interests of our interest-bearing bank deposits, government grants and insurance claims in respect of our damaged vehicles recovered by us. We recorded other income of RMB1,000, RMB1,000, RMB51,000 and RMB16,000 for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively.

Administrative expenses

Administrative expenses mainly represent staff costs, Listing expenses, fuel, water and electricity cost, depreciation and amortisation expenses, entertainment, travelling expenses, repair and maintenance, office expenses and other professional fees. We incurred administrative expenses of approximately RMB3.3 million, RMB4.2 million, RMB14.5 million and RMB7.0 million for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively.

The following table sets out a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Staff costs	1,052	1,094	1,239	380	563
Listing expenses	–	653	8,157	1,735	4,751
Fuel, water and electricity costs	561	546	446	106	116
Depreciation and amortisation expenses	844	1,249	2,511	749	740
Entertainment fees	497	175	224	34	58
Travelling expenses	104	135	64	27	76
Repair and maintenance costs	21	106	365	84	273
Office expenses	209	96	28	12	98
Other professional fees	8	149	1,125	207	222
Related taxes	–	–	242	58	106
Others	30	21	99	28	23
	3,326	**4,224**	**14,500**	**3,420**	**7,026**

Listing expenses represent professional fees paid to relevant parties in connection with the Global Offering.

Other professional fees represent services fees incurred by us in connection with our development of our Shiqian Project in the ordinary course of our business.

Fluctuations in our staff costs during the Track Record Period were primarily due to changes in the numbers of our management personnel and production staffs according to our business needs.

Related taxes represent mainly property tax and urban land use tax payable for the completion and ready for use of Phase 1 of the Processing Plant.

Other expenses

Our other expenses mainly represent bank charges and donations. We incurred other expenses of RMB262,000, RMB28,000, RMB57,000 and RMB18,000 for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively. The substantially large amounts of other expenses, incurred for the year ended 31 December 2014 was due to donations made by the Company while the other expenses was relatively stable for the two years ended 31 December 2016.

Finance costs

Finance costs represent unwinding interest on discounted provision for rehabilitation. We incurred finance costs of RMB64,000, RMB66,000, RMB61,000 and RMB21,000 for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively. For the three years ended 31 December 2016 and the four months ended 30 April 2017, we made provisions for the land rehabilitation cost in the amount of approximately RMB1.1 million, RMB1.2 million, RMB1.3 million and RMB1.3 million, respectively.

Income tax credit/expense

Income tax credit represents deferred tax assets arising from the tax loss which can be deducted by future taxable income.

Under the rules and regulations of the Cayman Islands and BVI, we are not subject to any income tax in the Cayman Islands and BVI. We have not made any provisions for Hong Kong profits tax as we had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

Pursuant to the relevant income tax rules and regulations of the PRC, our Group's subsidiary located in Mainland China is subject to the PRC corporate income tax of 25% during the Track Record Period.

We recorded income tax credit of approximately RMB0.7 million, RMB1.0 million, RMB2.2 million for the three years ended 31 December 2016 and income tax expense of approximately RMB1.2 million for the four months ended 30 April 2017, respectively.

The following table sets forth details about our income tax credit/expense for the periods indicated:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before tax	(3,651)	(4,317)	(14,567)	(3,427)	584
Tax expense/(credit) at the applicable tax rate of a major subsidiary operating in the PRC	(913)	(1,079)	(3,642)	(856)	146
Lower tax rate for a specific province	–	–	360	–	310
Expenses not deductible for tax	224	128	1,067	116	728
Income tax expense/(credit) at the Group's effective tax rate	(689)	(951)	(2,215)	(740)	1,184
Effective tax rates	18.9%	22.0%	15.2%	21.6%	202.7%

Our Group is subject to effective tax rate of 18.9%, 22.0%, 15.2% and 202.7% for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively. The increase in effective tax rate for the year ended 31 December 2015 as compared to that for the year ended 31 December 2014 was mainly attributable to a decrease in non-deductible expenses incurred in the year ended 31 December 2015. The decrease in effective tax rate for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015 was principally due to an increase in Listing expenses which were not deductible for tax purposes. The surge in effective tax rate for the four months ended 30 April 2017 as compared to that for the four months ended 30 April 2016 was primarily due to an increase in Listing expenses incurred, which were not deductible, in the four months ended 30 April 2017.

During the Track Record Period and as at the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF THE OPERATIONS

The following sets forth the management's discussion and analysis of the results of the operations during the Track Record Period. The following discussion should be read in conjunction with the consolidated financial information on our Group during the Track Record Period in the accountants' report, the text of which is set forth in Appendix I to this prospectus.

Four months ended 30 April 2017 compared to four months ended 30 April 2016

Revenue

We generated approximately RMB10.7 million for the four months ended 30 April 2017 as compared to no revenue recorded for the four months ended 30 April 2016 since our Shiqian Project only commenced limited commercial production in April 2017.

Cost of sales

We incurred approximately RMB3.0 million of cost of sales for the four months ended 30 April 2017 as compared to no cost of sales incurred for the four months ended 30 April 2016 since our Shiqian Project only commenced limited commercial production in April 2017.

Gross profit and gross profit margin

Our gross profit and gross profit margin for the four months ended 30 April 2017 amounted to approximately RMB7.6 million and 71.5%, respectively, as our Shiqian Project only commenced limited commercial production in April 2017.

Other income

We recorded other income of approximately RMB16,000 for each of the four months ended 30 April 2016 and 2017, respectively.

Administrative expenses

Our administrative expenses was doubled from approximately RMB3.4 million for the four months ended 30 April 2016 to approximately RMB7.0 million for the four months ended 30 April 2017, primarily due to (i) the significant increase of Listing expenses from approximately RMB1.7 million for the four months ended 30 April 2016 to approximately RMB4.8 million for the four months ended 30 April 2017, as a result of significant progress made in our Listing in the four months ended 30 April 2017 and (ii) increase in repair and maintenance fees from approximately RMB84,000 for the four months ended 30 April 2016 to approximately RMB273,000 for the four months ended 30 April 2017 due to improvement work in relation to commencement of limited commercial production of our Shiqian Project in April 2017.

Other expenses

Our other expenses increased significantly from approximately RMB3,000 for the four months ended 30 April 2016 to approximately RMB18,000 for the four months ended 30 April 2017. The increase was due to a sponsorship of RMB10,000 made to the local government for recreational activity during the four months ended 30 April 2017.

Finance costs

Our finance costs were RMB20,000 for the four months ended 30 April 2016, and remained stable at RMB21,000 for the four months ended 30 April 2017.

Income tax expense/(credit)

We recorded income tax expense of approximately RMB1.2 million for the four months ended 30 April 2017 as compared to income tax credit of approximately RMB0.7 million for the four months ended 30 April 2016 due to the revenue generated from the limited commercial production of our Shiqian Project during the four months ended 30 April 2017.

Loss for the period

As a results of the foregoing reasons, our loss decreased from approximately RMB2.7 million for the four months ended 30 April 2016 to approximately RMB0.6 million for the four months ended 30 April 2017.

The year ended 31 December 2016 compared with the year ended 31 December 2015

Revenue

We did not generate any revenue in the two years ended 31 December 2016 as we had not commenced commercial production during the same periods.

Other income

Our other income increased from approximately RMB1,000 for the year ended 31 December 2015 to RMB51,000 for the year ended 31 December 2016, primarily due to insurance claims of RMB28,000 in respect of our damaged vehicles recovered by us and the recognition of government grant of RMB9,000 during the year ended 31 December 2016.

Administrative expenses

Our administrative expenses significantly increased by 2.4 times from approximately RMB4.2 million for the year ended 31 December 2015 to approximately RMB14.5 million for the year ended 31 December 2016, primarily due to (i) the incurrence of Listing expenses of approximately RMB8.2 million during the year ended 31 December 2016; (ii) an increase in depreciation and amortisation expenses of approximately RMB1.3 million due to the completion and ready for use of Phase 1 of the Processing Plant and office building during the year ended 31 December 2016; and (iii) an increase in other professional fees in the amount of approximately RMB1.0 million which was mainly incurred in connection with the application of relevant government licensing and approval requirements.

Other expenses

Our other expenses increased by approximately 103.6% from approximately RMB28,000 for the year ended 31 December 2015 to approximately RMB57,000 for the year ended 31 December 2016. The increase was primarily due to an increase in donations from RMB25,000 during the year ended 31 December 2015 to RMB46,500 during the year ended 31 December 2016, mainly made for the construction of roads, office and recreational facilities for local community.

Finance costs

Our finance costs were RMB66,000 for the year ended 31 December 2015, and remained fairly stable at RMB61,000 for the year ended 31 December 2016.

Income tax credit

Our income tax credit significantly increased by 1.3 times from approximately RMB1.0 million for the year ended 31 December 2015 to approximately RMB2.2 million for the year ended 31 December 2016, primarily due to an increase in loss before tax from (i) the Listing expenses of approximately RMB8.2 million during the year ended 31 December 2016; and (ii) an increase in depreciation and amortisation expenses of approximately RMB1.3 million resulted from the completion of Phase 1 of the Processing Plant and office building during the year ended 31 December 2016.

Loss for the year

As a result of the foregoing factors, our loss significantly increased by 2.7 times from approximately RMB3.4 million for the year ended 31 December 2015 to approximately RMB12.4 million for the year ended 31 December 2016.

Year ended 31 December 2015 compared with year ended 31 December 2014

Revenue

We did not generate any revenue in the two years ended 31 December 2015 as we had not commenced commercial production during the same periods.

Other income

We recorded other income of approximately RMB1,000 for each of the two years ended 31 December 2015.

Administrative expenses

Our administrative expenses increased by approximately 27.0% from approximately RMB3.3 million for the year ended 31 December 2014 to approximately RMB4.2 million for the year ended 31 December 2015, primarily due to (i) the incurrence of legal and other professional fees in connection with the Global Offering in the amount of approximately RMB653,000 in the year ended 31 December 2015; and (ii) an increase in our depreciation expenses of RMB405,000 as a result of our procurement of office equipment, vehicles and machines installed at our Processing Plant during the year ended 31 December 2014, and partially offset by a decrease in entertainment and office expenses during the year ended 31 December 2015.

Other expenses

Our other expenses decreased significantly by approximately 89.3% from RMB262,000 for the year ended 31 December 2014 to RMB28,000 for the year ended 31 December 2015, primarily because we made a donation of RMB250,000 for alleviation of a flood in the year ended 31 December 2014.

Finance costs

Our finance costs were RMB64,000 for the year ended 31 December 2014 and remained fairly stable at RMB66,000 for the year ended 31 December 2015.

Income tax credit

Our income tax credit increased by 38.0% from RMB689,000 for the year ended 31 December 2014 to RMB951,000 for the year ended 31 December 2015, primarily because we recorded an increase in loss before tax for the year ended 31 December 2015.

Loss for the year

As a result of the foregoing factors, our loss increased from approximately RMB3.0 million for the year ended 31 December 2014 to RMB3.4 million for the year ended 31 December 2015.

DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our summary consolidated statements of financial position at the dates indicated. This information should be read together with our historical financial information included in the accountants' report in Appendix I to this prospectus.

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	44,918	52,614	54,993	61,930
Prepaid land lease payment	–	–	9,610	9,535
Long-term prepayments	1,195	1,156	1,228	1,175
Intangible assets	2,180	2,180	2,180	2,178
Pledged deposit	560	560	560	560
Deferred tax assets	993	1,944	4,159	2,975
Total non-current assets	49,846	58,454	72,730	78,353
Current assets				
Inventories	–	–	–	220
Trade receivables	–	–	–	9,246
Prepayments and other receivables	39	267	3,271	7,642
Cash and cash equivalents	140	39	753	5,811
Total current assets	179	306	4,024	22,919
Current liabilities				
Trade payables	–	–	–	1,785
Other payables and accruals	2,949	1,473	6,140	8,557
Due to a related party	1,400	3,950	1,400	–
Due to the ultimate Controlling Shareholder	47,822	58,583	38,123	7,537
Total current liabilities	52,171	64,006	45,663	17,879
Net current assets/(liabilities)	(51,992)	(63,700)	(41,639)	5,040
Total assets less current liabilities	(2,146)	(5,246)	31,091	83,393
Non-current liabilities				
Provision for rehabilitation	1,050	1,216	1,277	1,298
Deferred income	–	100	341	3,041
Total non-current liabilities	1,050	1,316	1,618	4,339
Net assets/(liabilities)	(3,196)	(6,562)	29,473	79,054

Property, plant and equipment

Our property, plant and equipment mainly consist of buildings, office equipment, machinery, motor vehicles and construction in progress. Our property, plant and equipment amounted to approximately RMB44.9 million, RMB52.6 million, RMB55.0 million and RMB61.9 million as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively. The increase was primarily due to (i) an increase in the equipment and vehicles purchased for our Leishoushan Project and our Processing Plant during the two years ended 31 December 2016 and the four months ended 30 April 2017, (ii) an increase in the construction in progress carried out for our Processing Plant during the two years ended 31 December 2016 and (iii) an increase in the buildings and equipment as a result of commencement of limited commercial production during the four months ended 30 April 2017.

Prepaid land lease payment

Prepaid land lease payment represent cost of land use right in respect of a parcel of land on which our Processing Plant is erected paid by us during the year ended 31 December 2016 and amortised over its estimated useful lives of 50 years. Our prepaid land lease payment amounted to RMB9.6 million as at 31 December 2016 and RMB9.5 million as at 30 April 2017, respectively. The decrease was primarily due to amortisation charged for the four months ended 30 April 2017.

Long-term prepayments

Long-term prepayments represent prepayments made for the use of certain parcels of land used for our mining activities at our Leishoushan Project site for a period of 20 years. The following table sets forth the net carrying amount of our long-term prepayments as at the date indicated below.

	RMB'000
Net carrying amount:	
As at 31 December 2014	1,195
As at 31 December 2015	1,156
As at 31 December 2016	1,228
As at 30 April 2017	1,175

The decrease in the long-term prepayments as at 31 December 2015 as compared to those as at 31 December 2014 was mainly attributable to amortisation of the long-term prepayments. The increase in the long-term prepayments as at 31 December 2016 as compared to those as at 31 December 2015 was mainly due to the payment of additional rental of RMB111,000, which is partly offset by the amortisation of the long-term prepayments. The decrease in the long-term prepayments as at 30 April 2017 as compared to those as at 31 December 2016 was mainly attributable to amortisation of the long-term prepayments.

Intangible assets

Intangible assets represent cost of acquisition of mining rights in respect of our Leishoushan Project in 2012 from Tongren City State Land Resources Bureau through our successful bid in a listing-for-sale process. No amortisation was made during the three years ended 31 December 2016 as our Leishoushan Project had only commenced limited commercial production in April 2017 and amortisation would be charged accordingly.

Current assets and current liabilities

The following table sets forth the components of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2014	**2015**	**2016**	**2017**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets					
Inventories	–	–	–	220	590
Trade receivables	–	–	–	9,246	2,870
Prepayments and other receivables	39	267	3,271	7,642	5,447
Cash and cash equivalents	140	39	753	5,811	29,557
	179	306	4,024	22,919	38,464
Current liabilities					
Trade payables	–	–	–	1,785	3,409
Other payables and accruals	2,949	1,473	6,140	8,557	8,271
Bank borrowings – current portion	–	–	–	–	80
Due to a related party	1,400	3,950	1,400	–	–
Due to the ultimate Controlling Shareholder	47,822	58,583	38,123	7,537	7,034
	52,171	64,006	45,663	17,879	18,794
Net current liabilities/assets	(51,992)	(63,700)	(41,639)	5,040	19,670

For the three years ended 31 December 2016, we focused our business activities on mine planning, construction, testing and infrastructure development. Mr. Lin, our ultimate Controlling Shareholder, provided approximately RMB47.8 million, RMB58.6 million and RMB38.1 million, and Fujian Panxing, our related party, provided approximately RMB1.4 million, RMB4.0 million and RMB1.4 million for each the three years ended 31 December 2016 which represented the advances to us by Mr. Lin and Fujian Panxing for the development of our Shiqian Project. As a result, we recorded net current liabilities of approximately RMB52.0 million, RMB63.7 million and RMB41.6 million for each of the three years ended 31 December 2016. We received further advances in the amount of approximately RMB50 million from Mr. Lin for the settlement of our consideration for the acquisition of Shiqian Investment, and received additional contribution of approximately RMB50 million from Mr. Lin for the satisfaction of our Group's working capital requirements. The above advances of approximately RMB50 million and contributions of approximately RMB50 million made by Mr. Lin to our Group in February 2017 and March 2017, respectively, were financed by two loans obtained by Mr. Lin from a lender (the "**Lender**") who is an Independent Third Party. Save as those disclosed herein, the Lender did not have any business or family relationship, whether in past or present, with our Group, Mr. Lin, any of our Shareholders or their respective associates. The additional contribution by Mr. Lin to our Group was used to settle the amounts due to Mr. Lin, our ultimate Controlling Shareholder and Fujian Panxing, our related party. Such further advances and additional contribution were waived by him in March 2017. As a result of the settlement of the amounts due to our ultimate Controlling Shareholder and our related party, we recorded net current assets of approximately RMB5.0 million as at 30 April 2017. As our Shiqian Project commenced limited commercial production in April 2017, our Group has accumulated approximately RMB29.6 million of cash and cash equivalent as at 31 August 2017, as compared to that of approximately RMB5.8 million as at 30 April 2017. Having considered further advances from our ultimate Controlling Shareholder to our Group in March 2017 and our financial position as at 31 August 2017, our Directors are satisfied that our Group is able to meet in full its financial obligations as they fall due for the foreseeable future.

Inventories

Our inventories comprise marble blocks and consumables. The following table sets forth the components of our inventories as the dates indicated:

	As at 31 December			**As at 30 April**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	–	–	–	17
Finished goods	–	–	–	203
	–	–	–	220

We recorded inventories of approximately RMB220,000 as at 30 April 2017 as our Shiqian Project only commenced limited commercial production in April 2017. We have implemented an inventory provisioning policy. Inventories are valued at the lower of the cost and net realisable value. We carry out an annual inventory review and make provision against obsolete and slow-moving items pursuant to relevant accounting standard. The difference between the carrying value of inventories and the written down value of inventories will be charges to current profit and loss account.

As at the Latest Practicable Date, all of our inventories as at 30 April 2017 had been sold or used.

Trade receivables

The following table sets forth the components of our trade receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	9,246
	–	–	–	9,246

Our trade receivables primarily relate to receivables for goods sold to our customers pursuant to the One-off Sales Contracts and individual sales contracts under the Framework Sales Contracts. We recorded approximately RMB9.2 million of trade receivables, as our Shiqian Project commenced limited commercial production in April 2017. We generally granted one month of credit period to our customers. We seek to maintain strict control over our outstanding receivables and have a credit control department to minimise the credit risk. We typically do not require any collateral or other credit enhancements as security.

The following table sets forth the aging analysis of trade receivables (based on the invoice date) of our gross trade receivables due from third parties, as at the dates indicated:

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one month	–	–	–	9,246

Our policy for impairment on trade receivables due from third parties is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our Shiqian Project commenced limited commercial production in April 2017 and all trade receivables were recorded as at 30 April 2017. We will closely review the trade receivables balances and any overdue balances on an ongoing basis, and assessments will be made by our management on the collectability of overdue balances. We may make specific provisions for the impairment of certain overdue trade receivables in order to ensure the quality of our assets, after fully considering the nature of trade receivables and their collectability on a client-by-client basis. No provision for impairment was recognised during the Track Record Period.

As at the Latest Practicable Date, all of our trade receivables outstanding as at 30 April 2017 had been fully settled.

Prepayments and other receivables

As at 31 December 2014, 2015 and 2016 and 30 April 2017, we had prepayments and other receivables in the amount of approximately RMB39,000, RMB0.3 million, RMB3.3 million and RMB7.6 million, respectively. The following table sets forth the components of our prepayments and other receivables as at the dates indicated.

	As at 31 December			**As at 30 April**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	–	–	–	2,800
Other receivables	–	10	61	39
Prepaid land lease payment, current portion	–	–	197	197
Long-term prepayments, current portion	39	39	39	68
Deferred listing costs	–	218	2,974	4,538
Total	39	267	3,271	7,642

The prepaid land lease payment, current portion as at 31 December 2016 and 30 April 2017 in the amount of approximately RMB0.2 million represent our prepaid land lease payment fees that will be amortised within a year.

Deferred listing costs as at 31 December 2015 and 2016 and 30 April 2017 in the amount of approximately RMB0.2 million, RMB3.0 million and RMB4.5 million, respectively, represent legal and other professional fees incurred in connection with the Listing, which will be deducted from equity upon completion of the Listing. The increment of deferred listing costs as at 31 December 2016 as compared to those as at 31 December 2015 and the further increment as at 30 April 2017 as compared to 31 December 2016 was because we made more progress in our Listing in the year ended 31 December 2016 and the four months ended 30 April 2017.

The prepayments as at 30 April 2017 in the amount of approximately RMB2.8 million, represents our prepayment to one of our suppliers for procurement of consumables used in our Processing Plant.

Trade payables

Our trade payables primarily consist of balances due to our suppliers for purchases of raw materials, machinery and equipment and procurement of labour services. We recorded approximately RMB1.8 million of trade payables, as our Shiqian Project commenced limited commercial production in April 2017.

Our suppliers generally offer us trade credit periods of 30 days. The following table sets forth the ageing analysis of the trade payables (based on the invoice date) as the dates indicated:

	As at 31 December			**As at 30 April**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one month	–	–	–	1,785

As at the Latest Practicable Date, all of our trade payables outstanding as at 30 April 2017 had been fully settled.

Other payables and accruals

As at 31 December 2014, 2015 and 2016 and 30 April 2017, we had other payables and accruals in the amount of approximately RMB2.9 million, RMB1.5 million, RMB6.1 million and RMB8.6 million, respectively. The following table sets forth the components of our other payables and accruals as at the dates indicated:

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	2,253	559	4,853	6,511
Other tax payables	121	120	358	1,136
Payroll and welfare accruals	575	794	929	910
Total	2,949	1,473	6,140	8,557

Other payables represent the balance of the consideration for obtaining the mining right, amounts paid for construction in progress and acquisition of equipment, soil and water conservation payable, as well as payables to legal and other professional fees in connection with the Listing. Other tax payables represented provisions for land occupation tax, property tax and land use tax.

The decrease in other payables as at 31 December 2015 as compared to those as at 31 December 2014 was primarily due to the settlement of the remaining acquisition cost of the mining right of approximately RMB1.1 million and the settlement of the construction in progress and the acquisition costs of equipment of approximately RMB0.8 million during the year ended 31 December 2015. The significant increase in other payables as at 31 December 2016 as compared to those as at 31 December 2015 was primarily due to payables attributed to legal and other professional fees in connection with the Listing of approximately RMB3.6 million. The increase in other tax payables as at 31 December 2016 as compared to those as at 31 December 2015 was primarily due to provisions for property tax and land use tax made in the year ended 31 December 2016 as a result of the completion of Phase 1 of the Processing Plant in 2016. The increase in other payables as at 30 April 2017 as compared to those as at 31 December 2016 was primarily due to the payables attributed to legal and other professional fees in connection with the Listing of approximately RMB5.0 million and purchase of property, plant and equipment of our Processing Plant of approximately RMB1.2 million.

The increase in payroll and welfare accruals as at 31 December 2015 as compared to those as at 31 December 2014 and those as at 31 December 2016 as compared to those as at 31 December 2015 was primarily due to increases in the average staff salaries during the relevant years. The payroll and welfare accruals remained stable as at 30 April 2017 as compared to those as at 31 December 2016 was due to stable number of employees retained by us during the relevant periods.

Balances with related parties

The following table sets forth the components of our balances with related parties as at the date indicated.

	As at 31 December			As at 30 April	As at 31 August
	2014	2015	2016	2017	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Due to the ultimate Controlling Shareholder, Mr. Lin *(Note 1)*:	47,822	58,583	38,123	7,537	7,034
Due to Fujian Panxing (*Note 2*):	1,400	3,950	1,400	–	–

Notes:

1. Mr. Lin is a Director and held a 95% and a 90% equity interest in Shiqian Investment before and after completion of the Reorganisation, respectively.

2. Mr. Lin, our ultimate Controlling Shareholder, was a director of Fujian Panxing and certain of its subsidiaries prior to his resignation of all positions of Fujian Panxing in January 2017 and as a result, Fujian Panxing was our related party.

The balances due to Mr. Lin, our ultimate Controlling Shareholder as at 31 December 2014, 2015 and 2016, 30 April 2017 and 31 August 2017 in the amount of approximately RMB47.8 million, RMB58.6 million, RMB38.1 million, RMB7.5 million and RMB7.0 million, respectively represent advances to us by Mr. Lin for the development of our Shiqian Project. The balance due to Mr. Lin as at 31 December 2016 decreased as compared to that as at 31 December 2015, primarily due to the conversion of the shareholder's loan of approximately RMB28.9 million pursuant to the debt-equity conversion agreement entered into between Shiqian Investment and Mr. Lin on 10 May 2016. The balance due to Mr. Lin as at 30 April 2017 and 31 August 2017 further decreased as compared to that as at 31 December 2016, primarily due to the partial settlement using the additional contribution by Mr. Lin to our Group. Such additional contribution was waived by him in March 2017.

The balances due to Fujian Panxing as at 31 December 2014, 2015 and 2016, 30 April 2017 and 31 August 2017 in the amount of approximately RMB1.4 million, RMB4.0 million, RMB1.4 million, nil and nil, respectively, represent advances to us by Fujian Panxing for the development of our Shiqian Project. The balance due to Fujian Panxing as at 31 December 2016 decreased as compared to that as at 31 December 2015, primarily due to the conversion of the Shareholder's loan by debt-equity conversion agreement entered into between Shiqian Investment and Fujian Panxing on 10 May 2016 of approximately RMB2.4 million. The amount due to Fujian Panxing was fully settled as at 30 April 2017 using the additional contribution by Mr. Lin to our Group. Such additional contribution was waived by him in March 2017.

Balances with related parties are interest-free, unsecured and have no fixed terms of repayment. The carrying amounts of the balances with related parties approximate to their fair values. The amount due to Mr. Lin as at 31 August 2017 have been waived by him by way of deed of waiver dated 6 October 2017.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of liquidity and capital resources have been to invest in the development of our Shiqian Project and to fund our working capital. As at the Latest Practicable Date, we financed our cash requirements through contributions by and advances from the Shareholders.

On 2 November 2016, we were granted a conditional and unsecured revolving banking facility of RMB200 million by a PRC bank for a term of one year commencing on the date of the grant. On 27 April 2017, we were granted a conditional and secured non-revolving banking facility of HK$35 million by a PRC bank, to be secured by an approximately equivalent amount of RMB fixed deposit upon drawdown, for a term of 3.5 years commencing on the date of the grant. For further details about these banking facility, please refer to the paragraph headed "Indebtedness" in this section below.

As at 31 December 2014, 2015 and 2016 and 30 April 2017, our Group had capital commitments of approximately RMB2.0 million, RMB17,000, RMB279,000 and RMB10.9 million, respectively, which were incurred principally for the construction and purchase of property, plant and equipment.

Save as the funding requirements for the development of our Shiqian Project, we did not expect that there would be any material change in the source and use of cash by us. In addition to the aforementioned revolving banking facility of RMB200 million from a PRC bank, for which we are required to provide certain security for the drawdown, we are expected to receive net proceeds from the Global Offering of approximately HK$185.5 million upon completion of the Global Offering. We are able to manage liquidity risks by maintaining adequate reserves, banking facilities, continuously monitoring forecasted and actual cash flows and matching the maturity profiles of assets and liabilities. In the event that additional working capital is required for business expansion, we may approach other banks to obtain additional banking facilities and/or negotiate with our existing lenders for an increase in our existing banking facility. We do not foresee any material deterioration of the credit markets or materially tightened monetary policies in the PRC and Hong Kong, which may result in a material adverse impact on the banking facilities available to us. In the future, we expect that our working capital and other liquidity requirements will be satisfied through a combination of cash generated from our operating activities, banking facilities made available to us and the net proceeds from the Global Offering.

Cash flows

The following table sets forth a summary of our cash flows information for the periods indicated:

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash flows used in operating activities	(3,568)	(2,767)	(10,500)	(1,509)	(5,376)
Net cash flows used in investing activities	(31,198)	(10,645)	(14,163)	(1,724)	(7,761)
Net cash flows generated from financing activities	34,681	13,311	25,490	3,350	18,366
Net (decrease)/increase in cash and cash equivalents	(85)	(101)	827	117	5,229
Cash and cash equivalents at beginning of year/period	225	140	39	39	753
Net effect of foreign exchange rate changes	–	–	(113)	–	(171)
Cash and cash equivalents at the end of the year/period	140	39	753	156	5,811

Net cash flows used in operating activities

We recorded net cash outflows from operating activities, which were stated as net cash flows used in operating activities in our financial statements, during the Track Record Period.

For the four months ended 30 April 2017, our net cash flows used in operating activities were approximately RMB5.4 million, primarily due to (i) the increase in inventories of approximately RMB0.2 million and trade receivables of approximately RMB9.2 million due to commencement of limited commercial production in April 2017; and (ii) the increase in prepayments, and other receivables of approximately RMB4.4 million, and partially offset by (i) the increase in trade payables of approximately RMB1.8 million due to commencement of limited commercial production in April 2017; (ii) the increase in other payables and accruals of approximately RMB2.3 million due to incurrence in legal and professional fees in connection with the Listing as well as (iii) the increase in deferred income of approximately RMB2.7 million in relation to government grant.

For the year ended 31 December 2016, our net cash flows used in operating activities were approximately RMB10.5 million, primarily due to a loss before tax of approximately RMB14.6 million and an increase in prepayments and other receivables of approximately RMB2.8 million mainly due to an increase in legal and other professional fees in connection with the Listing, and partially offset by (i) depreciation of property, plant and equipment of approximately RMB2.4 million, and (ii) an increase in other payables and accruals of approximately RMB4.1 million mainly due to the incurrence of legal and other professional fees in connection with the Listing.

For the year ended 31 December 2015, our net cash flows used in operating activities were approximately RMB2.8 million, primarily due to a loss before tax of approximately RMB4.3 million, and partially offset by (i) depreciation of property, plant and equipment of approximately RMB1.2 million, and (ii) an increase in other payables and accruals of approximately RMB0.4 million mainly due to the incurrence of legal and other professional fees in connection with the Listing and the staff salaries and welfare payable by us.

For the year ended 31 December 2014, our net cash flows used in operating activities were approximately RMB3.6 million, primarily due to a loss before tax of approximately RMB3.7 million and a decrease in other payables and accruals of approximately RMB0.8 million as a result of the partial settlement by us of the acquisition prices of the mining rights in respect of our Leishoushan Project, and partially offset by depreciation of property, plant and equipment of approximately RMB0.8 million.

Net cash flows used in investing activities

We recorded net cash outflows from investing activities, which were stated as net cash flows used in investing activities in our financial statements, during the Track Record Period.

For the four months ended 30 April 2017, our net cash flows used in investing activities were approximately RMB7.8 million, which were attributable to purchase of property, plant and equipment for our Processing Plant.

Net cash flows used in investing activities for the year ended 31 December 2016 were approximately RMB14.2 million, which were attributable to additions of prepaid land lease and payments and long-term prepayments of approximately RMB10.0 million, as well as purchase of property, plant and equipment for the construction of mining infrastructures at our Leishoushan Project site of approximately RMB4.2 million.

Net cash flows used in investing activities for the year ended 31 December 2015 were approximately RMB10.6 million, which were attributable to purchase of property, plant and equipment for the construction of mining infrastructures at our Leishoushan Project site.

Net cash flows used in investing activities for the year ended 31 December 2014 were approximately RMB31.2 million, which were attributable to purchase of property, plant and equipment for setting up the production lines at our Processing Plant.

Net cash flows generated from financing activities

Net cash flows generated from financing activities for the four months ended 30 April 2017 were approximately RMB18.4 million, which were primarily due to contribution from the then shareholders of Shiqian Investment of approximately RMB50.4 million, and partially offset by repayment to the ultimate Controlling Shareholder of approximately RMB30.6 million.

Net cash flows generated from financing activities for the year ended 31 December 2016 were approximately RMB25.5 million, which were primarily due to (i) contribution from the then shareholders of Shiqian Investment of approximately RMB17.2 million, and (ii) an increase in amount due to the ultimate Controlling Shareholder of approximately RMB8.5 million.

Net cash flows generated from financing activities for the year ended 31 December 2015 were approximately RMB13.3 million, which were primarily due to (i) an increase in the amount due to the ultimate Controlling Shareholder of approximately RMB10.8 million, and (ii) an increase in the amount due to our related party, Fujian Panxing, in the amount of approximately RMB2.6 million.

Net cash flows generated from financing activities for the year ended 31 December 2014 were approximately RMB34.7 million, which were due to an increase in the amount due to the ultimate Controlling Shareholder.

Working capital

We recorded net current liabilities of approximately RMB52.0 million, RMB63.7 million and RMB41.6 million as at 31 December 2014, 2015 and 2016, respectively, and then net current assets of approximately RMB5.0 million as at 30 April 2017.

During the Track Record Period, we relied on capital injection and advances from our Shareholders to meet our capital requirements. We also recorded net cash outflows from operating activities, which are expressed as net cash used in operating activities in this prospectus, of approximately RMB3.6 million, RMB2.8 million, RMB10.5 million and RMB5.4 million for the three years ended 31 December 2016 and the four months ended 30 April 2017, respectively.

We expect to finance our working capital requirements for the 12 months from the date of this prospectus as required under the Listing Rules with the following sources of funding:

(i) cash flows generated from our operating activities upon our commencement of limited commercial production in April 2017;

(ii) our cash and bank balances on hand, which were approximately RMB5.8 million as at 30 April 2017. Based on our unaudited management accounts, we had cash and bank balances of approximately RMB29.6 million as at 31 August 2017; and

(iii) estimated net proceeds from the Global Offering in the amount of approximately HK$176.7 million (based on the mid-point of our indicative price range for the Global Offering which is HK$0.56).

We plan to allocate approximately HK$163.9 million, representing approximately 92.7% of the net proceeds from the Global Offering to finance our investments. Furthermore, we plan to allocate approximately HK$0.6 million, representing 0.4% of the net proceeds from the Global Offering as our working capital.

Taking into account current cash and cash equivalents, cash from operating activities and the net proceeds from the Global Offering, our Directors and the Sole Sponsor confirm that we will have sufficient funds to meet 125% of our present working capital requirements for at least the next 12 months from the date of this prospectus as required by the Listing Rules.

Please refer to the section headed "Business — Operating costs" for the sensitivity analysis on the impact of increase in (i) labour cost; (ii) consumable cost; and (iii) fuel and electricity cost on our total unit operating cash costs, total unit production costs and cashflow position.

INDEBTEDNESS

Our other borrowings as at the dates indicated were as follows:

	As at 31 December			As at 30 April	As at 31 August
	2014	**2015**	**2016**	**2017**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Bank borrowings					
– Current portion	–	–	–	–	80
– Long term portion	–	–	–	–	3,938
Due to a related party	1,400	3,950	1,400	–	–
Due to the ultimate Controlling Shareholder	47,822	58,583	38,123	7,537	7,034
	49,222	62,533	39,523	7,537	11,052

The amounts due to our ultimate Controlling Shareholder referred to in the table above have been waived by Mr. Lin by way of deed of waiver dated 6 October 2017.

On 2 November 2016, we were granted a conditional and unsecured revolving banking facility of RMB200 million by a PRC bank for a term of one year commencing on the date of the grant. The use of such bank facility is subject to certain conditions as specified in the facility letter including but not limited to, the provision of security at the time of the drawdown, the completion of all necessary government approval and registration procedures (if any), and the sole discretion of the bank for each drawdown amount. Upon approval by the bank, each drawdown is also subject to the prevailing interest rate of the bank at the time of the drawdown. As at the Latest Practicable Date, such facility was not yet available to us. Such facility would be made available to us when we have satisfied certain conditions imposed by the PRC bank, such as provision of security by us to the PRC bank as collateral and the completion of all necessary government approvals and procedures (if any). We are currently holding the mining rights, the land use right in respect of the land parcel where our Processing Plant is situated and the building ownership right of our Processing Plant and marble mining and processing equipment which are not subject to any encumbrances and can be provided to the PRC bank as collateral for this facility when necessary.

On 27 April 2017, we were granted a conditional and secured non-revolving banking facility of HK$35 million by a PRC bank, to be secured by an approximately equivalent amount of RMB fixed deposit upon drawdown, for a term of 3.5 years commencing on the date of the grant. The drawdown of such banking facility is subject to the final approval by the bank and at the sole discretion of the bank. Upon approval by the bank, each drawdown is also subject to an interest at the six-month Hong Kong interbank offered rate plus 2.45% at the time of the drawdown. As at 31 August 2017, we had utilised approximately HK$4.8 million of such banking facility and the condition of drawdown was the provision of an approximately equivalent amount of RMB fixed deposit to the bank, which has been fulfilled by a one-year fixed deposit of RMB4.45 million made by us to the bank, to settle the Listing expenses. As at 31 August 2017, an approximate amount of HK$30.2 million remained unitised under such banking facility. For further drawdown of the remaining HK$30.2 million, we will need to place an approximately equivalent amount of RMB fixed deposit and it will be subject to the final approval of the bank.

Except for the aforementioned banking facilities, we did not have any other bank loans or other borrowings during the Track Record Period and as at the Latest Practicable Date.

Except that we had settled the amounts due to Mr. Lin and Fujian Panxing as at the Latest Practicable Date, details of which are disclosed in the above, our Directors confirmed that there has been no material change to our indebtedness since 31 August 2017 and up to the Latest Practicable Date.

Except as described herein, as at 31 August 2017, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, pledges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

KEY FINANCIAL RATIOS

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

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
Gearing ratio(Note 1)	NM(Note 2)	NM(Note 2)	134.1%	9.5%
Current ratio(Note 3)	0.3%	0.5%	8.8%	128.2%
Quick ratio(Note 4)	0.3%	0.5%	8.8%	127.0%

	Year ended 31 December			Four months ended 30 April
	2014	**2015**	**2016**	**2017**
Gross profit margin(Note 5)	NA(Note 6)	NA(Note 6)	NA(Note 6)	71.5%

Notes:

1. Total debt divided by total equity. Total debt represents amounts due to Mr. Lin, our ultimate Controlling Shareholder and Fujian Panxing, our related party,

2. NM means not meaningful. We recorded negative equity as at such dates and as a result, the calculation of our gearing ratio as at such dates based on our total debt divided by our total equity would not produce any meaningful results.

3. Current assets divided by current liabilities.

4. Current assets less inventories and divided by current liabilities.

5. Gross profit margin is calculated by dividing the gross profit for the year/period by total revenue for the year/period and multiplied by 100%.

6. NA means not applicable. Our Shiqian Project only commenced limited commercial production in April 2017 and as a result, we did not generate any revenue for the three years ended 31 December 2016.

Gearing ratio

As at 31 December 2014 and 2015, we had total debt of approximately RMB49.2 million and RMB62.5 million, respectively. Such debt represented advances from Mr. Lin, our Controlling Shareholder and Fujian Panxing, our related party. As at the same dates, we recorded a deficiency in assets of approximately RMB3.2 million and RMB6.6 million, respectively and hence, negative equity were recorded as at such dates. Such deficiency in assets was mainly due to advances from shareholders for the development of our Shiqian Project. As a result, the calculation of our gearing ratio as at 31 December 2014 and 2015 based on our total debt divided by our total equity as at 31 December 2014 and 2015 would not produce any meaningful results.

Our gearing ratio was 134.1% as at 31 December 2016, which was mainly attributed to the decrease in our amounts due to related parties as a result of the capitalisation of approximately RMB28.9 million and RMB2.4 million in respect of amounts due to Mr. Lin and Fujian Panxing, respectively, in May 2016.

Our gearing ratio was 9.5% as at 30 April 2017, which was mainly attributed to the decrease in our amounts due to related parties as a result of repayment of approximately RMB30.6 million and approximately RMB1.4 million to Mr. Lin and Fujian Panxing, respectively, by additional contribution by Mr. Lin to our Group in March 2017. Such additional contribution was waived by Mr. Lin in March 2017.

Current ratio and quick ratio

Our current ratio and quick ratio slightly increased from 0.3% as at 31 December 2014 to 0.5% as at 31 December 2015, primarily due to the increase in prepayment of legal and other professional fees in connection with the Listing in the year ended 31 December 2015.

Our current ratio and quick ratio increased to 8.8% as at 31 December 2016, primarily due to the capitalisation of the advances from Mr. Lin and Fujian Panxing of a total amount of approximately RMB31.4 million during the year ended 31 December 2016 resulting in a decrease in current liabilities.

Our current ratio and quick ratio increased significantly to 128.2% and 127.0% as at 30 April 2017, respectively, primarily due to (i) the increase in trade receivables of approximately RMB9.2 million, (ii) the increase in prepayments and other receivables of approximately RMB4.4 million, (iii) the increase in cash and cash equivalents of approximately RMB5.1 million, and (iv) settlement of the amount due to Mr. Lin and Fujian Panxing resulting in a decrease in current liabilities.

Gross profit margin and net loss margin

Our gross profit margin for the four months ended 30 April 2017 amounted to 71.5% as our Shiqian Project only commenced limited commercial production in April 2017. Nevertheless, we remained to incur net loss during the four months ended 30 April 2017 and our net loss margin amounted to 5.6% for such period.

COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

As at the dates indicated, our Group had the following capital commitments principally for the construction and purchase of property, plant and equipment:

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for	2,027	17	279	10,880

Capital commitments as at 31 December 2014 mainly represented uncompleted contracts signed for the development of Phase 1 of the Processing Plant. The significant decrease in our capital commitments as at 31 December 2015 was mainly because the development of Phase 1 of the Processing Plant was completed in January 2016. Capital commitment as at 31 December 2016 mainly represented contract entered for design work of Phase 2 of the Processing Plant. Capital commitment as at 30 April 2017 mainly represented contracts entered for purchase of mining and processing equipment and raw materials for the development of our Shiqian Project.

Operating lease arrangements

During the Track Record Period, we did not enter into any operating lease arrangements.

Contingent liabilities

As at the Latest Practicable Date, we did not have any material contingent liabilities.

Capital costs

According to the Independent Technical Consultant, the aggregate capital costs for the development of our Shiqian Project with an annual production volume of 60,000 m^3 of marble blocks and an annual processing output of 1,428,000 m^2 of marble slabs and shaped stones is approximately RMB233.7 million, of which an aggregate amount of approximately RMB80.6 million had already been incurred by us as at 30 April 2017. For the remaining amount of RMB153.1 million, approximately RMB12.6 million will be incurred from May to December 2017, approximately RMB62.5 million will be incurred in 2018 and approximately RMB78.0 million will be incurred in 2019. The amount of RMB153.1 million is expected to be fully financed by the net proceeds from the Global Offering. A contingency of approximately 8% was allowed in making the above estimations in order to address unforeseen events such as severe adverse weather conditions, natural disasters, additional development work required due to unexpected site conditions and minor adjustments to our development plan.

The following table sets forth a breakdown of the actual and projected capital costs for the development of our Leishoushan Project and our Processing Plant by category for the periods indicated, which are based on the Independent Technical Report:

Cost item	Prior to 2014 (actual)	2014 (actual)	2015 (actual)	2016 (actual)	2017 (forecast)	2018 (forecast)	2019 (forecast)
				RMB million			
Mine construction and road *(Notes 1 & 2)*	2.1	0.9	2.2	2.7	0.5	0.9	1.3
Mining equipment *(Note 3)*	0.2	9.1	0.1	0.2	6.7 *(Note 12)*	5.7	0.1
Mine supporting facilities *(Note 4)*	0.9	0.3	0.3	–	–	3.9	0.2
Mining licence fee *(Note 5)*	2.2	–	–	–	–	–	–
Technical studies *(Note 6)* and related works fee	0.7	0.2	0.1	–	–	–	0.3
Processing Plant's construction and equipment *(Note 7)*	6.2	12.6	3.0	1.4	6.3 *(Note 12)*	37.0	22.6
Processing Plant's supporting facilities *(Note 8)*	2.1	8.7	3.3	–	0.1	6.2	31.1
Land acquisition fee *(Note 9)*	1.4	–	–	10.9	–	–	10.0
Others *(Note 10)*	0.1	0.2	–	–	2.5	2.2	5.0
Subtotal	16.0	32.0	9.0	15.3	16.1	56.1	70.5
Contingency	–	–	–	–	1.2 *(Note 12)*	4.5	5.6
Rehabilitation fee *(Note 11)*	0.6	–	–	–	3.1	1.9	1.9
Total	**16.5**	**32.0**	**9.0**	**15.3**	**20.4**	**62.5**	**78.0**

Notes:

1. Mine construction cost includes the cost for stripping the topsoil and weathered rocks above the marble deposit and construction of working benches and building access and internal roads within the mine.

2. Cost for roads includes the cost for building access to the mine and on-site roads within the mine.

3. Mining equipment cost includes mining equipment purchase and installation cost.

4. Cost for mine supporting facilities includes cost for the purchase and installation of all supporting facilities, including the water supply system and electric transformers and their set-up, as well as cost for the construction of office, workshop and dormitory.

5. Mining licence fee represents the fee paid to the government for the acquisition of the mining licence.

6. Cost for technical studies represents the fee for undertaking exploration and technical studies for the development of our Leishoushan Project.

7. Cost for Processing Plant development and equipment represents the cost for the development of our Processing Plant and the installation of equipment including cutting saws and polishing machines at the plant.

8. Cost for Processing Plant supporting facilities includes cost for the purchase and installation of all supporting facilities such as water supply and reticulation system and electricity supply system as well as the construction of employee living quarters, workshop and administration office.

9. Land acquisition fee represents the fee for the acquisition of the land use right in respect of the initial mining areas and the land on which our Processing Plant is erected.

10. Others include costs for construction administration and supervision, employee training and purchase of furniture.

11. Rehabilitation fee represents the rehabilitation security deposit and environmental recovery deposit.

12. A total of RMB7.8 million had been incurred by us for the four months ended 30 April 2017, including RMB1.0 million for the purchase of mining equipment and RMB6.3 million for the purchase of processing equipment.

Forecasted operating costs

According to the Independent Technical Consultant, our unit cash operating costs for marble blocks, marble slabs and shaped stones are estimated at RMB1,052/m^3, RMB161/m^2 and RMB777/m^2, respectively, when our Leishoushan Project reaches its full target annual production volume of 60,000 m^3 of marble blocks and our Processing Plant reaches its full processing output of 1,428,000 m^2 of marble slabs and shaped stones by 2020.

The following table sets forth a breakdown of our projected operating costs for the years indicated, which are based on the Independent Technical Report:

Product	Unit	2017	2018	2019	2020
Block	m^3	4,500	6,000	12,600	18,000
Slab	m^2	228,000	456,000	957,600	1,368,000
Shaped stone	m^2	10,000	20,000	42,000	60,000
Workforce employment					
Block	*RMB/m^3*	139.1	106.6	74.0	70.0
Slab	*RMB/m^2*	37.8	35.7	33.7	33.0
Shaped stone	*RMB/m^2*	127.0	104.1	81.2	74.1
Consumables					
Block	*RMB/m^3*	240.5	184.2	128.0	121.1
Slab	*RMB/m^2*	66.5	63.0	59.4	58.3
Shaped stone	*RMB/m^2*	220.8	181.2	141.6	129.3
Fuel, electricity, water and other services					
Block	*RMB/m^3*	295.5	226.3	157.2	148.7
Slab	*RMB/m^2*	29.9	25.6	21.2	19.8
Shaped stone	*RMB/m^2*	219.5	170.8	122.1	107.0
On and offsite administration					
Block	*RMB/m^3*	333.9	302.8	257.1	257.0
Slab	*RMB/m^2*	21.0	19.1	16.2	14.7
Shaped stone	*RMB/m^2*	235.3	213.3	181.2	165.3
Environmental protection and monitoring					
Block	*RMB/m^3*	17.1	13.1	9.1	8.6
Slab	*RMB/m^2*	1.1	0.8	0.6	0.5
Shaped stone	*RMB/m^2*	12.0	9.2	6.4	5.5
Transportation of workforce					
Block	*RMB/m^3*	–	–	–	–

Product	Unit	2017	2018	2019	2020
Slab	*RMB/m²*	–	–	–	–
Shaped stone	*RMB/m²*	–	–	–	–
Product marketing and transport					
Block	*RMB/m³*	184.2	184.2	184.2	213.8
Slab	*RMB/m²*	11.6	11.6	11.6	12.3
Shaped stone	*RMB/m²*	129.8	129.8	129.8	137.5
Non-income taxes, royalties and other governmental charges					
Block	*RMB/m³*	118.0	118.0	118.0	137.0
Slab	*RMB/m²*	7.4	7.4	7.4	7.8
Shaped stone	*RMB/m²*	83.2	83.2	83.2	88.1
Contingency allowance					
Block	*RMB/m³*	132.8	113.5	92.8	95.6
Slab	*RMB/m²*	17.5	16.3	15.0	14.6
Shaped stone	*RMB/m²*	102.8	89.2	74.5	70.7
Total operating cash cost					
Block	*RMB million*	6.6	7.5	12.9	18.9
Slab	*RMB million*	44.0	81.5	158.1	220.4
Shaped stone	*RMB million*	11.3	19.5	34.4	46.6
Total	*RMB million*	61.9*(Note)*	108.5	205.4	286.0
Total unit operating cash cost					
Block	*RMB/m³*	1,461.1	1,248.7	1,020.5	1,051.8
Slab	*RMB/m²*	192.9	179.5	165.1	161.1
Shaped stone	*RMB/m²*	1,130.4	980.7	819.9	777.4

Note: In April 2017, a total operating cash cost of approximately RMB2.8 million was incurred.

According to the Independent Technical Consultant, the above projected operating costs are based on:

- cost estimates extracted from the feasibility study report prepared by Suzhou Sinoma;
- the contract entered into between us and one mining company which provides marble mining services at our Leishoushan Project site;
- the contracts entered into between us and two workforce solution companies which provide labour services to undertake marble slab and shaped stone processing at our Processing Plant;
- other supplier contracts;
- a resource tax of 3% of sales revenue;

- a value added tax (VAT) of 3% levied for the sales of marble products;
- an education levy of 5% of the total amount of the VAT generated by our Shiqian Project;
- a city maintenance and construction levy of 5% of the total amount of VAT generated by our Shiqian Project;
- a sales expense that is assumed at 5% of sales revenue; and
- a 10% contingency added to the total projected operating cost to account for unforeseen and unpredictable amount to cover the cost.

The Independent Technical Consultant has reviewed the detailed breakdown of the projected operating costs disclosed above and considers that the estimation is reasonable and is of a similar order of magnitude as other similar dimension stone projects in China. However, such projected operating costs are an estimate only and are subject to change. Our future actual operating costs may differ materially from the above estimate due to various reasons, including the factors described in the section headed "Risk factors" in this prospectus. Please also refer to the section headed "Forward-looking statements" in this prospectus for the risks of placing undue reliance on any forward-looking information.

According to the Independent Technical Consultant, our Shiqian Project has a break-even prices of RMB1,256/m^3 for marble blocks, RMB173/m^2 for marble slabs and RMB910/m^2 for shaped stones, at which the project's NPV equals zero. A project is considered economically viable when its NPV is positive, whereas a project is not considered economically viable when its NPV is negative. For our Shiqian Project, our after-tax NPV, at a discount of 10%, was RMB1,813 million as at 30 April 2017, which indicates that our Shiqian Project is considered economically viable. The break-even prices for blocks, slabs and shaped stone were determined by flexing the input sales prices in the economic viability analysis to the point when the estimated NPV equals zero. The estimated payback period of our Shiqian Project is 3.4 years. The payback period refers to the period of time required to recoup initial capital incurred and to be expended. For our Shiqian Project, the payback period was determined by calculating the amount of time required for the estimated cumulative cash flow to offset the incurred and future capital costs as at 30 April 2017 according to the Independent Technical Consultant.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third-parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT CERTAIN FINANCIAL RISKS

We are exposed to various types of market risks in the ordinary course of our business. The main risks arising from our financial instruments are liquidity risk, interest rate risk, foreign currency risk and credit risk. Our finance department, which is led by our executive Directors, identifies and evaluates financial risks in close cooperation with our operating units. The Board regularly reviews these risks and our financial risk management policy seeks to ensure that adequate resources are available to manage the market risks summarised below and to create value for our Shareholders.

Liquidity risk

We monitor our exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and advances from the shareholders.

The maturity profile of our financial liabilities as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, based on the contractual undiscounted payment, is as follows:

As at 31 December 2014

	On demand	**Total**
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals	2,253	2,253
Due to a related party	1,400	1,400
Due to the ultimate Controlling Shareholder	47,822	47,822
	51,475	51,475

As at 31 December 2015

	On demand	Total
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals	559	559
Due to a related party	3,950	3,950
Due to the ultimate Controlling Shareholder	58,583	58,583
	63,092	63,092

As at 31 December 2016

	On demand	Total
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals	4,853	4,853
Due to a related party	1,400	1,400
Due to the ultimate Controlling Shareholder	38,123	38,123
	44,376	44,376

As at 30 April 2017

	On demand	Total
	RMB'000	*RMB'000*
Financial liabilities included in other payables and accruals	6,511	6,511
Trade payables	1,785	1,785
Due to the ultimate Controlling Shareholder	7,537	7,537
	15,833	15,833

Interest rate risk

We have no significant interest-bearing assets other than cash and cash equivalents.

We have not used any interest rate swaps to hedge our exposure to interest rate risk.

Our exposure to the risk of changes in market interest rates relates primarily to our long-term debt obligations with a floating interest rate.

Foreign currency risk

Our Group's principal operations are carried out in the PRC and as a result, our Company's functional and presentation currency is Renminbi. Each entity in our Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currencies of certain overseas subsidiaries of our Company are currencies other than Renminbi.

We have not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. Our management closely monitors our foreign currency exposure and will consider entering into hedging transactions for significant foreign currency exposure as and when necessary.

The following table sets out a sensitivity analysis where there is a 5% change in Renminbi against Hong Kong dollar. The 5% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of our exposure to foreign currency risk at the end of each reporting period have been determined based on the impact of the adjustment of translation of the monetary assets and liabilities at the end of each reporting period for a 5% change in Renminbi against Hong Kong dollar, with all other variables held constant, on the Group's profit after tax.

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) in profit after tax:				
If RMB weakens against HKD by 5%	–	–	(173)	(293)
If RMB strengthens against HKD by 5%	–	–	173	293

Credit risk

We have no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, trade and other receivables included in the consolidated statement of financial position represent our maximum exposure to credit risk in relation to its financial assets.

Our cash and cash equivalents are mainly deposits in major reputable financial institutions without significant credit risk. For the credit risk of our trade receivables, our Group performs ongoing credit evaluations of our customers' financial condition and does not require collateral from them on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, our Group would maintain a provision for doubtful accounts. The credit risk of our other financial assets, which comprise other receivables and amounts due from related parties, arises from default of customer, with a maximum exposure equal to the carrying amounts of these instruments. We have no other financial assets which carry significant exposure to credit risk.

For the three years ended 31 December 2016, we had no concentration of credit risk with any single customer. Our trade receivables due from our largest customer accounted for 39.3% of our trade receivables for the four months ended 30 April 2017 due to the commencement of limited commercial production of our Shiqian Project in April 2017.

Capital management

The primary objectives of our capital management are to are to safeguard our Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximise Shareholders' value.

We manage our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders or issue new shares. Our Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDEND

The payment and amount of any dividends to our Shareholders will be at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our Shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant. The payment of any dividends will also be subject to the Cayman Islands Companies Law and our constitutional documents, which indicate that payment of dividends out of our Share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividends are to be paid. We have no plan to declare or pay any dividends prior to the Listing.

We do not have any dividend policy. Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our operating subsidiaries.

DISTRIBUTABLE RESERVES

The Cayman Islands Companies Law provides that share premium account of an exempted company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

As at 30 April 2017, we did not have any reserves available for distribution to the equity holders of our Company.

PROPERTY INTERESTS

Colliers International (Hong Kong) Ltd., an independent property valuer, had valued our Group's property interests as at 31 July 2017 at RMB36.9 million. The following table sets forth the reconciliation of aggregate amounts of buildings and prepaid lease payment from our Group's audited consolidated financial statements as at 30 April 2017 to the unaudited net book value of our Group's property interests as at 31 July 2017:

	RMB'000
Valuation of property interest as at 31 July 2017 as set out in the property valuation report in Appendix III to this prospectus	36,900
Net book value of property interests as at 30 April 2017	
Buildings	26,821
Prepaid lease payments	9,732
Movement for the period from 30 April 2017 to 31 July 2017	
Depreciation	(340)
Amortisation	(56)
Net book value as at 31 July 2017	36,157
Revaluation surplus, before income tax	743

The full text of its letter and valuation certificate with regard to such property interests are set out in Appendix III to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group which has been prepared for the purpose of illustrating the effect of the Global Offering on the adjusted net tangible assets of our Group attributable to owners of our Company as if the Global Offering had taken place on 30 April 2017. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Company had the Global Offering been completed as at 30 April 2017 or any future dates.

	Audited consolidated net tangible assets attributable to owners of our Company as at 30 April 2017	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**
	RMB'000 *(Note 1)*	*RMB'000* *(Note 2)*	*RMB'000*	*RMB* *(Note 3)*	*(HK$ equivalent)*
Based on an Offer Price of HK$0.50 per Share	76,876	143,368	220,244	0.14	0.16
Based on an Offer Price of HK$0.62 per Share	76,876	181,684	258,560	0.17	0.19

Notes:

(1) The consolidated net tangible assets of our Group attributable to owners of our Company as at 30 April 2017 is extracted from the accountants' report set out Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to owners of our Company as at 30 April 2017 of RMB79,054,000 with an adjustment for intangible assets as at 30 April 2017 of RMB2,178,000.

(2) Estimated net proceeds from the Global Offering are based on 390,000,000 Shares to be issued under the Global Offering and the estimated Offer Price of HK$0.50 to HK$0.62 per Offer Share, being the low end and the high end of the Offer Price range, after deducting underwriting commissions and other estimated expenses expected to be incurred by our Group in connection with the Global Offering, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted into RMB at an exchange rate of HK$1 to RMB0.89. No representation is made that the RMB amounts have been, could have been or could be converted to HK$, or vice versa, at the rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,560,000,000 Shares are expected to be in issue assuming that the Global Offering and the Capitalisation Issue had been completed on 30 April 2017, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) No adjustment has been made to the consolidated net tangible assets of our Group attributable to owners of our Company as at 30 April 2017 to reflect any trading results or other transactions of our Group entered into subsequent to 30 April 2017.

LISTING EXPENSES

Our Listing expenses mainly comprise professional fees paid to the legal advisers and our reporting accountants for their services rendered in relation to the Listing. The total amount of Listing expenses that will be borne by us in connection with the Listing estimated to be approximately RMB45.4 million (based on the mid-point of our indicative price range for the Global Offering), of which approximately RMB23.0 million is expected to be accounted for as a deduction from equity and the remaining amount of approximately RMB22.4 million was, or is expected to be, charged to our profit or loss contained in the consolidated statements of profit or loss and other comprehensive income, to which approximately RMB0.7 million, RMB8.2 million and RMB4.8 million were charged for the two years ended 31 December 2016 and the four months ended 30 April 2017, respectively.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Save for the Listing expenses as disclosed in the paragraph "Listing expenses" above which will have a material adverse impact on our Group's financial position for the year ending 31 December 2017, our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 April 2017, the date of the latest audited financial statements of our Company, and there has been no events since 30 April 2017 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

FUTURE PLANS

Please refer to the section headed "Business — Our strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

In the event that the Over-allotment Option is not exercised, we estimate the net proceeds from the Global Offering which we will receive, assuming an Offer Price of HK$0.56 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$176.7 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering.

In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK$0.56 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds from the Global Offering of approximately HK$30.1 million.

If the Offer Price is fixed at HK$0.62 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive (i) additional net proceeds from the Global Offering of approximately HK$21.5 million, assuming the Over-allotment Option is not exercised; and (ii) additional net proceeds from the Global Offering of approximately HK$54.9 million, assuming the Over-allotment Option is exercised in full.

If the Offer Price is fixed at HK$0.50 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds from the Global Offering we receive will be (i) reduced by approximately HK$21.5 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK$5.4 million, assuming the Over-allotment Option is exercised in full.

We intend to use the net proceeds from the Global Offering for the following purposes assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$0.56 per Share, being the mid-point of the Offer Price range stated in this prospectus:

- approximately 11.7% of the net proceeds from the Global Offering (approximately HK$20.6 million) to fund the capital cost for development of our Leishoushan Project, among which:

  - approximately 1.7% of the net proceeds from the Global Offering (approximately HK$3.0 million) to fund the construction of mine and access road;

  - approximately 7.3% of the net proceeds from the Global Offering (approximately HK$12.9 million) to fund our procurement of mining equipment; and

  - approximately 2.7% of the net proceeds from the Global Offering (approximately HK$4.7 million) to fund the construction of mine supporting facilities including the set-up costs of the water supply system and electric transformers;

- approximately 61.7% of the net proceeds from the Global Offering (approximately HK$109.1 million) to fund the development of our Processing Plant, among which:
  - approximately 19.0% of the net proceeds from the Global Offering (approximately HK$33.5 million) to fund the construction of a marble slab processing workshop and the installation of equipment to such workshop;
  - approximately 19.0% of the net proceeds from the Global Offering (approximately HK$33.5 million) to fund the construction of a shaped stone workshop and the installation of equipment to such workshop;
  - approximately 6.7% of the net proceeds from the Global Offering (approximately HK$11.8 million) to fund the construction of workers dormitory and office buildings; and
  - approximately 17.0% of the net proceeds from the Global Offering (approximately HK$30.3 million) to fund the construction of water and electricity supply and other auxiliary facilities;
- approximately 6.3% of the net proceeds from the Global Offering (approximately HK$11.2 million) to pay for the land acquisition fee for our Processing Plant;
- approximately 4.4% of the net proceeds from the Global Offering (approximately HK$7.8 million) to settle the rehabilitation security deposit and environmental recovery deposit;
- approximately 6.3% of the net proceeds from the Global Offering (approximately HK$11.2 million) to fund the costs for administration and supervision for construction of our Shiqian Project, employee training, purchase of furniture and the fee for conducting the exploration and technical studies for development of our Leishoushan Project;
- approximately 6.9% of the net proceeds from the Global Offering (approximately HK$12.2 million) to be reserved as contingency allowance in case of any unforeseen events which may occur during the course of development of our Shiqian Project. These unforeseen events may include severe adverse weather condition, natural disasters, unexpected site conditions resulting in additional developmental work and minor change of the development plan and hyper-escalation in civil work cost;
- approximately 2.3% of the net proceeds from the Global Offering (approximately HK$4.0 million) to fund our sales and marketing salaries of our sales staff; and
- approximately 0.4% of the net proceeds from the Global Offering (approximately HK$0.6 million) for working capital and other general corporate purposes.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range.

In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds from the Global Offering to the above uses in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds from the Global Offering into short-term demand deposits and/or money market instruments we will make an appropriate announcement if there is any change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited

Wealth Link Securities Limited

Oceanwide Securities Company Limited

Head & Shoulders Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 17 October 2017. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 39,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue, the Offer Shares (including any Shares which may be issued or sold under the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the "**Termination Time**") if any of the following events shall occur prior to the Termination Time:

(a) there develops, occurs, exists or comes into force:

(i) any change or development involving a prospective change or development, or any event or series of events resulting or likely to result in or representing a change or development, or any prospective change or development in, local, national, regional or international financial, political, military, industrial, legal, economic, currency market, credit, fiscal or regulatory or market matters or conditions (including without limitation, conditions in stock and bond markets, money and foreign exchange markets, credit markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other relevant jurisdiction relevant to any member of our Group (collectively, the "**Relevant Jurisdictions**", and each a "**Relevant Jurisdictions**"); or

(ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic or pandemic outbreak of disease (including without limitation, Severe Acute Respiratory Syndromes (SARS), Middle East Respiratory Syndromes (MERS), H5N1, H1N1, swine or avian influenza or such related/mutated forms)), economic sanctions, in or affecting any Relevant Jurisdiction; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(v) (A) any moratorium, suspension, restriction or limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the American Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any Relevant Jurisdiction; or

(vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of exchange controls), currency exchange rates or foreign investment regulations in any Relevant Jurisdiction; or

(vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(viii) any change or development or event involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

(ix) the commencement by any judicial, regulatory, governmental or political body or organisation of any action, claim or proceedings against any Director or an announcement by any judicial, regulatory, governmental or political body or organisation that it intends to take any such action; or

(x) a demand by any tax authority for payment for any tax liability for any member of our Group; or

(xi) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xii) the chairman, chief executive officer, executive Directors or members of the senior management of our Company vacating his office; or

(xiii) an authority or a political body or organisation in any jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiv) save as disclosed in the section headed "Business — Legal proceedings and compliance" in this prospectus, a contravention by any member of our Group of the Listing Rules or any applicable laws or regulations in the PRC, the Cayman Islands, Hong Kong and the BVI; or

(xv) an order or petition is presented for the winding up or liquidation of our Company or any of our subsidiaries, or our Company or any of our subsidiaries makes any compromise or arrangement with our creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or

(xvi) a demand by any creditor for repayment or payment of any of our Company's indebtednesses or those of any of our subsidiaries or in respect of which our Company or any of our subsidiaries is liable prior to its stated maturity; or

(xvii) any loss or damage sustained by our Company or any of our subsidiaries as a result of a breach of its respective obligations or non-compliance with the applicable laws and regulations (however caused and whether or not the subject of any insurance or claim against any person); or

(xviii) any litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the covenantors as defined in the Hong Kong Underwriting Agreement (the "**Covenantors**"); or

(xix) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including our Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xx) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of our Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(xxi) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of our Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xxii) any event which give rise or would give rise to liability on the part of our Company pursuant to the indemnity provisions in the Hong Kong Underwriting Agreement; or

(xxiii) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk factors" in this prospectus,

and which, individually or in aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters),

(A) has or may have or will have or is likely to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, trading position, results of operations, prospects, position or condition, financial or otherwise, or performance of our Company or our subsidiaries as a whole; or

(B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of indications of interest under the International Offering; or

(C) makes, may make or will or is likely to make it impracticable or inadvisable or in expedient for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering; or

(D) makes or may make or will or is likely to make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(b) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in this prospectus or other Offering Documents (as defined in the Hong Kong Underwriting Agreement), the formal notice or any announcements in the agreed form issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become untrue or incorrect or misleading in a material respect, or that any forecast, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(ii) that any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus which would or might constitute a material omission from this prospectus or the Application Forms and/or in any notices or announcements issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) that any of the warranties given by our Company or the Covenantors as set out in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached; or

(iv) that any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Covenantors out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties as set out in the Hong Kong Underwriting Agreement or the International Underwriting Agreement and/or pursuant to the indemnities given by our Company, the Covenantors or any of them under the Hong Kong Underwriting Agreement; or

(v) that any breach of any of the obligations or undertakings of any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than the Hong Kong Underwriters or the International Underwriters); or

(vi) that any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, profits, losses, results of operations, financial, general affairs, shareholders' equity, management, trading position, prospects, position or condition, financial or otherwise, or performance of our Company and/or our subsidiaries as a whole, whether or not arising in the ordinary course of business, as determined by the Sole Global Coordinator in its sole and absolute discretion; or

(vii) that our Company withdraws this prospectus and/or the Application Forms; or

(viii) that approval by the Listing Committee of the listing of, and permission to deal in, our Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) that any of the experts described under the section headed "Statutory and general information — Other information — 20. Qualification of experts" in Appendix VI to this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

Undertakings by our Company

We have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months after the Listing Date up to and including the date falling six months after the date on which dealings in the Shares first commence on the Stock Exchange (the "**First Six-Month Period**") (whether or not such issue of Shares or our securities will be completed within the First Six-Month Period), except in the circumstances prescribed by Rule 10.08 of the Listing Rules.

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) that, inter alia, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the First Six-Month Period:

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein or any voting right or any right attaching thereto (including but not limited to, any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein) save as pursuant to the repurchase mandate granted by our Shareholders to the Directors, details of which are set out in Appendix VI to this prospectus; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto; or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i), (ii) and (iii) above,

whether any of the foregoing transactions described in (i), (ii) and (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering (including upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), and our Company has further agreed that, in the event of an issue or disposal of any Shares or any interest therein or any voting right or any other right attaching thereto during the six-month period (the "**Second Six-Month Period**") immediately following the First Six-Month Period, we will take all reasonable steps to ensure that such issue or disposal will not create a disorderly or false market in the securities of our Company.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders, namely Mr. Lin and Xinghui Development has undertaken to the Stock Exchange that except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or the stock borrowing arrangement, he or it will not (i) at any time during the period commencing on the date of this prospectus and ending on the expiry date of the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he or it is shown by this prospectus to be the beneficial owners; and (ii) at any time during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would then cease to be our Controlling Shareholder.

Note (2) to Rule 10.07(2) of the Listing Rules provides that the rule does not prevent our Controlling Shareholders from using the Shares owned by it as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that he or it will, within a period of 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

(a) any pledges or charges of any of our Shares or securities of our Company beneficially owned by them in favour of any authorised institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

(b) any indication received by them, either verbal or written, from any pledgee or chargee of any of our Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under the Listing Rules as soon as possible after being so informed by such Controlling Shareholder.

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) that, inter alia, except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or the arrangement under the Stock Borrowing Agreement, he or it will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) at any time during the First Six-Month Period, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by him or it or any voting right or any other right attaching thereto (including but not limited to, any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) whether currently held or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of share capital or other such securities, in cash or otherwise, or offer or to agree to do any of the foregoing or announce any intention to do so, provided that the restriction shall not apply to the lending of Shares pursuant to the Stock Borrowing Agreement (if any) or any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan;

(ii) at any time during the Second Six-Month Period enter into any of the transactions described in (i) above if, immediately following such transaction, he or it would cease to be the controlling shareholder (as defined in the Listing Rules) of our Company provided that the restriction shall not apply to any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordnance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan; and

(iii) in the event of a disposal by him or it of any share capital or any interest therein or any voting right or any other right attaching thereto during the period referred to in (ii) above, he or it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares or other securities of our Company.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, among others, our Controlling Shareholders and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally, but not jointly, agree to purchase the International Offering Shares or procure purchasers for the International Offer Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to as those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed "Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings by our Company" in this section.

Under the International Underwriting Agreement, our Company expects to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 58,500,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be issued or sold at the Offer Price and used to cover over-allocation, if any, in the International Offering.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by it pursuant to the Hong Kong Underwriting Agreement, which is described in the paragraph headed "Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings by our Controlling Shareholders" in this section.

Underwriting commission and expenses

The Hong Kong Underwriters will, and the International Underwriters are expected to, receive an underwriting commission of 3.5% and an incentive fee of 3.5% of the aggregate Offer Price of all the Offer Shares (including any Shares to be allotted and issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commission. Excluding the underwriting commission and the incentive fee payable to the International Underwriters and the Hong Kong Underwriters, the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering are currently estimated to be about RMB31.8 million in aggregate (based on an Offer Price of HK$0.56 per Share, being the mid-point of the stated range of the Offer Price between HK$0.50 and HK$0.62 per Share, and on the assumption that the Over-allotment Option is not exercised) is to be borne by our Company.

INDEMNITY

Our Company and each of our Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

SOLE SPONSOR INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable set out in Rule 3A.07 of the Listing Rules. For further details, please refer to the paragraph headed "Statutory and general information — Other information — 19. Sole Sponsor" in Appendix VI to this prospectus.

UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Global Coordinator and other Underwriters will receive an underwriting commission and incentive fee. Particulars of these underwriting commission, incentive fee and expenses are set out in the paragraph headed "Underwriting commission and expenses" in this section for further details.

Our Company has appointed Guotai Junan Capital as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first financial year commencing after such Listing Date, or until the agreement is terminated, whichever is earlier.

Other than pursuant to the Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Guotai Junan Capital is the Sole Sponsor. Guotai Junan Securities is the Sole Global Coordinator, and Guotai Junan Securities, Wealth Link Securities Limited, Oceanwide Securities Company Limited and Head & Shoulders Securities Limited are the Joint Bookrunners and the Joint Lead Managers.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 39,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described under the paragraph headed "The Hong Kong Public Offering" in this section below; and

- the International Offering of 351,000,000 Shares (subject to adjustment as mentioned below), outside the United States in reliance on Regulation S of the U.S. Securities Act as described under the paragraph headed "The International Offering" in this section below.

Up to 58,500,000 additional Shares may be offered pursuant to the exercise of the Over-allotment Option as set forth in the paragraph headed "Over-allotment Option" in this section.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the Offer Shares to professional, institutional, corporate and other investors outside the United States in reliance on Regulation S of the U.S. Securities Act. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to adjustment as described in the paragraph headed "Pricing and allocation" in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK$0.62 per Offer Share and is expected to be not less than HK$0.50 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK$0.62 per Hong Kong Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK$2,504.99 for one board lot of 4,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price, as finally determined in the manner described below, is less than HK$0.62, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. For further details, please refer to the section headed "How to apply for the Hong Kong Offer Shares — 13. Refund of application monies" in this prospectus.

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about 24 October 2017 and, in any event, no later than 27 October 2017.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 27 October 2017, the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective professional, institutional, corporate and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may reduce the indicative Offer Price range and/or the number of Hong Kong Offer Shares below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on 23 October 2017, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at **www.flyingmining.com** and the website of the Stock Exchange at **www.hkexnews.hk** notice of the reduction in the indicative Offer Price range and/or number of Offer Shares and will, as soon as practicable following the decision to make any such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after Listing. Such allocation may be made to professional, institutional, corporate and other investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Monday, 30 October 2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at **www.flyingmining.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms. or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** Service, will be made available through a variety of channels as described in the section headed "How to apply for the Hong Kong Offer Shares — 11. Publication of results" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including the exercise of the Over-allotment Option, and any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme);

- the Offer Price having been duly agreed on or around the Price Determination Date;

- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Underwriters under each of the International Underwriting Agreement and the Hong Kong Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will cause to be published by us in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at **www.flyingmining.com** and the website of the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such event, all application monies will be returned without interest on the terms set out in the paragraph headed "How to apply for the Hong Kong Offer Shares — 13. Refund of application monies" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on 30 October 2017 but will only become valid certificates of title at 8:00 a.m. on 31 October 2017, provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the paragraph headed "Underwriting — Underwriting commission and expenses — Grounds for termination" in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of shares initially offered

Our Company is initially offering 39,000,000 Shares at the Offer Price representing 10% of the 390,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of the total issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Global Offering" in this section above.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 19,500,000 Hong Kong Offer Shares and Pool B will comprise 19,500,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected.

No application will be accepted from applicants for more than 19,500,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Adjustment

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 117,000,000, 156,000,000 and 195,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B equally.

If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate International Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Applications

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Offer Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

The number of the Offer Shares to be initially offered for subscription by our Company under the International Offering will be 351,000,000 Shares, representing 90% of the Offer Shares under the Global Offering. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place our Shares with professional, institutional, corporate and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the Securities Act. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its International Offer Shares after Listing. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the adjustment arrangement described in the paragraph headed "The Hong Kong Public Offering — Adjustment" in this section, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Hong Kong Offer Shares to the International Offering.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging applications under the Hong Kong Public Offering. An announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to 58,500,000 Shares, representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price. If the Over-allotment Option is exercised in full, the additional Shares made available under the Over-allotment Option will represent approximately 3.6% of the total Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue, but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme.

STOCK BORROWING AGREEMENT

Guotai Junan Securities, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from Xinghui Development under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercise of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(l)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Xinghui Development will only be effected by the Stabilising Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;

- the maximum number of Shares borrowed from Xinghui Development under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to Xinghui Development or its nominees on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from this to time agree in writing;

- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, Listing Rules and regulatory requirements; and

- no payment will be made to Xinghui Development by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

STABILISATION AND OVER-ALLOTMENT

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price in Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Guotai Junan Securities, as Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Offer Shares that may be over-allocated will not exceed the number of Offer Shares that may be sold under the Over-allotment Option, namely, 58,500,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell the Offer Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Offer Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling or agreeing to sell any Offer Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in our Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of our Shares;

- no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

- the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions elected at a price below the price paid by applicants for, or investors in our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 58,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offering, the Stabilising Manager may borrow up to 58,500,000 Shares from Xinghui Development, equivalent to the maximum number of Shares to be issued on the full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

SHARES WILL BE ELIGIBLE FOR CCASS

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

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 31 October 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on 31 October 2017. The Shares will be traded in board lots of 4,000 Shares. The stock code of the Shares will be 1625.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- are a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 18 October 2017 until 12:00 noon on Monday, 23 October 2017 from:

(i) the following offices of the Hong Kong Underwriters:

Guotai Junan Securities (Hong Kong) Limited	27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
Wealth Link Securities Limited	Unit B1, 5/F Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong
Oceanwide Securities Company Limited	18-19/F, China Building, 29 Queen's Road Central, Hong Kong
Head & Shoulders Securities Limited	Room 2511, 25/F, Cosco Tower, 183 Queen's Road Central, Hong Kong

(ii) any of the branches of the following receiving bank:

Bank of China (Hong Kong) Limited

Region	Branch Name	Address
Hong Kong	Gilman Street Branch	136 Des Voeux Road Central
	Johnston Road Branch	152-158 Johnston Road, Wan Chai
Kowloon	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
New Territories	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun
	Tai Po Branch	68-70 Po Heung Street, Tai Po Market

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 18 October 2017 until 12:00 noon on Monday, 23 October 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – FLYING MINING PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Wednesday, 18 October 2017 – 9:00 a.m. to 5:00 p.m.
- Thursday, 19 October 2017 – 9:00 a.m. to 5:00 p.m.
- Friday, 20 October 2017 – 9:00 a.m. to 5:00 p.m.
- Saturday, 21 October 2017 – 9:00 a.m. to 1:00 p.m.
- Monday, 23 October 2017 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 23 October 2017, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto refund Payment and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" section in the prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "Who can apply" in this section may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 18 October 2017 until 11:30 a.m. on Monday, 23 October 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 23 October 2017 or such later time under the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section.

No multiple applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, 18 October 2017 – 8:00 a.m. to 8:30 p.m.[(1)]
- Thursday, 19 October 2017 – 8:00 a.m. to 8:30 p.m.[(1)]
- Friday, 20 October 2017 – 8:00 a.m. to 8:30 p.m.[(1)]
- Monday, 23 October 2017 – 8:00 a.m. to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 18 October 2017 until 12:00 noon on Monday, 23 October 2017 (24 hours daily, except on Saturday, 21 October 2017 and the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 23 October 2017, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 23 October 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure of the Global Offering — Pricing and allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 23 October 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 23 October 2017 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, 30 October 2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at **www.flyingmining.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.flyingmining.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, 30 October 2017;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 30 October 2017 to 12:00 mid-night on Friday, 3 November 2017;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 30 October 2017 to Thursday, 2 November 2017 on a Business Day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 30 October 2017 to Wednesday, 1 November 2017 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong offer shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$0.62 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, 30 October 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, 30 October 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 31 October 2017 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 30 October 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 30 October 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, 30 October 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 30 October 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- If you apply as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 30 October 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 30 October 2017, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, 30 October 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 30 October 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of results" above on Monday, 30 October 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 30 October 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 30 October 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 30 October 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.

The Directors
Flying Mining Limited
Guotai Junan Capital Limited

Dear Sirs,

We report on the historical financial information of Flying Mining Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-41,which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 April 2017, and the statement of financial position of the Company as at 30 April 2017 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-41 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 18 October 2017 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 April 2017, the financial position of the Company as at 30 April 2017 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 30 April 2016 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim

Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 10 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Certified Public Accountants
Hong Kong
18 October 2017

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young Hong Kong in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") which is the functional currency of the Company and the majority of its subsidiaries, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated statements of profit or loss and other comprehensive income

	Notes	Year ended 31 December			Four months ended 30 April	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	*4*	–	–	–	–	10,676
Cost of sales		–	–	–	–	(3,043)
Gross profit		–	–	–	–	7,633
Other income	*4*	1	1	51	16	16
Administrative expenses		(3,326)	(4,224)	(14,500)	(3,420)	(7,026)
Other expenses		(262)	(28)	(57)	(3)	(18)
Finance costs	*6*	(64)	(66)	(61)	(20)	(21)
PROFIT/(LOSS) BEFORE TAX	*5*	(3,651)	(4,317)	(14,567)	(3,427)	584
Income tax credit/(expense)	*9*	689	951	2,215	740	(1,184)
LOSS FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		(2,962)	(3,366)	(12,352)	(2,687)	(600)
OTHER COMPREHENSIVE LOSS						
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		–	–	(113)	–	(171)
OTHER COMPREHENSIVE LOSS FOR THE YEAR/PERIOD, NET OF TAX		–	–	(113)	–	(171)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		(2,962)	(3,366)	(12,465)	(2,687)	(771)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:						
Basic and diluted	*11*	N/A	N/A	N/A	N/A	N/A

Consolidated statements of financial position

	Notes	As at 31 December 2014	2015	2016	As at 30 April 2017
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	44,918	52,614	54,993	61,930
Prepaid land lease payment	13	–	–	9,610	9,535
Long-term prepayments	14	1,195	1,156	1,228	1,175
Intangible assets	15	2,180	2,180	2,180	2,178
Pledged deposit	17	560	560	560	560
Deferred tax assets	16	993	1,944	4,159	2,975
Total non-current assets		49,846	58,454	72,730	78,353
CURRENT ASSETS					
Inventories	17	–	–	–	220
Trade receivables	18	–	–	–	9,246
Prepayments and other receivables	19	39	267	3,271	7,642
Cash and cash equivalents	20	140	39	753	5,811
Total current assets		179	306	4,024	22,919
CURRENT LIABILITIES					
Trade payables	21	–	–	–	1,785
Other payables and accruals	22	2,949	1,473	6,140	8,557
Due to a related party	23	1,400	3,950	1,400	–
Due to the Ultimate Controlling Shareholder	23	47,822	58,583	38,123	7,537
Total current liabilities		52,171	64,006	45,663	17,879
NET CURRENT ASSETS/(LIABILITIES)		(51,992)	(63,700)	(41,639)	5,040
TOTAL ASSETS LESS CURRENT LIABILITIES		(2,146)	(5,246)	31,091	83,393
NON-CURRENT LIABILITIES					
Provision for rehabilitation	24	1,050	1,216	1,277	1,298
Deferred income	25	–	100	341	3,041
Total non-current liabilities		1,050	1,316	1,618	4,339
Net assets/(liabilities)		(3,196)	(6,562)	29,473	79,054
EQUITY/(DEFICIENCY IN ASSETS)					
Share capital	26	–	–	–	–
Reserves	27	(3,196)	(6,562)	29,473	79,054
Total equity/(deficiency in assets)		(3,196)	(6,562)	29,473	79,054

Consolidated statements of changes in equity

	Share capital	Merger reserve*	Capital reserve*	Foreign currency translation reserve*	Accumulated losses*	Total equity/ (deficiency in assets)
	RMB'000 *Note 26*	*RMB'000* *Note 27*	*RMB'000* *Note 27*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	–	1,500	–	–	(1,734)	(234)
Loss and total comprehensive loss for the year	–	–	–	–	(2,962)	(2,962)
At 31 December 2014 and 1 January 2015	–	1,500	–	–	(4,696)	(3,196)
Loss and total comprehensive loss for the year	–	–	–	–	(3,366)	(3,366)
At 31 December 2015 and 1 January 2016	–	1,500	–	–	(8,062)	(6,562)
Capital contribution from the then shareholders of a subsidiary	–	48,500	–	–	–	48,500
Loss for the year	–	–		–	(12,352)	(12,352)
Other comprehensive loss for the year: Exchange differences on translation of foreign operations	–	–	–	(113)	–	(113)
Total comprehensive loss for the year	–	–	–	(113)	(12,352)	(12,465)
At 31 December 2016 and 1 January 2017	–	50,000	–	(113)	(20,414)	29,473
Acquisition of equity interest of a subsidiary from the then shareholders	–	(50,000)	–	–	–	(50,000)
Capital contribution from the Ultimate Controlling Shareholder	–	–	100,352	–	–	100,352
Loss for the period	–	–	–	–	(600)	(600)
Other comprehensive loss for the period: Exchange differences on translation of foreign operations	–	–	–	(171)	–	(171)
Total comprehensive loss for the period	–	–	–	(171)	(600)	(771)
At 30 April 2017	–	–	100,352	(284)	(21,014)	79,054

* These reserve accounts comprised the Group's reserves as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017.

Consolidated statements of changes in equity (continued)

	Share Capital	Merger reserve	Accumulated losses	Deficiency in assets
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 26	*Note 27*		
At 1 January 2016	–	1,500	(8,062)	(6,562)
Loss and total comprehensive loss for the period (unaudited)	–	–	(2,687)	(2,687)
At 30 April 2016 (unaudited)	–	1,500	(10,749)	(9,249)

Consolidated statements of cash flows

	Notes	Year ended 31 December 2014	2015	2016	Four months ended 30 April 2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		(3,651)	(4,317)	(14,567)	(3,427)	584
Adjustments for:						
Depreciation	*5*	805	1,210	2,421	736	958
Amortisation of prepaid land lease payment	*5*	–	–	51	–	75
Amortisation of intangible assets	*5*	–	–	–	–	2
Amortisation of long-term prepayments	*5*	39	39	39	13	24
Finance costs	*6*	64	66	61	20	21
Increase in inventories		–	–	–	–	(220)
Increase in trade receivables		–	–	–	–	(9,246)
Decrease/(increase) in prepayments and other receivables		20	(228)	(2,807)	(833)	(4,371)
Increase in trade payables		–	–	–	–	1,785
Increase/(decrease) in other payables and accruals		(845)	363	4,061	1,834	2,312
Increase in deferred income		–	100	241	148	2,700
Net cash flows used in operating activities		(3,568)	(2,767)	(10,500)	(1,509)	(5,376)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions of prepaid land lease payment and long-term prepayments		–	–	(9,969)	–	–
Purchase of items of property, plant and equipment		(31,198)	(10,645)	(4,194)	(1,724)	(7,761)
Net cash flows used in investing activities		(31,198)	(10,645)	(14,163)	(1,724)	(7,761)
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contribution from the then shareholders of a subsidiary		–	–	17,150	–	–
Capital contribution from the Ultimate Controlling Shareholder		–	–	–	–	50,352
Increase/(decrease) in an amount due to the Ultimate Controlling Shareholder	*28*	34,681	10,761	8,465	3,350	(30,586)
Increase/(decrease) in an amount due to a related party	*28*	–	2,550	(125)	–	(1,400)
Net cash flows from financing activities		34,681	13,311	25,490	3,350	18,366
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(85)	(101)	827	117	5,229
Cash and cash equivalents at beginning of year/period		225	140	39	39	753
Effect of foreign exchange rate changes, net		–	–	(113)	–	(171)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		140	39	753	156	5,811
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*20*	140	39	753	156	5,811

Statement of financial position of the Company

	Note	As at 30 April 2017 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries		–
CURRENT ASSETS		
Due from a subsidiary	*23*	107,416
CURRENT LIABILITIES		
Due to the Ultimate Controlling Shareholder	*23*	7,143
Net assets		100,273
EQUITY		
Share capital		–
Reserves		100,273
Total equity		100,273

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 March 2016 under the Cayman Islands Companies Law, Chapter 22 of the Cayman Islands. The registered office address of the Company is Sertus Chambers, P.O. Box 2547, Cassia Court, Camana Bay, Grand Cayman, the Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Group was principally engaged in mining exploration, the production and sale of marble and marble related products and has not started its commercial production as at 31 December 2016.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "The Reorganisation" in the section headed "History, Development and Reorganisation" in the Prospectus which was completed on 27 October 2016. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

In the opinion of the directors of the Company (the "Directors"), Xinghui Development Limited ("Xinghui Development"), a limited liability company incorporated in the British Virgin Islands, is the ultimate holding company of the Company and is wholly owned by Mr. Lin Hui ("Mr. Lin", "the Ultimate Controlling Shareholder").

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Flying Global Co., Limited ("Flying Global BVI")[(a)]	British Virgin Islands 2 June 2016	USD50,000	100%	–	Investment holding
Hong Kong Flying Mining Limited ("Flying Mining)[(b)]	Hong Kong 24 June 2016	HK$10,000	–	100%	Investment holding
Shiqian Panxing Investment Co., Ltd. ("Shiqian Investment")[(c)]	People's Republic of China ("PRC")/ Mainland China 8 August 2011	RMB100,000,000	–	100%	Mining exploration and sale of marble

Notes:

(a) As at the date of this report, no audited financial statements of Flying Global BVI have been prepared since the date of its incorporation as it was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(b) As at the date of this report, no audited financial statements of Flying Mining have been prepared yet since Flying Mining was incorporated on 24 June 2016.

(c) The statutory financial statements of Shiqian Investment for the years ended 31 December 2014, 2015 and 2016 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Xiamen Hexiang Certified Public Accountants Co., Ltd. (廈門市和祥會計師事務所有限公司), certified public accountants registered in the PRC.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "The Reorganisation" in the section headed "History, Development and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 27 October 2016 by way of share swaps with the existing shareholders of Shiqian Investment. The companies now comprising the Group were under the common control of Mr. Lin before and after the Reorganisation. As the Reorganisation only involved inserting new holding entities at the top of an existing company (i.e. Shiqian Investment) and has not resulted in any change of economic substances, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing company using the pooling of interests method. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of pooling of interests method as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date of incorporation, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 April 2017 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

No statement of financial position of the Company has been prepared as at 31 December 2016 as the Company has not commenced any business or operation since its incorporation and its shares were issued at nil consideration.

The Historical Financial Information has been prepared under the historical cost convention.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information:

IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 15	*Clarifications to IFRS 15: Revenue from Contracts with Customers*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Annual Improvements 2014-2016 Cycle	Amendments to IFRSs including:
• Amendments to IFRS 1	*First-time Adoption of International Financial Reporting Standards*[1]
• Amendments to IAS 28	*Investments in Associates and Joint Ventures*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after 1 January 2021

[4] No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the directors of the Company anticipate that the new and revised IFRSs, excluding IFRS 9 and IFRS 15, may result in changes in accounting policies but are unlikely to have a material impact on the Group's results of operations and financial position upon application.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group has performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from future detailed analysis or additional reasonable and supportable information being made available to the Group upon adoption. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at amortised cost all financial assets currently held at amortised cost.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the Group's financial performance and financial position, including the measurement of financial assets and disclosures.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 15 on the Group. Based on the preliminary assessment, the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have significant impact on the financial position and performance of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the non-financial asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

	Useful lives
Buildings	20 years
Office equipment	5 years
Machinery	10 years
Motor vehicles	10 years

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to write off the cost of the assets in proportion to the extraction of the proved and probable mineral reserves. The estimated useful life of the mining infrastructure is based on the unexpired period of mining rights, i.e., no later than 15 October 2022.

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

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

Construction in progress represents items of property, plant and equipment and mining infrastructure under construction, which are stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Stripping costs

As part of its mining operations, the Group incurs stripping (waste removal) costs during the development phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised in property, plant and equipment as part of the cost of constructing the mine and subsequently amortised over its useful life using the UOP method.

Intangible assets

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

Mining rights

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

The estimated useful life of the mining right is based on its unexpired period, i.e., no later than 15 October 2022.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms of 50 years.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income" in profit or loss. The loss arising from impairment is recognised in profit or loss in "Other expenses".

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other expenses" in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

During the Relevant Periods, the Group's financial liabilities included other payables and accrual and amounts due to a related party and the Ultimate Controlling Shareholder.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, the Group's financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, classes of assets and liabilities are determined on the basis of the nature, characteristics and risks of the asset and liability and the level of the fair value hierarchy as explained above.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within six months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the mining operation's location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within "Finance costs" in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure. Additional disturbances or changes in estimates will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in a subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investment in a subsidiary, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income to match the grant on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of the subsidiary in Mainland China are required to participate in a defined central pension scheme managed by the local municipal government of the areas in Mainland China. The subsidiary is required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as incurred. The Group's liability in respect of the housing fund is limited to the contribution payable in each period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Company's functional and presentation currency is RMB because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the weighted average exchange rates for the reporting year or period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the reporting year or period.

2.5 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Historical Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

(a) Impairment of non-financial assets

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

(b) Mine reserves

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

(c) Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of each of the reporting periods represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statements of financial position by adjusting the rehabilitation asset and liability. The carrying amounts of provision for rehabilitation as at 31 December 2014, 2015 and 2016 and 30 April 2017 were RMB1,050,000, RMB1,216,000, RMB1,277,000 and RMB1,298,000, respectively.

(d) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets as at 31 December 2014, 2015 and 2016 and 30 April 2017 were RMB993,000, RMB1,944,000, RMB4,159,000 and RMB2,992,000, respectively. Further details of the deferred tax assets are disclosed in note 16.

3. SEGMENT INFORMATION

For management purposes, the Group had only one reportable operating segment, which was mining development, during the Relevant Periods. Further, all the principal assets employed by the Group are located in Guizhou Province, the PRC. Accordingly, no segment analysis is provided.

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Company's revenue and other income is as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue					
Sales of goods	–	–	–	–	10,676
Other income					
Government grants	–	–	9	13	15
Bank interest income	1	1	5	3	1
Others	–	–	37	–	–
	1	1	51	16	16

There are no unfulfilled conditions or contingencies relating to above government grants.

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cost of inventories sold	–	–	–	–	3,043
Employee benefit expense (including Directors' remuneration *(Note 7)*):					
Wages and salaries	733	685	666	274	336
Pension scheme contributions	262	238	212	88	56
	995	923	878	362	392
Less: Amount capitalised	(95)	(89)	(155)	(75)	(26)
	900	834	723	287	366
Depreciation of items of property, plant and equipment *(Note 12)*	1,297	1,988	3,217	996	1,160
Less: Depreciation capitalised	(492)	(778)	(796)	(260)	(202)
	805	1,210	2,421	736	958
Amortisation of prepaid land lease payment *(Note 13)*	–	–	51	–	75
Amortisation of long-term prepayments *(Note 14)*	39	39	39	13	24
Amortisation of intangible assets	–	–	–	–	2
Auditors' remuneration	–	–	5	5	–
Listing fees expensed off	–	653	8,157	1,656	4,751

6. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest on discounted provision for rehabilitation *(Note 24)*	64	66	61	20	21

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the remuneration of the Directors and chief executive are as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	–	–	53	16	21
Pension scheme contributions	–	–	19	6	6
	–	–	72	22	27

(a) Independent non-executive Directors

There were no independent non-executive Directors during the Relevant Periods.

There were no emoluments payable to independent non-executive Directors during the Relevant Periods.

(b) Executive Directors and the chief executive

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2014:				
Executive Directors:				
– Mr. Lin*	–	–	–	–
– Mr. Luo Jinjun	–	–	–	–
	–	–	–	–
Year ended 31 December 2015:				
Executive Directors:				
– Mr. Lin*	–	–	–	–
– Mr. Luo Jinjun	–	–	–	–

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Four months ended 30 April 2016: (unaudited)				
Executive Directors:				
– Mr. Lin*	–	–	–	–
– Mr. Luo Jinjun	–	16	6	22
	–	16	6	22
Year ended 31 December 2016:				
Executive Directors:				
– Mr. Lin*	–	–	–	–
– Mr. Luo Jinjun	–	53	19	72
	–	53	19	72
Four months ended 30 April 2017:				
Executive Directors:				
– Mr. Lin*	–	–	–	–
– Mr. Luo Jinjun	–	21	6	27
	–	21	6	27

* Mr. Lin was also the chief executive of the Company.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the Relevant Periods.

8. FIVE HIGHEST PAID EMPLOYEES

The remuneration of each of the five highest paid employees during each of the Relevant Periods was below HK$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to any of the persons who are Directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

The five highest paid employees during the Relevant Periods fall into the following categories and details of their remuneration are as follows:

	Year ended 31 December			**Four months ended 30 April**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Director	–	–	72	22	27
Non-Director	278	247	262	79	259
	278	247	334	101	286

Details of the Director's and the chief executive's remuneration are set out in note 7 above.

Details of the remuneration of the remaining four non-Director, highest paid employees during the Relevant Periods are as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	204	185	202	60	238
Pension scheme contributions	74	62	60	19	21
	278	247	262	79	259

9. INCOME TAX CREDIT/(EXPENSE)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

Provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the subsidiary located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the Relevant Periods. The Group's subsidiary located in Mainland China was subject to the PRC CIT rate of 25% during the Relevant Periods.

The major components of income tax expense/(credit) for the Relevant Periods are as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Current income tax in the PRC for the year/period	–	–	–	–	–
Deferred tax *(Note 16)*	(689)	(951)	(2,215)	(740)	1,184
Total tax expense/(credit) for the year/period	(689)	(951)	(2,215)	(740)	1,184

A reconciliation of income tax credit applicable to loss before tax at the applicable income tax rate in the PRC to income tax credit of the Group at the effective tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before tax	(3,651)	(4,317)	(14,567)	(3,427)	584
Tax charge/(credit) at the applicable tax rate of a major subsidiary operating in the PRC	(913)	(1,079)	(3,642)	(856)	146
Lower tax rate for a specific province	–	–	360	–	310
Expenses not deductible for tax	224	128	1,067	116	728
Income tax (credit)/charge at the Group's effective tax rate	(689)	(951)	(2,215)	(740)	1,184

10. DIVIDENDS

During the Relevant Periods, no dividend has been paid or declared by the Company since its date of incorporation.

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results for the Relevant Periods as disclosed in note 2.1 above.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Machinery	Motor vehicles	Mining infrastructure	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2014	–	77	708	1,483	–	11,764	14,032
Additions	–	203	14,581	1,045	–	16,643	32,472
At 31 December 2014 and 1 January 2015	–	280	15,289	2,528	–	28,407	46,504
Additions	–	21	2,743	145	–	6,775	9,684
At 31 December 2015 and 1 January 2016	–	301	18,032	2,673	–	35,182	56,188
Additions	–	–	296	–	–	5,300	5,596
Transfers	23,026	–	1,925	–	–	(24,951)	–
At 31 December 2016 and 1 January 2017	23,026	301	20,253	2,673	–	15,531	61,784
Additions	–	4	–	–	–	8,093	8,097
Transfers	5,173	–	–	–	10,111	(15,284)	–
At 30 April 2017	28,199	305	20,253	2,673	10,111	8,340	69,881
Accumulated depreciation:							
At 1 January 2014	–	7	–	282	–	–	289
Provided during the year	–	38	1,084	175	–	–	1,297
At 31 December 2014 and 1 January 2015	–	45	1,084	457	–	–	1,586
Provided during the year	–	55	1,691	242	–	–	1,988
At 31 December 2015 and 1 January 2016	–	100	2,775	699	–	–	3,574
Provided during the year	1,008	57	1,898	254	–	–	3,217
At 31 December 2016 and 1 January 2017	1,008	157	4,673	953	–	–	6,791
Provided during the period	370	19	641	85	45	–	1,160
At 30 April 2017	1,378	176	5,314	1,038	45	–	7,951
Net carrying amount:							
At 31 December 2014	–	235	14,205	2,071	–	28,407	44,918
At 31 December 2015	–	201	15,257	1,974	–	35,182	52,614
At 31 December 2016	22,018	144	15,580	1,720	–	15,531	54,993
At 30 April 2017	26,821	129	14,939	1,635	10,066	8,340	61,930

As at 31 December 2014, 2015 and 2016, mining infrastructure was under construction and included in construction in progress. Due to the commencement of the commercial production, the mining infrastructure was transferred into property, plant and equipment in April 2017.

13. PREPAID LAND LEASE PAYMENT

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At beginning of year/period	–	–	–	9,858
Additions during the year/period	–	–	9,858	–
At end of year/period	–	–	9,858	9,858
Accumulated amortisation:				
At beginning of year/period	–	–	–	51
Amortisation during the year/period	–	–	51	75
At end of year/period	–	–	51	126
Net carrying amount:	–	–	9,807	9,732
Current portion, included in prepayments and other receivables	–	–	(197)	(197)
Non-current portion	–	–	9,610	9,535

The Group's leasehold land is held under long-term leases and is situated in Mainland China.

14. LONG-TERM PREPAYMENTS

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At beginning of year/period	1,369	1,369	1,369	1,480
Additions during the year/period	–	–	111	–
At end of year/period	1,369	1,369	1,480	1,480
Accumulated amortisation:				
At beginning of year/period	96	135	174	213
Amortisation during the year/period	39	39	39	24
At end of year/period	135	174	213	237
Net carrying amount:	1,234	1,195	1,267	1,243
Current portion, included in prepayments and other receivables	(39)	(39)	(39)	(68)
Non-current portion	1,195	1,156	1,228	1,175

The balances represent prepayments made for the use of parcels of land for mining activities at the Leishoushan mine. Based on the agreements, the Group prepaid RMB1,369,000 and RMB111,000 for rights to use the said lands for a period of 20 years from 30 July 2011 and 20 July 2016, respectively.

15. INTANGIBLE ASSETS

	Mining right
	RMB'000
Cost:	
At 1 January 2014	2,180
Additions	–
At 31 December 2014, 2015 and 2016 and 30 April 2017	2,180
Accumulated amortisation:	
At 1 January 2014, 31 December 2014, 2015 and 2016	–
Amortisation during the period	2
At 30 April 2017	2
Net carrying amount:	
At 31 December 2014, 2015 and 2016	2,180
At 30 April 2017	2,178

The mining right represent the right for the mining of marble reserves in the Leishoushan mine which is located in Shiqian County, Tongren City, Guizhou Province, the PRC. The mine is operated by Shiqian Investment. The mining licence granted by the local government to Shiqian Investment has a term of 10 years from 15 October 2012 to 15 October 2022 with a production volume of 60,000 cubic metres per annum. No amortisation was made during the year of 2014, 2015 and 2016, as the commercial production of the mine had not yet commenced until April 2017.

Impairment testing of intangible assets

Assumptions were used in the calculation of the value in use of the recoverable amount of intangible assets. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of intangible assets:

Output:	The values assigned to the future revenues are estimated based on the Group's scheduled feasible production volume.
Commodity price:	Future commodity prices in the valuation model are estimated by management based on industry average price trends and independent expert reports and commentaries.
Operating cost:	The basis used to determine the values assigned to the operating cost is the input requirements in accordance with the long-term mining plan at unit costs based on industry practice and reflects management's commitment to maintain the Group's operating cost at an acceptable level.
Tenure:	Tenure used in valuation model is over the term of the mining licence.
Discount rates:	The discount rates used are based on a weighted average cost of capital and are before tax reflecting specific risks relating to the relevant assets. The discount rate used in the impairment testing is 24%.

The values assigned to the key assumptions on output, commodity price, operating cost and discount rates are consistent with external information sources. Unless the market circumstance would have a tremendous change in the future, there will be no reasonably possible change in the key assumptions that would cause the asset's carrying amount to exceed its recoverable amount.

16. DEFERRED TAX

The movements in deferred tax assets are as follows:

	Losses available for offsetting against future taxable profits	Accruals and provisions	Deferred income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	237	67	–	304
Deferred tax credited to profit or loss during the year *(Note 9)*	612	77	–	689
At 31 December 2014 and 1 January 2015	849	144	–	993
Deferred tax credited to profit or loss during the year *(Note 9)*	871	55	25	951
At 31 December 2015 and 1 January 2016	1,720	199	25	1,944
Deferred tax credited to profit or loss during the year *(Note 9)*	2,123	32	60	2,215
At 31 December 2016 and January 2017	3,843	231	85	4,159
Deferred tax credited to profit or loss during the period *(Note 9)*	(1,856)	(3)	675	(1,184)
At 30 April 2017	1,987	228	760	2,975

Deferred tax assets related to the PRC subsidiary have been provided at an enacted corporate income tax rate of 25%.

The Group had tax losses arising in Mainland China of RMB3,398,000, RMB6,882,000, RMB15,371,000, RMB7,950,000 as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively, that will expire in one to five years for offsetting against future taxable profits.

17. INVENTORIES

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	–	–	–	17
Finished goods	–	–	–	203
	–	–	–	220

18. TRADE RECEIVABLES

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	9,246
Impairment	–	–	–	–
	–	–	–	9,246

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	–	–	–	9,246

The above trade receivables are not individually nor collectively considered to be impaired and not yet past due. They relate to four customers for whom there was no recent history of default.

19. PREPAYMENTS AND OTHER RECEIVABLES

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	–	–	–	2,800
Other receivables	–	10	61	39
Prepaid land lease payment, current portion	–	–	197	197
Long-term prepayments, current portion	39	39	39	68
Deferred listing costs	–	218	2,974	4,538
	39	267	3,271	7,642

The carrying amounts of prepayments and other receivables closely approximate to their respective fair values.

The financial assets included in the above is neither past due nor impaired and relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS AND A PLEDGED DEPOSIT

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	140	39	753	5,811
Time deposit	560	560	560	560
	700	599	1,313	6,371
Less: Pledged time deposit Pledged for rehabilitation *(Note 29)*	(560)	(560)	(560)	(560)
Cash and cash equivalents	140	39	753	5,811
Denominated in RMB	700	599	690	5,317
Denominated in HK$	–	–	623	1,054
	700	599	1,313	6,371

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents in the consolidated statements of financial position approximate to their fair values.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	–	–	–	1,785

The trade payables are non-interest-bearing and are normally settled on terms of 30 days.

22. OTHER PAYABLES AND ACCRUALS

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	2,253	559	4,853	6,511
Other tax payables	121	120	358	1,136
Payroll and welfare accruals	575	794	929	910
	2,949	1,473	6,140	8,557

Other payables are non-interest-bearing and have an average term of three months.

23. BALANCES WITH RELATED PARTIES

Group

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to the Ultimate Controlling Shareholder	47,822	58,583	38,123	7,537
Due to a related party				
Fujian Panxing Group Co., Ltd. (a)	1,400	3,950	1,400	–

(a) The Ultimate Controlling Shareholder, Mr. Lin, was one of the directors of Fujian Panxing Group Co., Ltd. during the Relevant Periods.

Company

	30 April 2017
	RMB'000
Due from a subsidiary – Flying Mining	107,416
Due to the Ultimate Controlling Shareholder	7,143

Balances with related parties are unsecured, repayable on demand and interest-free.

The carrying amounts of the balances with related parties approximate to their fair values.

24. PROVISION FOR REHABILITATION

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	954	1,050	1,216	1,277
Additions	32	100	–	–
Unwinding of discount *(Note 6)*	64	66	61	21
At the end of year/period	1,050	1,216	1,277	1,298

A provision for rehabilitation is mainly recognised for the present value of estimated costs to be incurred in complying with the Group's obligations for the closure and environmental restoration and clean-up on completion of the Group's mining activities. These costs are expected to be incurred on mine closure, based on the estimated rehabilitation expenditures at the mine when the mining licence expires, and are discounted at a discount rate of 6.15%, 4.90%, 4.90% and 4.90% for the years ended 31 December 2014, 2015 and 2016 and the four months ended 30 April 2017, respectively. Changes in assumptions could significantly affect these estimates. Over time, the discounted provision is increased for the change in the present value based on the discount rate that reflects current market assessments and risks specific to the provision. The periodic unwinding of the discount is recognised in profit or loss as part of interest expenses.

25. DEFERRED INCOME

	RMB'000
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Additions	100
At 31 December 2015 and 1 January 2016	100
Additions	250
Releases	(9)
At 31 December 2016 and 1 January 2017	341
Additions	2,706
Releases	(6)
At 30 April 2017	3,041

Deferred income represents the government grants received which relate to assets. These grants are released to profit or loss over the expected useful lives of the relevant assets.

26. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 30 March 2016, with authorised share capital of USD50,000 divided into 50,000 ordinary shares of USD1.00 each. On the date of incorporation, one nil-paid share was allotted and issued to Sertus Nominees (Cayman) Limited, and subsequently transferred to Xinghui Development at par. On the same date, 44,999, 2,500 and 2,500 nil-paid shares were allotted and issued to Xinghui Development, Panxing Development Limited and Xingjin Development Limited, respectively. Other than the Reorganisation mentioned in note 1, the Company has not conducted any business since the date of its incorporation and has not incurred any operating expenses.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Merger reserve

The merger reserve represents the aggregate amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company. Details of the movements in the merger reserve are set out in the consolidated statements of changes in equity.

Capital reserve

Capital reserve pertains to the capital contribution from the Ultimate Controlling Shareholder.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

		Due to a related party	Due to the Ultimate Controlling Shareholder	Total liabilities from financing activities
		RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014		1,400	13,141	14,541
Cash flows		–	34,681	34,681
Non-cash changes		–	–	–
At 31 December 2014		1,400	47,822	49,222
Cash flows		2,550	10,761	13,311
Non-cash changes		–	–	–
At 31 December 2015		3,950	58,583	62,533
Cash flows		(125)	8,465	8,340
Non-cash changes:				
Other changes	*(i)*	(2,425)	(28,925)	(31,350)
At 31 December 2016		1,400	38,123	39,523
Cash flows		(1,400)	(30,586)	(31,986)
Non-cash changes		–	–	–
At 30 April 2017		–	7,537	7,537

(i) Additional capital to Shiqian Investment amounted to RMB31,350,000 was paid up by way of conversion of the amount due to the Ultimate Controlling Shareholder and the amount due to a related party into equity by two debt-equity conversion agreements entered into between Shiqian Investment and each of Mr. Lin and Fujian Panxing Group Co., Ltd. during the year ended 31 December 2016, separately.

29. PLEDGE OF ASSETS

As at 31 December 2014, 2015 and 2016 and 30 April 2017, a deposit of the Group with a net carrying amount of approximately RMB560,000 was pledged to a bank for the obligation of recovering the ruined environment.

30. COMMITMENTS

As at 31 December 2014, 2015, 2016 and 30 April 2017, the Group had the following capital commitments principally for the construction of property, plant and equipment and the purchase of raw materials.

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:	2,027	17	279	10,880

31. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Group had no material transactions with related parties.

(b) Outstanding balances with related parties:

Details of the Group's balances with related parties at the end of each of the Relevant Periods are disclosed in note 23.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December			Four months ended 30 April	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	42	10	214	62	78
Pension scheme contributions	15	4	65	20	22
	57	14	279	82	100

Further details of Directors' and chief executive's emoluments are included in note 7 to the Historical Financial Information.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets – loans and receivables				
Cash and cash equivalents	140	39	753	5,811
Pledged deposit	560	560	560	560
Trade receivables	–	–	–	9,246
Financial assets included in prepayments and other receivables	–	10	61	39
	700	609	1,374	15,656
Financial liabilities – financial liabilities at amortised cost				
Financial liabilities included in other payables and accruals	2,253	559	4,853	6,511
Trade payables	–	–	–	1,785
Due to a related party	1,400	3,950	1,400	–
Due to the Ultimate Controlling Shareholder	47,822	58,583	38,123	7,537
	51,475	63,092	44,376	15,833

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments and other receivables, financial liabilities included in trade payables, other payables and accruals, amount due to a related party and amount due to the Ultimate Controlling Shareholder approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the non-current portion of the pledged deposit, which approximate its carrying amount, has been calculated by discounting the expected future cash flows using a rate currently available for instruments with similar terms, credit risk and remaining maturities.

At the end of each of the Relevant Periods, neither the Group nor the Company had any financial asset or liability measured at fair value.

During the Relevant Periods, there were no transfers between Level 1 and Level 2 fair value measurements and no transfer into or out of Level 3 fair value measurements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and cash equivalents, pledged deposit, trade receivables and prepayments and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include trade payables, other payables and accruals, an amount due to a related party and an amount due to the Ultimate Controlling Shareholder.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, foreign currency risk and credit risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board regularly reviews these risks and they are summarised below.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and funding from the shareholders.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

31 December 2014

	On demand	Total
	RMB'000	*RMB'000*
Financial liabilities under other payables and accruals	2,253	2,253
Due to a related party	1,400	1,400
Due to the Ultimate Controlling Shareholder	47,822	47,822
	51,475	51,475

31 December 2015

	On demand	Total
	RMB'000	*RMB'000*
Financial liabilities under other payables and accruals	559	559
Due to a related party	3,950	3,950
Due to the Ultimate Controlling Shareholder	58,583	58,583
	63,092	63,092

31 December 2016

	On demand	Total
	RMB'000	*RMB'000*
Financial liabilities under other payables and accruals	4,853	4,853
Due to a related party	1,400	1,400
Due to the Ultimate Controlling Shareholders	38,123	38,123
	44,376	44,376

30 April 2017

	On demand	Total
	RMB'000	*RMB'000*
Financial liabilities under other payables and accruals	6,511	6,511
Trade payables	1,785	1,785
Due to the Ultimate Controlling Shareholders	7,537	7,537
	15,833	15,833

Interest rate risk

The Group has no significant interest-bearing assets other than cash and cash equivalents and a pledge deposit.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Foreign currency risk

The Group's businesses are located in Mainland China and the majority of transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's exposure to foreign currency risk relates to the Group's bank deposits denominated in HK$. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the HK$ exchange rate, with all other variables held constant, of the Group's profit after tax and the Group's equity.

	31 December			30 April
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) on profit after tax and equity				
If RMB weakens 5% against HK$	–	–	(173)	(293)
If RMB strengthens 5% against HK$	–	–	173	293

Credit risk

During the Relevant Periods, except for those disclosed in note 18, the Group had no significant concentration of credit risk with any single counterparty. The carrying amounts of cash and cash equivalents, a pledged deposit, trade receivables, prepayments and other receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's cash and cash equivalents and pledged deposit are deposited in major reputable financial institutions without significant credit risk. The credit risk of the Group's other financial assets, which comprise trade receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by the total equity. Total debt includes an amount due to a related party, an amount due to the Ultimate Controlling Shareholder. Total equity includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	31 December			30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to a related party	1,400	3,950	1,400	–
Due to the Ultimate Controlling Shareholder	47,822	58,583	38,123	7,537
Total debt	49,222	62,533	39,523	7,537
Total equity/(deficiency in assets)	(3,196)	(6,562)	29,473	79,054
Gearing ratio	(1,540.1%)	(953.0%)	134.1%	9.5%

35. EVENTS AFTER THE RELEVANT PERIODS

As of the date of approval of Historical Financial Information, the Group did not have any significant event subsequent to 30 April 2017.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 April 2017.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

The unaudited pro forma financial information on our Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the unaudited pro forma financial information on our Group does not purport to predict our Group's future financial position and results.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of our Group's financial position.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group which has been prepared for the purpose of illustrating the effect of the Global Offering on the adjusted net tangible assets of our Group attributable to owners of our Company as if the Global Offering had taken place on 30 April 2017. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Company had the Global Offering been completed as at 30 April 2017 or any future dates.

	Audited consolidated net tangible assets attributable to owners of our Company as at 30 April 2017	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**
	RMB'000 *(Note 1)*	*RMB'000* *(Note 2)*	*RMB'000*	*RMB* *(Note 3)*	*(HK$ equivalent)*
Based on an Offer Price of HK$0.50 per Share	76,876	143,368	220,244	0.14	0.16
Based on an Offer Price of HK$0.62 per Share	76,876	181,684	258,560	0.17	0.19

Notes:

(1) The consolidated net tangible assets of our Group attributable to owners of our Company as at 30 April 2017 is extracted from the accountants' report set out Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to owners of our Company as at 30 April 2017 of RMB79,054,000 with an adjustment for intangible assets as at 30 April 2017 of RMB2,178,000.

(2) Estimated net proceeds from the Global Offering are based on 390,000,000 Shares to be issued under the Global Offering and the estimated Offer Price of HK$0.50 to HK$0.62 per Offer Share, being the low end and the high end of the Offer Price range, after deducting underwriting commissions and other estimated expenses expected to be incurred by our Group in connection with the Global Offering, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted into RMB at an exchange rate of HK$1 to RMB0.89. No representation is made that the RMB amounts have been, could have been or could be converted to HK$, or vice versa, at the rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,560,000,000 Shares are expected to be in issue assuming that the Global Offering and the Capitalisation Issue had been completed on 30 April 2017, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) No adjustment has been made to the consolidated net tangible assets of our Group attributable to owners of our Company as at 30 April 2017 to reflect any trading results or other transactions of our Group entered into subsequent to 30 April 2017.

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

The following is the text of a letter received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

To the Directors of Flying Mining Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Flying Mining Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 April 2017 and related notes as set out on pages II-1 to II-2 of the prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in the Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 30 April 2017 as if the transaction had taken place at 30 April 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the four months ended 30 April 2017, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

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

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this prospectus received from Colliers International (Hong Kong) Ltd., an independent valuer, in connection with its valuation as at 31 July 2017 of the property interests held by our Group.

Colliers International (Hong Kong) Ltd
Valuation & Advisory Services
Company Licence No: C-006052

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong

The Board of Directors
Flying Mining Limited
Ping Di Chang Xiang Jie Shang
Shiqian County
Tongren City
Guizhou Province
The People's Republic of China

18 October 2017

Dear Sirs,

INSTRUCTIONS, PURPOSE AND VALUATION DATE

We refer to your instructions for us to assess the market value of the property interests located in The People's Republic of China ("The PRC") held by Flying Mining Limited (the "Company") and its subsidiaries (together with the Company referred to as the "Group" hereinafter). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion in respect of the market value of the property interests as at 31 July 2017 (the "Valuation Date").

VALUATION STANDARDS

The valuation has been carried out in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors with reference to the International Valuation Standards 2017 published by the International Valuation Standards Council effective from 1 July 2017, and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

BASIS OF VALUATION

Our valuation has been undertaken on the basis of market value, which is defined by The Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

In the valuation of the property interests held by the Group in the PRC with proper title certificates, due to the nature of the buildings and structures of property and particular locations in which they are situated, there are no readily identifiable market comparable transactions. Therefore in the course of our valuation, we have considered their values on the basis of their depreciated replacement costs.

The Depreciated Replacement Cost Method when used must always be subject to adequate potential profitability of the concerned business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed.

Depreciated Replacement Cost is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality.

The Depreciated Replacement Cost of the property generally provides the most reliable indication of value for the property in the absence of a known market based on comparable sales.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests and have made relevant enquiries where possible. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by the Group's PRC Legal Advisers, Jingtian & Gongcheng, regarding the titles of the property interests in the PRC. We do not accept liability for any interpretation that we have placed on such information.

All legal documents disclosed in this letter are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter.

SOURCES OF INFORMATION

We have relied to a considerable extent on the information provided by the Group and the PRC Legal Advisers of the Group, in respect of the titles of the property interests in The PRC. We have also accepted advice given by the Group on matters such as statutory notices, easements, tenure, site area, site plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

SITE MEASUREMENT

We have not carried out detailed on-site measurements to verify the correctness of the site area in respect of the property interests but have assumed that the areas shown on the documents and plans provided to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the property. No structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We are unaware of any adverse ground conditions affecting the property and have not had sight of a ground and soil survey. We have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future developments. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the development period. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

As the property interests are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term of the land use rights.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi ("RMB").

We hereby certify that we have neither present nor a prospective interest in the property or the value reported.

Our valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Ltd.
Vincent Cheung
BSc (Hons) MBA FRICS MHKIS RPS (GP) MISCM MHKSI
Deputy Managing Director, Valuation & Advisory Services, Asia

Note: Vincent Cheung holds a Master of Business Administration and he is a Registered Professional Surveyor with about 20 years' experience in real estate industry and assets valuations sector. His experience on valuations covers Hong Kong, Macau, Taiwan, South Korea, Mainland China, Vietnam, Cambodia and other overseas countries. Mr. Cheung is a fellow member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a member of Institute of Shopping Centre Management and a member of Hong Kong Securities and Investment Institute. Mr. Cheung is one of the valuers on the "list of property valuers for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

VALUATION CERTIFICATE

Property Interests Owned and Occupied by the Group in The PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2017
An industrial facility located at Land Plot No. 2, Yabei Industrial Park, Shiqian County, Tongren City, Guizhou Province, The PRC	The property comprises a parcel of land with a site area of approximately 58,061 square metres on which 3 buildings and various ancillary structures are erected, and construction of these buildings and ancillary structures were completed in about 2016. The total gross floor area of the buildings is approximately 10,437.91 square metres (Please refer to Note No. 5 below). The buildings include a workshop, an ancillary office and a power distribution room. The structures mainly comprise a lavatory, internal roads and boundary walls. The land use rights of the subject site were granted for a term expiring on 19 September 2066 for industrial uses (Please refer to Note No. 5 below).	The property is currently occupied by the Group for production and ancillary office purposes.	RMB36,900,000 (Renminbi Thirty Six Million Nine Hundred Thousand) 100% interest to be attributable to the Group: RMB36,900,000 (Renminbi Thirty Six Million Nine Hundred Thousand)

Notes:

1. The property was inspected by Kit Cheung *MHKIS MRICS RPS (GP)* on 15 February 2017. He has about 8 years' experience in real estate industry and assets valuations sector.

2. The valuation of the property was prepared by Kit Cheung *MHKIS MRICS RPS (GP)* and Vincent Cheung *MHKIS FRICS RPS (GP) MISCM MHKSI*.

3. Pursuant to a state-owned Construction Land Use Rights Grant Contract, 2016 CR-012 dated 29 September 2016 and entered into between 石阡縣國土資源局 and 石阡盤興投資有限公司 ("Panxing"), the land use rights of the subject site with a site area of approximately 58,061 square metres were granted to Panxing at a consideration of RMB9,410,000 for a term of 50 years for industrial uses.

4. Pursuant to a state-owned Land Use Rights Certificate, Shi Guo Yong (2016) Di No. 001195 dated 29 September 2016 and issued by 石阡縣人民政府, the land use rights of the subject site with a site area of approximately 58,061 square metres were granted to Panxing for a term expiring by the end of September 2066 for industrial uses.

5. Pursuant to three Real Estate Ownership Certificates issued by 石阡縣國土資源局, the land use rights of the subject site with a site area of approximately 58,061 square metres and the building ownership rights of the subject buildings with a total gross floor area of approximately 10,437.91 square metres were legally vested in Panxing. The land use rights were granted for a term expiring on 19 September 2066 for industrial uses.

Details of the Real Estate Ownership Certificates are listed as follows:

Certificate No.	Date	Building	Gross Floor Area (sq.m.)
Qian (2017) Shi Qian Xian Bu Dong Chan Quan Di No. 0000024	11 January 2017	Workshop	10,062.59
Qian (2017) Shi Qian Xian Bu Dong Chan Quan Di No. 0000026	11 January 2017	Ancillary Office	346.80
Qian (2017) Shi Qian Xian Bu Dong Chan Quan Di No. 0000025	11 January 2017	Power Distribution Room	28.52

6. Pursuant to a Construction Land Use Planning Permit, Di Zi Di No. 520000201509848 dated 29 September 2016 and issued by 石阡縣城鄉規劃局, the land use of the subject site was approved.

7. Pursuant to three Construction Project Planning Permits issued by 石阡縣城鄉規劃局, the development of the subject site was approved.

Details of the Construction Project Planning Permits are listed as follows:

Permit No.	Date	Building
Jian Zi Di No. 520000201415391	29 September 2016	Workshop
Jian Zi Di No. 520000201415392	29 September 2016	Ancillary Office
Jian Zi Di No. 520000201415393	29 September 2016	Power Distribution Room

8. Pursuant to a Construction Project Work Commencement Permit, 522224201609290101 dated 29 September 2016 and issued by 石阡縣住房和城鄉建設局, the construction works of the development of the subject site were approved to be commenced.

9. Pursuant to three Construction Project Completion Planning Certificates issued by 石阡縣城鄉規劃局, the completion of the development of the subject site were certified to comply with the planning requirements.

Details of the Construction Project Completion Planning Certificates are listed as follows:

Permit No.	Date	Building
Jun Zi Di No. 090297	27 December 2016	Ancillary Office
Jun Zi Di No. 090298	27 December 2016	Workshop
Jun Zi Di No. 090299	27 December 2016	Power Distribution Room

10. The general description and market information of the property are summarized as below:

Location	:	The property is located at Land Plot No. 2, Yabei Industrial Park, Shiqian County, Tongren City, Guizhou Province, The PRC. It abuts Sijian Expressway to the east.
Transportation	:	Guiyang Longdongbao International Airport, Tongren Airport and Tongren Railway Station are located approximately 225 kilometres, 150 kilometres and 140 kilometres away from the property respectively.
Nature of Surrounding Area	:	The subject area is a predominately industrial area.

11. We have been provided with a legal opinion regarding the property by Jingtian & Gongcheng, which contains, inter alia, the following:

    (a) Panxing has legally obtained the land use rights and the building ownership rights of the property;

    (b) Panxing is the sole legal holder of the land use rights and the building ownership rights of the property. It has the rights to legally occupy, use, lease, transfer, mortgage or by other legal ways to handle the land use rights and the building ownership rights subject to the term and use under the Real Estate Ownership Certificates; and

    (c) The land use rights and the building ownership rights of the property are not subject to any seizure, mortgage or restriction to other rights.

Independent Technical Report on the Shiqian Project

Report prepared for

Flying Mining Limited

Report prepared by

SRK Consulting (Hong Kong) Limited
SPI002
18 October 2017

Independent Technical Report on the Shiqian Project

Flying Mining Limited

(Town Government) Ping Di Chang Xiang Jie Shang, Tongren City,
Guizhou Province, People's Republic of China

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SRK Project Number SPI002

18 October 2017

Compiled by
Helen Ray
Associate, Industrial Minerals

Peer reviewed by
Anthony Stepcich
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Peer reviewers:

Anthony Stepcich; Bert De Waele; Peter Fairfield; Ben Wither.

EXECUTIVE SUMMARY

SRK Consulting (Hong Kong) Limited ("**SRK**") has been commissioned by Flying Mining Limited, which is the holding company of Shiqian Panxing Investment Co., Ltd.* ("**Shiqian Investment**" or the "**Company**") to prepare an Independent Technical Report ("**ITR**" or "**Report**") on its project (the "**Shiqian Project**"), located in Shiqian County, Tongren, Guizhou Province, People's Republic of China ("**PRC**"). The Shiqian Project comprises two major facilities, the Leishoushan project, covered by a mining licence (the "**Leishoushan Project**") and the slab and shaped stone processing plant (the "**Processing Plant**"). The ITR is for inclusion in a prospectus for a proposed listing on the Main Board of The Stock Exchange of Hong Kong Limited (**"HKEx**" or "**Stock Exchange**"). The scope of work for the ITR includes review and reporting on the following technical aspects:

- geology and Mineral Resources;
- mining and Ore Reserves;
- processing;
- capital and operating costs;
- environment, permits and social impacts;
- marble quality and marketing; and
- risk assessment.

WORK PROGRAMME

SRK has reviewed information supplied by the Company, including a feasibility study ("**FS**"), a market study, drilling information, test reports and various requested documents. SRK consultants visited the sites in September, October and December 2015, April 2016 and February and July 2017. This Report comprises the results of the investigations and Mineral Resource and Ore Reserve estimations.

PROJECT DESCRIPTION

Shiqian Investment is developing the Leishoushan Project as an open pit to extract beige, pink and grey marble dimension stone blocks from the Leishoushan Project site, which is covered by a mining licence, measuring approximately 1.0781 km^2 and process these marble blocks in its nearby Processing Plant into polished slabs and other shaped products.

Shiqian Investment extracted a small quantity of test marble blocks, measuring approximately 1,530 m^3 from three test pits during the period from March 2014 to June 2015. Limited construction has also been conducted at the Leishoushan Project site, including construction of the connecting roads, and other supporting facilities. The test pits area is also connected to electricity and water. The Phase 1 development of the Processing Plant was completed in January 2016. Commissioning of the Processing Plant occurred in April 2017.

In 2015, Shiqian Investment commissioned the Chinese Building Materials Centre Geological Exploration Team in Gansu Province ("**Gansu Geological Team**") to conduct geological exploration over the Leishoushan Project area. In 2016, Shiqian Investment also commissioned the Suzhou Sinoma Design and Research Institute of Non-metallic Minerals Industry Co., Ltd.* (蘇州中材非金屬礦工業設計研究院有限公司) ("**Suzhou Sinoma**") to undertake a FS on the Shiqian Project, which targets an annual mining volume of 60,000 m^3 and annual processing output of 1,428,000 m^2 by 2020. Frost & Sullivan was commissioned to carry out a market study.

GEOLOGY

The geology of the Leishoushan Project area is represented by the Middle Member of the Lower Triassic Yelang Formation. The Middle Member is further subdivided into four beds, three of which are targeted for dimension stone production. The marble beds of economic interest, from the bottom to the top, comprise Grey Marble U-3, a thickly bedded very fine-grained marble, commercially named Athens Grey. This passes into Pink Marble U-2, a thickly-bedded, light pink marble, commercially named Carlo Rose, which is overlain by Beige Marble U-1, a thickly-bedded, pinkish beige limestone, commercially named Royal Beige. A minor fault occurring in the southeast of the mining area has been mapped. The marble is affected by shallow weathering karst features.

EXPLORATION

Exploration conducted by Gansu Geological Team in 2015 comprised 32 diamond drill holes totalling 2,742.89 m, a topographical and current test pits survey, geological and structural mapping, a hydrological study and sampling for physical and chemical testwork. Physical tests for bulk density, water absorption, compressive and flexural strength, abrasion resistance, glossiness, shore hardness, freeze thaw resistance, acid and alkali resistance, and soundness, were carried out. The results of the tests have generally met Chinese standard specifications for marble dimension stone, Chemical analysis and inspection of core and quarry faces and polished samples have indicated that no deleterious minerals are present. Samples of the marble also meet the national mandatory standard for radionuclides in building materials for Class A materials, which places no restrictions on its use. The block yield of 31.1% has been estimated based on the production records.

MINERAL RESOURCE ESTIMATION

The Resource classification is based on good confidence in the geological, quality, pattern and colour continuity, along with 150 x 120 m spaced drill hole density. Proximity to the drill holes, data quality, as well as joint pattern and spacing have been taken into account for the classification. SRK considers that the data are of sufficient quality, and the Resource estimate is considered by SRK to comply with Joint Ore Reserves Committee ("**JORC**") Code (2012) to allow classification of Indicated and Inferred Resources as in Table ES-1.

Table ES-1: Leishoushan Project Resource statement as at 30 April 2017

Resource Category	Beige Marble U-1	Pink Marble U-2	Grey Marble U-3	Total
	(Mm^3)	*(Mm^3)*	*(Mm^3)*	*(Mm^3)*
Indicated	7.59	11.18	15.52	34.29
Inferred	2.74	3.08	16.87	22.69
Total	10.33	14.26	32.39	56.98

MINING

The initial mining area comprises two areas, Phase 1 and Phase 2. The Phase 1 area covers the current test pits which will serve the production schedule until the Phase 2 area, located to the north of the Phase 1 area commences production in mid-2018. The Phase 2 area will reach the full target production volume of 60,000 m^3 by 2020. Based on the planned production rate, mine plan and defined Resources, the estimated life of mine ("**LoM**") is 40 years.

The marble Resources will be mined by isolating a large primary block from the main rock mass via benches and then dividing and reshaping it into a transportable size of 2 m - 3 m (length) x 3.2 m (width) x 5 m (height). The cutting, separating and reshaping processes employ different types of diamond wire saws. The marble blocks will be moved by forklifts and flatbed trucks to the Processing Plant or the customers.

SRK considers the mining method appropriate for the mine design and the planned production rate. The equipment types and amount selected for the mining processes, as well as the ancillary equipment, are considered to be suitable for the planned operation. The current level of geotechnical and hydrogeological studies is also considered appropriate.

ORE RESERVE ESTIMATION

Based on the mine planning and Modifying Factors described in the FS and reviewed by SRK, and the defined Indicated Resources, SRK has classified the final saleable or processable marble block product portion of the Indicated Resources within the proposed pit limit, as Probable Ore Reserves (Table ES-2).

Table ES-2: Leishoushan Project Ore Reserve statement as at 30 April 2017

Reserve Category	Beige Marble U-1	Pink Marble U-2	Grey Marble U-3	Total
	(Mm^3)	*(Mm^3)*	*(Mm^3)*	*(Mm^3)*
Probable	0.75	0.97	0.52	2.23

Note:

There is a block yield of 31.1%, and 10% production loss (from block handling and transportation), i.e. 31.1% × (1−10%) = 28.0%.

Based on the data collected when the test blocks were removed from the test pits, the proportion of marble Resources that can be mined out as quarry block specified (i.e. block yield) is estimated at 31.1%. A further 10% loss, including 5% block handling loss and 5% loss in transporting process has been assumed by Suzhou Sinoma, which has been adopted by SRK.

PROCESSING

The Processing Plant is located in Yabei Industrial Park, which lies approximately 26 km southwest of the Leishoushan Project by road. Development of the Phase 1 of the Processing Plant was completed in January 2016. Commissioning of the Processing Plant occurred in April 2017. The Processing Plant has two product lines – polished slab and shaped stone, and auxiliary facilities, including office building, transformer substation and sewage processing system with an annual capacity of 600,000 m^2. Test blocks of Royal Beige and Carlo Rose extracted from the test pits were processed and successfully evaluated by potential customers, with positive feedback received.

The polished slabs are available in five standard dimensions and the shaped products are handled through a specialised production line, including a digitally controlled cutting machine, standard and wire saws, lathes and water cutter. A large range of shaped products includes furniture items, street feature items, balustrades, etc.

Water and power utilities are connected to the local supply network and are sufficient for current use and planned increase in production.

PRODUCTION SCHEDULE

According to the FS, the annual mining volume will reach 60,000 m^3 of marble blocks by 2020 and 70% of this amount will be processed into marble slabs and shaped stones at the Processing Plant. The Processing Plant will reach an annual processing output of 1,428,000 m^2 by 2020, when the Phase 2 begin commissioning in the second quarter of 2019. Additional workshops, waste water processing facilities, storeroom, office building, research centre, product exhibition hall and an allocation for itemised new equipment are included in the plan.

Each year, 36,000 m^3 of blocks will be processed into polished slabs at an annual processing output of 1,368,000 m^2, with a slab yield of 38 m^2/m^3. This means that every cubic metre of marble block can produce 38 m^2 of polished slabs. A total volume of 6,000 m^3 of blocks will be processed into shaped stone products – an annual processing output of 60,000 m^2 – with a yield of 10 m^2/m^3. This means that every cubic metre of block can produce 10 m^2 of shaped stone products.

Table ES-3 summarises the mining schedule and product production target to 2020 when maximum annual processing output is planned to be achieved.

Table ES-3: Mine block volume and product production schedule

Product	2017	2018	2019	2020
Mined blocks (m^3)	11,500	20,000	42,000	60,000
Direct sales blocks (m^3)	4,500	6,000	12,600	18,000
Polished slabs (m^2)	228,000	456,000	957,600	1,368,000
Shaped stones (m^2)	10,000	20,000	42,000	60,000

CAPITAL AND OPERATING COSTS

The total capital cost for developing the Shiqian Project with an annual mining volume of 60,000 m^3 and processing output of 1,428,000 m^2 is RMB233.7 million. Most of the costs will be spent on development of the Processing Plant and the purchase and installation of the processing equipment. As at the end of April 2017, a total of RMB80.6 million has already been incurred, and a further RMB153.1 million will be spent from 1 May 2017 to 31 December 2019. The forecast capital costs include an approximately 8% contingency.

The unit cash operating costs for block, slab and shaped stone are estimated at RMB1,052/m^3, RMB161/m^2 and RMB777/m^2 respectively when the Project reaches the full annual mining volume of 60,000 m^3 and annual processing output of 1,428,000 m^2 by 2020.

MARKETING

Marble dimension stone is mainly used in the decorative materials industry, from large public buildings to residential and commercial buildings, landscaping and infrastructure. The Leishoushan Project will produce three branch colours of marble, initially with trade names Royal Beige, Carlo Rose and Athens Grey. Products from the Leishoushan Project and Processing Plant will include:

- marble blocks with only minor trimming, sold direct from the Leishoushan Project to third party processing plants including those nearby and in the major stone processing hubs near major cities and ports;
- polished or honed (matte finish) slabs and blocks produced in the Shiqian Investment Processing Plant; these products may undergo further processing before being installed;
- polished or honed tiles and blocks of various thicknesses; and
- shaped marble products such as furniture and artworks.

Polished marble is mainly, but not exclusively, used for interior applications. Honed (matte) finishes are often used for exterior applications. Many techniques are used to create other surface textures on finished marble products.

While the growth of the Chinese domestic marble industry was extremely high in the period from 2011 to 2015, the rate of economic growth and particularly the growth rate of the construction sector in China has decreased since then. However, SRK considers that Shiqian Investment's assumption of moderate market growth in China in the next 4-5 years is reasonable.

Dimension stone prices are usually negotiated by private contracts and are influenced by several variables, including production cost, colour, pattern, texture, general appearance, block size, polishability, standard test results and the size of the order. The choice of a marble is subjective and is also likely to change with time, current architectural fashions and availability of particular products.

SRK considers that the prices proposed for Carlo Rose and Royal Beige marble products from the Leishoushan Project are reasonable compared to advertised prices and those reported by the Company and independent sources. The Athens Grey marble has not been tested by the market and is only supported by a market research study, hence there is a risk that its estimated price may not be achieved when Athens Grey begins to be produced in 2021.

ENVIRONMENT, PERMITS AND SOCIAL IMPACTS

Table ES-4 summarises the status of the key operational licences and permits for the Shiqian Project.

Table ES-4: Key licences and permits

Project	Business licence	Mining licence	Safety production permit	Real estate ownership certificate	Water use permit	Site discharge permit
Leishoushan Project	Y	Y	Y	Y	Y	Y
Processing Plant		N/A	Y	Y	N/A	Y

Notes:

Y denotes that licence/permit has been granted.

N/A denotes that licence/permit is not applicable.

An approval of forest use for the Leishoushan Project was issued by Guizhou Province Forest Bureau on 25 May 2016, which was supplemented by an approval granted on 8 March 2017. SRK has sighted an FS report for forest use of the Leishoushan Project. SRK sighted a fine imposed by Shiqian County Forest Bureau on 14 October 2013 for the use of forest land to conduct its mining activities before obtaining consent from the relevant PRC forestry authority. For further details, please refer to the section headed "Business — Legal proceedings and compliance" in this prospectus. SRK sighted a water use permit for the Leishoushan Project which was issued by Shiqian County Water Bureau on 29 February 2016. The term of validity of this water use permit is five years. The Company reported to SRK that the water for the Leishoushan Project and Processing Plant is sourced from the village reservoir and local tap water pipeline networks respectively.

Table ES-5 summarises the status of the environmental assessments and approvals for the Shiqian Project.

Table ES-5: Environmental assessments and approvals

Project	Environmental Impact Assessment (EIA) Report	EIA approval	Water and soil conservation plan (WSCP)	WSCP approval	Environmental final checking and acceptance approval[1]
Leishoushan Project	Y	Y	Y	Y	Y
Processing Plant	Y	Y	Y	Y	Y

Notes:

Y denotes that licence/permit has been granted and has been sighted by SRK.

1 Formal environmental approval to commence operation.

SRK notes that the sighted EIA report and approval for the Leishoushan Project and Processing Plant have been compiled in accordance with relevant Chinese laws and regulations. SRK has reviewed the provided EIA reports and approvals and has conducted an environmental site visit to Shiqian County against recognised international industry environmental management standards, guidelines and practices.

SRK has reviewed the safety assessment reports, Safety Management System and Safety Operation Procedure as provided by the Company and is of the opinion that the documents cover items that are generally in line with recognised Chinese industry practices and Chinese safety regulations. Operational occupational health and safety ("**OHS**") management systems/procedures for the Shiqian Project have generally been developed. A consent letter, which was issued by Shiqian County Safety Production Supervision Bureau on 13 January 2017, states that there was no recorded safety accident.

Significant inherent environmental and social risks for the Shiqian Project include the following:

- water management (i.e. stormwater/surface water drainage, including any mine dewatering);
- waste rock management; and
- social aspects (e.g. resettlements).

These inherent environmental risks are categorised as medium/low risks (i.e. requiring risk management measures).

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DISCLAIMER

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Hong Kong) Limited ("**SRK**") by Shiqian Panxing Investment Co., Ltd.* ("**Shiqian Investment**"). The opinions in this Report are provided in response to a specific request from Shiqian Investment to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

LIST OF TERMS AND ABBREVIATIONS

Abbreviation	Meaning
abrasion	erosion of rock material by friction of solid particles moved by gravity, water, ice, or wind;
aquifer	an underground bed or layer of permeable rock, sediment, or soil that yields water;
ASL	elevation above sea level;
Athens Grey, Carlo Rose and Royal Beige	trade names of marble produced from the Leishoushan Project;
breccia	clastic rock made up of angular fragments of such size that an appreciable percentage of rock volume consists of particles of granule size or larger;
bulk density	property of mineral components which is defined by the weight of an object or material divided by its volume, including the volume of its pore spaces;
calcite	calcium carbonate minerals;

Abbreviation	Meaning
clay	an extremely fine-grained natural earthy material composed primarily of hydrous aluminium silicates. It may be a mixture of clay minerals and small amounts of non-clay materials or it may be predominantly one clay mineral;
colluvium	weathered rock debris that has moved down a hillslope either by creep or by surface wash;
compressive strength	the maximum load, or compressive stress, that can be applied to a material, such as a rock, under given conditions, before failure occurs;
deformation	a general term for the process of folding, faulting, shearing, compression, or extension of the rocks as a result of various Earth forces;
dolomite	A sedimentary carbonate rock and a mineral, both composed of calcium magnesium carbonate $CaMg\ (CO_3)_2$ found in crystals, commercially referred to as marble;
drill core	a solid, cylindrical sample of rock produced by an annular drill bit, generally rotatively driven but sometimes cut by percussive methods;
Environmental Impact Assessment ("**EIA**")	an comprehensive analysis of the environmental consequences of the mine plan;
exploration	activity to prove the location, volume and quality of a deposit;
fault	a fracture or fracture zone in rock along which geological movement has occurred;
flexural strength	a mechanical parameter for brittle material, defined as a material's ability to resist deformation under load. It is measured by applying a load to a specimen that is supported near ends;
fold	a bend or flexure in a rock unit or series of rock units that has been caused by crustal movements;
FS	feasibility study;

Abbreviation	Meaning
Gansu Geological Team	the Chinese Building Materials Centre Geological Exploration Team in Gansu Province*, a Class A Chinese dimension stone exploration team in China, which conducted detailed exploration work of the Leishoushan Project since 2015;
GIS	geographic information system;
gloss	surface shininess or lustre;
Gs	gloss unit;
hauling	the drawing or conveying of the product of the mine from the working places to the bottom of the hoisting shaft, or slope;
Indicated Mineral Resource	part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit;
Inferred Mineral Resource	part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes;
I_{Ra}	internal exposure index;
issuer	Flying Mining Limited , (翔輝礦業有限公司) formerly known as Panxing China and Flying Global Co., Ltd, a company incorporated in the Cayman Islands on 30 March 2016 as an exempted company with limited liability;
$I\gamma$	external exposure index;
joint	a fracture in rock which has no displacement;

Abbreviation	Meaning
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia ("**JORC**"), December 2012;
k	thousand;
karst	a type of topography that is formed on limestone, gypsum, and other rocks by dissolution, and that is characterised by sinkholes, caves, and underground drainage;
kg	kilograms;
km	kilometres;
km^2	square kilometres;
kV	kilovolts;
kVA	kilovolt-amperes;
kW	kilowatts;
kWh	kilowatt hours;
limestone	rocks of sedimentary origin that are primarily composed of calcium carbonate without or with limited magnesium;
log	the record of, or the process of recording, events or the type and characteristics of the rock penetrated in drilling a borehole, as evidenced by the cuttings, core recovered, or information obtained from electric, sonic, or radioactivity devices;
LoM	Life of Mine;
m	metre;
M	million;
m^3	cubic metres;

Abbreviation	Meaning
m^2	square metres;
magmatic	pertaining to, or derived from magma;
marble	rock geologically defined as metamorphosed limestone or dolomite that is thoroughly recrystallised and much or all of the sedimentary and biologic textures are obliterated. Commercially, in the stone industry, and as used in this prospectus, marble also includes limestone and dolomite that is polishable. Many decorative marbles are of this class;
marble slabs	marble stones of certain specifications, which are processed from cutting, burnishing and polishing the marble blocks;
marmorisation	recrystallisation of limestone due to heat and/or pressure;
Measured Mineral Resource	part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit;
Mineral Resource	concentration or occurrence of material of intrinsic economic interest upon or inside the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge;
mm	millimetres;
Modifying Factors	considerations of mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and government factors;
MPa	mega Pascal;
Mt	million tonnes;
Mtpa	million tonnes per annum;

Abbreviation	Meaning
open-pit mining	mining of a deposit from a pit open to surface and usually carried out by stripping of overburden materials;
Ore Reserve	the economically mineable part of a Measured and/or Indicated Mineral Resource;
pa	per annum;
Probable Ore Reserve	economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve;
Proved Ore Reserve	economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors;
RMB	Renminbi, Chinese currency;
rock quality designation ("**RQD**")	rough measure of the degree of jointing or fracture in a rock mass, measured as a percentage of the drill core in lengths of 10 cm or more;
sedimentary rock	a rock formed from the accumulation and consolidation of sediment, usually in layered deposits and which may consist of rock fragments of various sizes, remains or products of animals or plants, products of chemical action or of evaporation, or mixtures of these;
Shiqian Investment	Shiqian Panxing Investment Co., Ltd*;
sinkhole	a depression in the land surface that results from the collapse or slow settlement of underground voids produced by solution weathering. The rock being dissolved is normally limestone but can also be salt, gypsum or dolostone;
SRK	SRK Consulting (Hong Kong) Limited;
stratigraphy	the study of sedimentary rock units, including their geographic extent, age, classification, characteristics and formation;

Abbreviation	Meaning
strike	direction of line formed by intersection of a rock surface with a horizontal plane. Strike is always perpendicular to direction of dip;
strip ratio	the ratio of the volume of overburden required to be stripped to marble removed;
Suzhou Sinoma	Suzhou Sinoma Design and Research Institute of Non-metallic Minerals Industry Co., Ltd.* (蘇州中材非金屬礦工業設計研究院有限公司), a state-owned design institute with a Class A engineering licence for dimension stone issued by the National Development and Reform Commission of China;
syncline	a trough-shaped fold with youngest strata in the centre;
t	tonne;
texture	the visible characteristics of a rock which include its grain size, grain orientation, rounding, angularity or presence of vesicles;
Tianchen	Guizhou Tianchen Dikuang Technology Consulting Company*, an exploration company who conducted geological prospecting work of the Project in 2012;
tpa	tonnes per annum;
Triassic	relating to or denoting the earliest period of the Mesozoic era, between the Permian and Jurassic periods. The Triassic lasted from about 252 to 201 million years ago;
vein	sheet-like body of minerals formed by fracture filling or replacement of lost rock;
waste	the part of an ore deposit that is too low in grade to be of economic value at the time of mining, but which may be stored separately for possible treatment later; and
weathering	response of materials once in equilibrium within earth's crust to new conditions at or near contact with water, air, or living matter;

1 INTRODUCTION AND SCOPE OF THIS REPORT

SRK Consulting (Hong Kong) Limited ("**SRK**") has been commissioned by Flying Mining Limited, which is the holding company of Shiqian Panxing Investment Co., Ltd.* ("**Shiqian Investment**" or the "**Company**") to prepare an Independent Technical Report ("**ITR**" or "**Report**") on its project (the "**Shiqian Project**"), located in Shiqian County, Tongren, Guizhou Province, People's Republic of China (PRC). The Shiqian Project comprises two major facilities, the Leishoushan Project, covered by a mining licence (the "**Leishoushan Project**") and the slab and shaped stone Processing Plant (the "**Processing Plant**"). The ITR is for inclusion in a prospectus for a proposed listing on the Main Board of The Stock Exchange of Hong Kong Limited ("**HKEx**" or "**Stock Exchange**"). The scope of work for the ITR includes review and reporting on the following technical aspects:

- geology and Mineral Resources;
- mining and Ore Reserves;
- processing;
- capital and operating costs;
- environment, permits and social impacts;
- marble quality and marketing; and
- risk assessment.

1.1 Reporting standard

The Chapter 18 of the Rules Governing the Listing of Securities on the HKEx (the "**HKEx Listing Rules**") requires an ITR be prepared in accordance with one of three international reporting standards. For this Report, SRK has adopted the Australasian Joint Ore Reserve Committee ("**JORC**") Code 2012 as the reporting standard for Exploration Results, Mineral Resources and Ore Reserves.

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 projection of all the coordinates presented in this Report is China XIAN 80 36N zone.

The effective date of this Report is 30 April 2017. There has been no material change of the estimation of Mineral Resources and Ore Reserves of the Leishoushan Project since the effective date of this Report's publication.

1.2 Work programme

The work programme of this commission included:

- review of the supplied information;
- site visit by SRK Consultants and Associates in September, October and December 2015, April 2016 and February and July 2017;
- Mineral Resource and Ore Reserve estimation; and
- preparation of this ITR.

1.3 Project team

SRK has utilised a multi-disciplinary team comprising Consultants and Associates from various offices to complete this ITR. In particular, Helen Ray is nominated as the Competent Person, responsible for estimation and reporting of the Mineral Resources and Ore Reserves for the Leishoushan Project (Table 1-1).

Table 1-1: SRK team members and responsibility

Consultant/ Associate	Role	Office	Date of site visit
(Gavin) Heung Ngai Chan	Project Management; Geology and Resource Review; Project Economics Review	SRK Hong Kong	13 – 15 April 2016 3 – 4 July 2017
Jinhui Liu	Geology and Resource Review	SRK Hong Kong	14 – 19 September 13 – 15 October 07 – 08 December 17 – 19 December 2015 16 – 18 February 2017
Helen Ray	Competent Person on Mineral Resources and Ore Reserves; Marble Quality Review	Associate, Sydney	17 – 19 December 2015
Alison Cole	Geology and Resource Review; Mining and Ore Reserves Review; Marble Quality Review	Associate, Sydney	17 – 19 December 2015
Falong Hu	Mining and Ore Reserves Review	SRK China	13 – 15 April 2016
Langliang Niu	Processing Review	SRK China	13 – 15 April 2016
Nan Xue	Environment, Permit and Social Review	SRK China	13 – 15 April 2016
Peter Fairfield	Peer Review – Mining and Ore Reserve	SRK Australasia	No visit

Consultant/ Associate	Role	Office	Date of site visit
Bert De Waele	Peer Review – Geology and Resources	SRK Australasia	No visit
Ben Wither	Peer Review – Environment, Permit and Social	SRK Australasia	No visit
Anthony Stepcich	Peer Review – Overall Report	SRK Australasia	No visit

1.4 Corporate capability

SRK is an independent, international group providing specialised consultancy services. Among SRK's clients are many of the world's mining companies, exploration companies, financial institutions, Engineering, Procurement and Construction Management ("**EPCM**") and construction firms, and government bodies.

Formed in Johannesburg in 1974, the SRK Group now employs some 1,400 staff internationally in over 40 permanent offices in 20 countries on six continents. A broad range of internationally recognised associate consultants complements the core staff.

The SRK Group's independence is ensured by the fact that it is strictly a consultancy organisation, with ownership by staff. SRK does not hold equity in any projects or companies. This permits SRK's consultants to provide clients with conflict-free and objective support on crucial issues.

SRK has prepared numerous ITRs for submission to the Stock Exchange. Selected examples are shown in Table 1-2.

Table 1-2: Selected examples of Independent Technical Reports prepared by SRK

Company	Year	Project Nature
Yanzhou Coal Limited	2000	Sale of Jining III Coal Project to the listed operating company
Aluminium Corporation of China ("**Chalco**")	2001	Listing on the HKEx and New York Stock Exchange
Zijin Mining Group	2004	Listing on the HKEx
Lingbao Gold Group Company Limited	2005	Listing on the HKEx
China Coal Energy Company Limited	2006	Listing on the HKEx
Sino Gold Mining Limited	2007	Dual listing on the HKEx and ASX
Xinjiang Xinxin Mining Industry Co. Ltd.	2007	Listing on the HKEx
Kiu Hung International Holding Limited	2008	Acquisition of a shareholding in mining projects in Inner Mongolia, China

Company	Year	Project Nature
Hao Tian Resources Group	2009	Very substantial acquisition of two coal projects in Inner Mongolia, China
Green Global Resources Holdings Ltd	2009	Acquisition of a shareholding in an iron project in Mongolia
North Mining Shares Company Limited	2009	Acquisition of a molybdenum mining project in Shaanxi, China
New Times Energy Corporation Ltd	2010	Acquisition of a shareholding in gold projects in Hebei, China
United Company RUSAL Limited	2010	Listing on the HKEx
Citic Dameng Holdings Limited	2011	Listing on the HKEx
China Hanking Holdings Limited	2011	Listing on the HKEx
China Nonferrous Metals Company Limited	2012	Listing on the HKEx
Minmetals Resources Limited	2012	Acquisition of Anvil Mining Limited
Jinchuan Group International Resources	2013	Very substantial acquisition of the mineral assets of Metrorex Ltd in the Democratic Republic of Congo and the Republic of Zambia
Wise Goal Enterprises Limited	2013	Very substantial acquisition of a glauberite project in Guangxi, China
Hengshi Mining Investments Limited	2013	Listing on the HKEx
Future Bright Mining Holdings Limited	2015	Listing on the HKEx
Feishang Non-metal Materials Technology Limited	2015	Listing on the HKEx
Agritrade Resources Limited	2015	Acquisition of a coking coal project in Kalimantan
China Unienergy Group Limited	2016	Listing on the HKEx
China Mining Resources Group Limited	2016	Acquisition of the Tongguan Gold Project

1.5 Project team expertise

Helen Ray, Associate (Industrial Minerals), BSc, MAppSc, MAIG. Helen has a postgraduate qualification in the weathering of dimension sandstone in heritage buildings. She has skills and experience in a wide range of industrial, construction materials and, in particular, dimension stone. She has been providing specialist advice on dimension stone to government departments, architects and other organisations over more than thirty years. Helen has previously conducted assessments of sandstone, granite and marble resources in Australia, China and Vietnam and prepared public assessment reports in accordance with the principles of the JORC Code.

(Gavin) Heung Ngai Chan, General Manager (Hong Kong) and Principal Consultant (Geology), PhD, MAusIMM. Gavin has over 11 years of academic and commercial experience in geosciences, and has worked on numerous deposit styles including dimension stones, ophiolitic chromite, gold, sediment-hosted Cu-Co, iron ore, uranium, molybdenum, phosphate, and manganese. Gavin has previously worked in Niger, Sierra Leone, Tibet, Cyprus, Syria, New Zealand and Australia. His expertise lies in geological mapping, geological modelling, resource estimation, geological due diligence, valuation, fatal flaw and project analysis.

Jinhui Liu, Senior Consultant (Geology), PhD, MAusIMM. Jinhui has over 11 years' experience in geological modelling and resource estimation and is experienced in the review of geology and resource projects and implementation of Quality Assurance and Quality Control (QA/QC) in regard to exploration programmes. He has completed many due diligence projects in various countries.

Nan Xue, Senior Consultant (Environmental), MSc, MAusIMM. Nan holds a Master's degree in environmental science from Nankai University in Tianjin. He has four years' experience in environmental impact assessment, environmental planning and environmental management. He has been involved in a number of large EIA projects and pollution source surveys for SINOPEC, as well as the environmental planning project funded by UNDP. He has particular expertise in construction project engineering analysis, pollution source calculations and impact predictions. In recent years after he joined SRK, Nan Xue has been involved in a number of due diligence projects.

Falong Hu, Senior Consultant (Mining), BEng, MAusIMM. Falong has a Bachelor's degree in Mining Engineering from Central South University. Before joining SRK he worked as an on-site and head office mining engineer at Sino Gold Mining Limited (which later merged with Eldorado Gold Corp.) and Silvercorp Metals Inc. He is familiar with underground mine production systems and has been involved in mine design, scheduling, and development; underground mining production; longhole blasting; rock mechanics; ventilation; back-fill; and cost accounting. He is also proficient in digital modelling using Gemcom Surpac.

Lanliang Niu, Principal Consultant (Processing), BEng, MAusIMM, MCAMRA. Lanliang has 25 years' experience in processing, hydrometallurgical testing and studies, mine technical support, and production management, and he is competent in both theoretical study and actual production. He has specific expertise in the processing of precious metals, nonferrous metals, ferrous metals, and some non-metal, as well as processing test design, data processing, and plant design and operation. He is actively acquainted with the new development and applications of processing technologies, facilities, and reagents. He has received two national awards for his achievements in this area. Since joining SRK, Lanliang has been responsible for ore processing/metallurgical and economic analysis of scopes of work and involved in more than 70 independent technical review projects.

Alison Cole, Associate (Industrial Minerals), BSc, MSc, MAIG. Alison has worked in a range of industrial minerals including heavy mineral sands in Australia, New Zealand and Vietnam, construction aggregates and dimension stone in Australia. She selected two granites in NSW and oversaw their development as dimension stone resources.

2 INDEPENDENT TECHNICAL CONSULTANT'S STATEMENT

2.1 Mineral Resources and Ore Reserves

The information in this Report that relates to Mineral Resources and Ore Reserves is based on work done by Helen Ray, Alison Cole, (Gavin) Heung Ngai Chan, Jinhui Liu, and Falong Hu. Statements relating to Resources and Reserves have been compiled under the supervision of Helen Ray, a Member of the Australian Institute of Geoscientists ("**AIG**"). She is an associate of SRK Consulting (Hong Kong) Limited and is employed by Geos Mining, an independent Sydney-based consultancy. Helen Ray takes overall responsibility for the Mineral Resource and Ore Reserve Estimates.

Helen Ray has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the The JORC Code, (2012). Helen Ray consents to the inclusion in this Report of the matters based on her information in the form and context in which it appears.

2.1.1 Stock Exchange's requirements

Helen Ray meets the requirements of Competent Person, as set out in Chapter 18 of the HKEx Listing Rules. Ms. Ray:

- is a member in good standing of the AIG;
- has more than five years' experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which the issuer and its subsidiaries are undertaking;
- is independent of the issuer, its directors, senior management and advisors, applying all of the tests in Rule 18.21 and meet all the requirements in Rule 18.22 of the HKEx Listing Rules;
- does not have any economic or beneficial interest (present or contingent) in any of the reported asset;
- has not received a fee dependent on the findings outlined in the ITR;
- is not an officer, employee of proposed officer of the issuer or any group, holding or associated company of the issuer; and
- assumes overall responsibility for the ITR.

2.2 Statement of SRK's independence

Neither SRK nor any of the project team members of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with Shiqian Investment in regard to the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SRK's fee for completing this Report is based on a fixed price contract. The payment of that professional fee is not contingent upon the outcome of this ITR.

2.3 Warranties

Shiqian Investment has represented in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

2.4 Indemnities

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

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

2.5 Consents

SRK consents to this Report being included, in full, in the prospectus of Flying Mining Limited, the parent company of Shiqian Investment, in the form and context in which the technical assessment is provided. SRK also consents to any part of this Report being cited in the prospectus of Flying Mining Limited. This Report should not be used for any other purpose.

2.6 Limitations

SRK, after due enquiry and subject to the limitations of this Report hereunder, confirms the following:

- The input, handling, computation, and output of the geological data and Resource and Reserve information has been conducted professionally and accurately and to the high standards commonly expected within the Geoscience profession.

- In conducting this assessment, SRK has assessed and addressed all activities and technical matters which might reasonably be considered to be relevant and material to such an assessment conducted to internationally accepted standards. Based on observations, interviews with appropriate staff and a review of available documentation, SRK is, after reasonable enquiry, satisfied that there are no outstanding relevant material issues other than those indicated in this Report. However, it is impossible to dismiss absolutely the possibility that parts of the site or adjacent properties may give rise to additional issues.

- The conclusions presented in this Report are professional opinions based solely on SRK's interpretations of the documentation received, interviews and conversations with personnel knowledgeable about the site, and other available information, as referenced in this Report. These conclusions are intended exclusively for the purposes stated herein.

For these reasons, prospective readers should make their own assumptions and their own assessments of the subject matter of this Report.

Opinions presented in this Report apply to the site's conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions cannot necessarily apply to conditions and features that may arise after the effective date of this Report, about which SRK has had no prior knowledge, nor had the opportunity to evaluate.

3 PROJECT DESCRIPTION

3.1 Introduction

Dimension stone is natural stone that is extracted in blocks and cut and processed to specific sizes and shapes for use in the building, construction and monumental industries. Many types of rock (stone) may be used for dimension stone, but they are usually grouped by the industry into granite, marble, sandstone, limestone, slate and basalt. In the industry, the term marble can include marble, limestone and serpentinite.

Dimension stone projects are developed in a different way to many other commodities. The whole rock itself is carefully cut to defined shape or form rather than a material being metallurgically recovered from crushed ore.

A primary feature of a suitable dimension stone deposit is its uniformity of colour, pattern, texture, jointing, mechanical properties and accessibility. The quarrying method must be suited to the rock type and provide large, regular-shaped blocks suitable for the processing and finishing factories. Marble dimension stone is usually extracted by circular or diamond wire saw as rectangular quarry blocks with dimensions up to 3 × 1.5 × 1.5 m, for example.

The dimension stone final product, typically large slabs, tiles and other architectural decorative forms, may be polished to a high gloss (the most popular finish) or treated to give other surface textures. The product is initially assessed primarily on its subjective aesthetic appeal which is influenced by current trends in architectural styles. Other factors that affect the viability of the project are the physical, chemical and mechanical characteristics of the stone and distance to market. Lower value products require a nearby market and high value products may be shipped worldwide.

Evaluation of a dimension stone deposit requires a series of steps that reflect its unique character and includes a requirement for an extensive knowledge of the market for that particular rock type. The main steps in the process that are typically taken in the industry in the evaluation of a dimension stone deposit are:

- mapping to enable detailed understanding of the geology at a scale that allows for identification and mapping of any aesthetic and physical factor that will affect stone quality and block size (e.g. colour variation, joints, lithology variation, rock strength variation);

- drilling to obtain diamond core to allow for sampling for polishing tests and geotechnical testing; the results of the mapping and drilling programme are used to calculate resources;

- developing a mine plan that allows for whole rock extraction as transportable blocks of a consistent size suitable for transport and processing; ideally, the working faces should be designed to be parallel or at right angles to joints, where possible, to achieve sufficiently large block sizes and minimise waste; and

- conducting a trial mining phase to produce a range of samples of finished products to test in the market and facilitate estimation of potential market size and product pricing.

Dimension stone quarrying is a unique process designed to extract the maximum volume of good quality material and maintain its integrity throughout extraction, transport to the processing factory and onward.

3.2 Location

Shiqian Investment is currently developing the Shiqian Project located in Shiqian County, Tongren of Guizhou Province, comprising the Leishoushan Project and the Processing Plant. The Leishoushan Project is located in Pingdichang Township and the Processing Plant is located at Yabei Industrial Park, which lies approximately 26 km southwest of the Leishoushan Project by road (Figure 3-1).

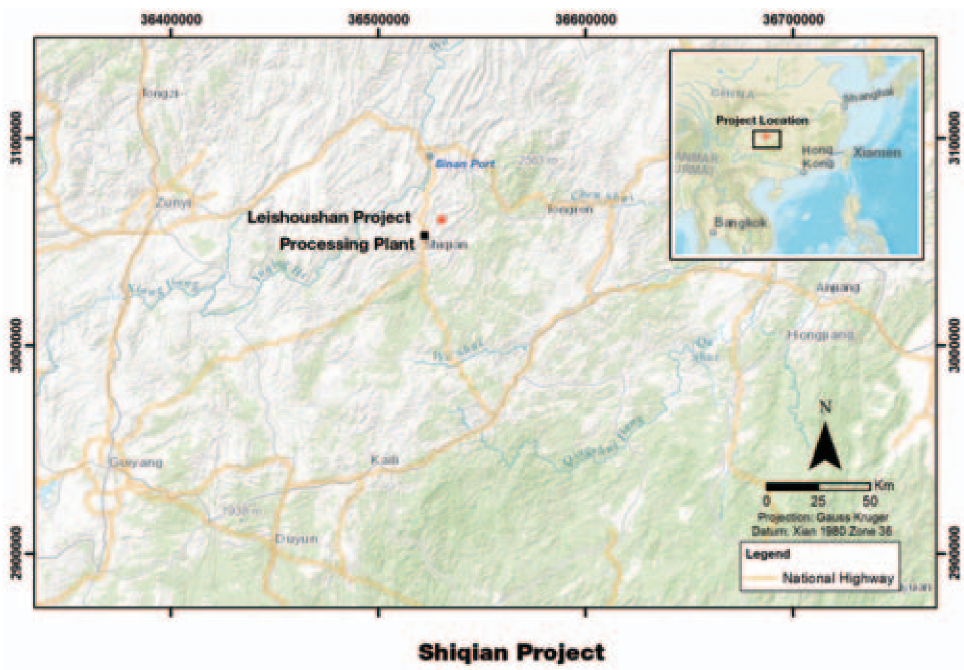

Figure 3-1: Location of the Shiqian Project

3.3 Mining licence

The mining licence was issued to Shiqian Investment on 13 July 2015 (Table 3-1 and Table 3-2), replacing an earlier mining licence issued on 15 October 2012 with the same details, with the exception of the coordinates of the mining licence. The projection of the licence coordinates was converted from Beijing 1954 to Xi'an 1980.

Table 3-1: Mining licence details

Mining licence no:	C5222002015077130138974
Owner of mining licence:	Shiqian Panxing Investment Co., Ltd.*
Address:	Pingdichang Township, Shiqian County
Name of mine:	Leishoushan Marble Mine of Pingdichang Township, Shiqian County, Guizhou Province
Type of mineral:	Marble
Mining method:	Open pit
Approved production volume:	60,000 m^3 per year
Area of mine:	1.0781 km^2
Mining depth:	810 m to 980 m ASL
Period of validity:	15 June 2015* to 15 October 2022
Issuing authority:	Tongren City State Land Resources Bureau

Note:

* This mining licence was issued to replace its predecessor issued by the same authority on 15 October 2012.

Table 3-2: Coordinates of mining licence

Vertex	Easting	Northing
1	36530141	3059772
2	36531101	3060582
3	36530601	3061312
4	36529671	3060482
Elevation Limit	From 980 m to 810 m ASL	

3.4 Development status

In February 2012, geological prospecting of the Leishoushan area was undertaken by Guizhou Tianchen Dikuang Technology Consulting Company ("**Tianchen**"), commissioned by Shiqian County State Land Resources Bureau.

In September 2012, Shiqian Investment successfully won the bid for the mining licence covering the Leishoushan area, through a listing-for-sale process.

In the period from March 2014 to June 2015, a limited mine construction was carried out and volume of approximately 1,530 m^3 of marble blocks was removed from three test pits at levels between 859 m and 889 m ASL. The test blocks comprised beige and pink marbles, which were marketed as Royal Beige and Carlo Rose respectively. Some development at the Leishoushan Project, including construction of the connecting roads, and other supporting facilities, was undertaken. The test pits area was connected to electricity and water.

Mined blocks were sent to the Processing Plant whose Phase 1 development was completed in January 2016. The blocks were processed as slabs, small blocks or shaped stones. The test slabs and shaped stones have mainly been evaluated by local potential customers and used for decorative, paving and streetscape work.

In November 2015, Shiqian Investment commissioned the Chinese Building Materials Centre Geological Exploration Team in Gansu Province ("**Gansu Geological Team**"), a Class A Chinese dimension stone exploration team, to conduct a detailed exploration campaign of the mining licence area.

In early 2016, on the basis of the positive feedback on the product sample evaluations and market study, Shiqian Investment commissioned Suzhou Sinoma to undertake a FS on the Project, which targets an annual mining volume of 60,000 m^3 and processing output of 1,428,000 m^2 by 2020.

The Leishoushan Project has a target annual production volume of 11,500 m^3 in 2017, and will gradually ramp-up the production volume from 20,000 m^3 in 2018, to 42,000 m^3 in 2019 and 60,000 m^3 in 2020.

The development of the Phase 1 of the Processing Plant was completed in January 2016. Commissioning of the Processing Plant occurred in April 2017, in which time Shiqian Investment commenced limited commercial production. The Plant is fitted with a marble slab production line and a shaped stone production line, with an aggregate current processing capacity of 600,000 m^2. The Phase 2 Processing Plant is expected to begin commissioning in the second quarter of 2019 with a target annual processing output of 1,428,000 m^2 by 2020.

3.5 Accessibility, local resources and infrastructure

The Leishoushan Project is located approximately 32 km to the northeast of Shiqian, or approximately 238 km to the northeast of Guiyang, capital of Guizhou Province. Access to the Leishoushan Project from Shiqian is by a series of paved provincial roads through Pingdichang Township. From Shiqian, Guiyang is connected via Guiweng National Highway, and then Anjiang National Highway for approximately 200 km. The Processing Plant, situated beside Yanrong Highway is approximately 26 km away from the Leishoushan Project. These two major facilities are connected by paved provincial roads.

There are three commercial airports in the area – Tongren, Zunyi and Guiyang – the largest of which is the Guiyang airport which has daily flights to other major cities in China and Hong Kong. The closest major regional centre is Shiqian, which has a population of about 450,000. Shiqian is used as the main source of supplies for the Shiqian Project. The closest river port is located approximately 60 km to the north of Shiqian in Sinan, where freight can be transported by barges along Wujiang River, a tributary of the Yangtze River, providing a potential alternative means for transporting marble products to customers (Figure 3-2).

3.6 Climate and physiography

The climate of the Leishoushan Project area is monsoon subtropical, with maximum and minimum temperatures of 41.1°C and -6.9°C, and average annual temperature of 16.8°C. The average annual rainfall is 1,121 mm, mainly between May to August, accounting for about 70% of the annual rainfall.

The elevations of the Leishoushan Project area vary between 1,007 m above sea level (ASL) and 760 m ASL. The topography is characterised by a gentle slope, dipping southeast.

4 GEOLOGY

4.1 Regional geology

The Leishoushan Project area forms part of the vast Yangtze Platform of south China, spanning the late Proterozoic through Middle Triassic, a period of over 300 million years. The Platform is dominated by shallow-water carbonate rocks (limestone, dolomite and marble). The originally flat lying area has been deformed by regional deformation events and formed a series of fold and thrust belts that strike mainly towards north-northeast. No magmatic rock is exposed in the mining licence area (Gansu Geological Team, 2016) (Figure 4-1).

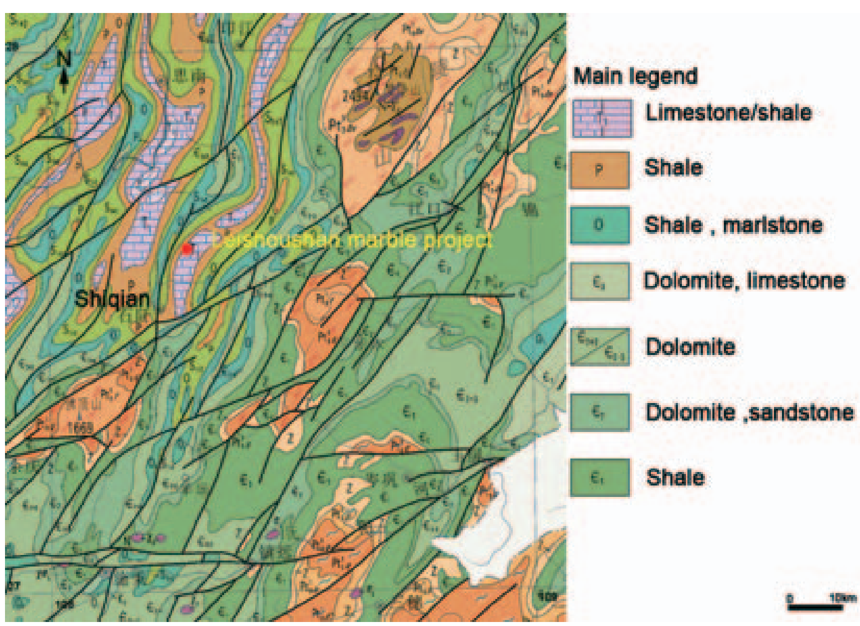

Figure 4-1: Regional geological setting of the Leishoushan Project

4.2 Local geology

4.2.1 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. In the dimension stone industry, the term "limestone" can imply a lower quality material that is more porous and usually does not take a good polish. The material that is to be extracted from the Leishoushan Project mine 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 Leishoushan "marble" 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.

4.2.2 Stratigraphy

The stratigraphy of the Leishoushan Project area is represented by the Middle Member of the Lower Triassic Yelang Formation (Figure 4-3). The Middle Member of the Yelang Formation is further divided into four beds (Figure 4-2), and the boundaries between these beds are gradational. From the bottom to the top, the beds are:

- Lower Bed (T_1y^{2-1}) comprises thickly bedded, very fine-grained marmorised crystalline limestone. The thickness of this unit ranges from 31 m to 61 m. This marble type is grey in colour and has a very fine grain size, uniform texture, with interspersed red iron oxide and white calcite lines. This target marble unit is known as **Grey Marble U-3**. Marble produced from this unit is commercially named as Athens Grey.

- Middle Bed (T_1y^{2-2}) comprises thickly bedded, very fine-grained marmorised crystalline limestone. The thickness of this unit ranges from 16 m to 33 m. This marble has a light pink background with pale and dark pink markings with a uniform texture and commonly has red iron oxide lines, presenting as coating on the grain boundaries and along the fine grained veinlets. This target marble unit is known as **Pink Marble U-2**. Marble produced from this unit is commercially named as Carlo Rose.

- Upper Bed (T_1y^{2-3}) consists of very fine-grained, marmorised crystalline limestone. The thickness of this unit ranges from 18 m to 30 m. This marble generally appears beige with a very pale pink tinge, with a uniform texture and commonly with interspersing red iron oxide lines. This target marble unit is known as **Beige Marble U-1**. Marble produced from this unit is commercially named as Royal Beige.

- Uppermost Bed (T_1y^{2-4}) consists of light grey, fine-grained, marmorised crystalline limestone. This unit is considered not suitable for dimension stone use, due to the relatively coarse grain size and poor physical properties.

The whole succession is further capped by Quaternary materials, comprising colluvium and alluvial sediments and is scattered mainly in the northern parts of the Leishoushan Project area with a thickness of 0.2 m – 5.5 m.

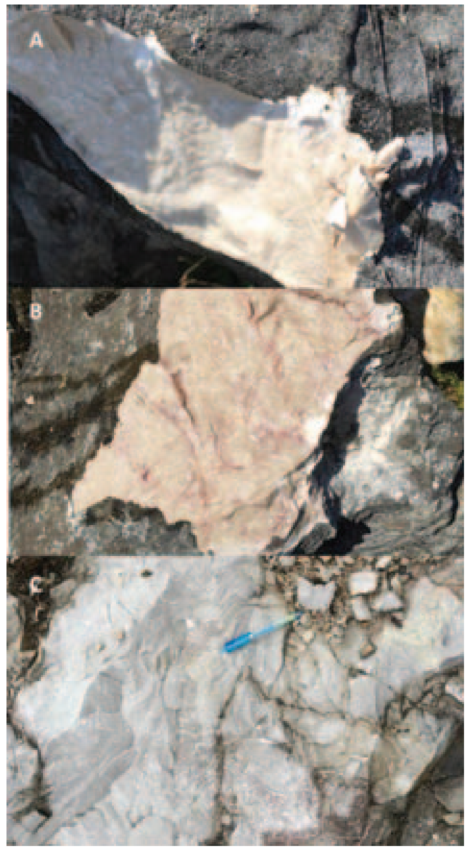

Figure 4-2: Target marble units – (A) Beige Marble U-1; (B) Pink Marble U-2; (C) Grey Marble U-3

Table 4-1 shows a typical drill hole log, intersecting the three marble units. Figure 4-3 shows the simplified geological map of the mining area. Figure 4-4 and Figure 4-5 show cross sections along exploration lines 2 and 5 respectively.

Table 4-1: Typical geological log summary

Hole ID	From	To	Core recovery	Lithology	Weathering
	(m)	*(m)*	%		
ZK003	0.00	3.00	83.33	Soil	
ZK003	3.00	5.00	88.00	Beige	Moderately weathered
ZK003	5.00	34.60	91.60	Beige	Fresh
ZK003	34.60	53.40	94.23	Pink	Fresh
ZK003	53.40	115.82	91.04	Grey	Fresh

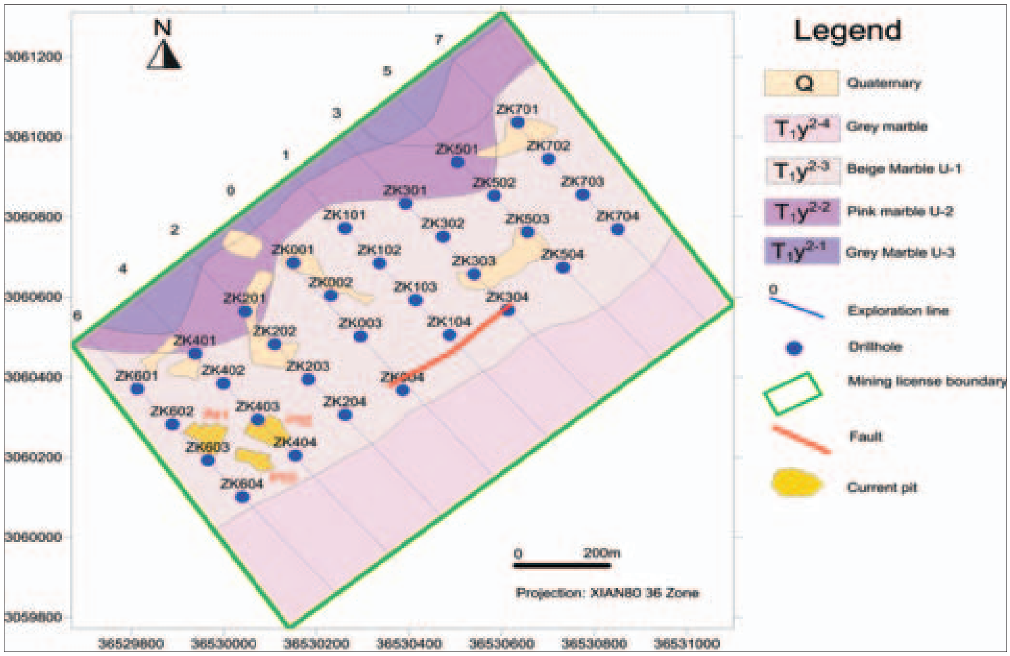

Figure 4-3: Simplified geological map of the mining licence area

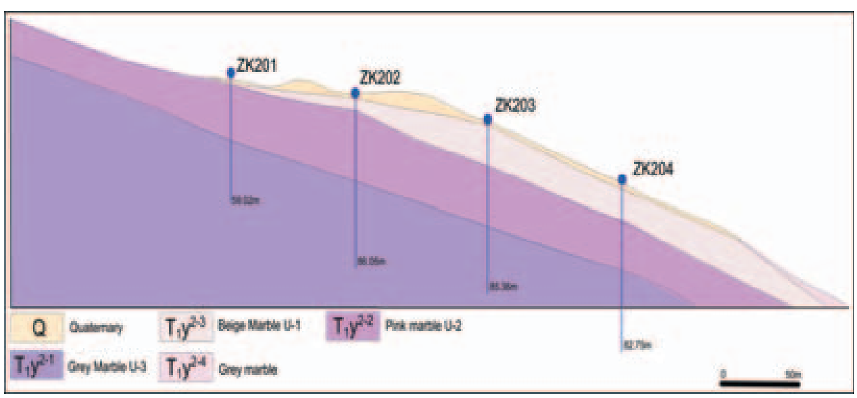

Figure 4-4: Cross section of Exploration Line 2

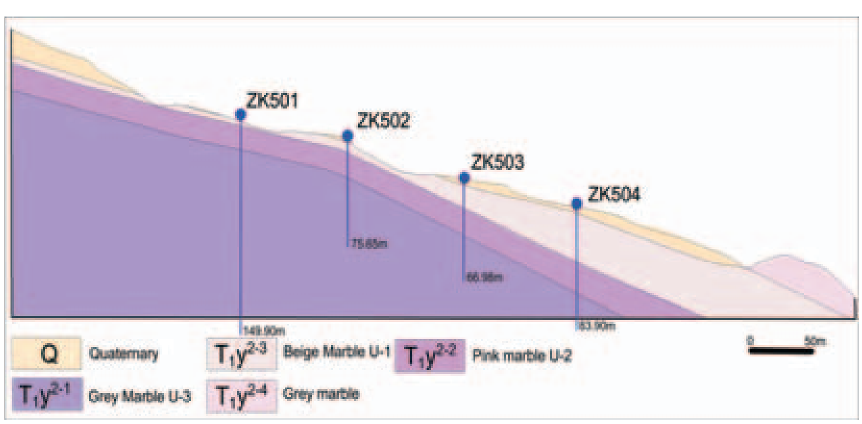

Figure 4-5: Cross section of Exploration Line 5

4.2.3 Structure

The Leishoushan Project area is dominated by a monoclinic structure, dipping to the southeast at an angle of around 11°. A normal fault (F1) was discovered during the geological mapping in the south part of mining area. The fault dips at an angle of around 70° towards 350° (Figure 4-3). Its extent can be traced for approximately 360 m and its width varies between 0.3 and 3 m. Drill hole ZK304 intersected the fault at 4.00 m to 4.30 m from the surface, with a core recovery of 93.3%.

Structure and joint mapping at a scale of 1:500 was undertaken at the three test pits using the exposed fresh faces. Two sets of joints have been identified.

- The principal joint set has orientations of 54° – 75°→ 105° – 125° and its spacing ranges from 2 m to 5 m, averaging 2.5 m. The length of the joints extends from 5 m to 30 m.

- The second joint set has orientations of 62° – 75° → 354° – 040° and its spacing ranges from 5 m to 20 m. The length of the joints extends from 5 m to 30 m.

4.3 Karst and weathering

Karst is a type of landscape that is formed on limestone, gypsum and other rocks by dissolution. It is characterised by a variety of large and small scale features such as sinkholes, caves, underground drainage, flutes, runnels and enlarged joints.

No large sinkholes or karst caves were found in the mining area. Geological mapping at the test pits and drilling revealed that the surface weathering thickness ranges from 1.9 m to 7.9 m. This is consistent with SRK's observations during the site visit where the weathering zone exposed at one of the test pits extends approximately 3 m to 6 m below the surface (Figure 4-6). Some small-to medium-scale karstic dissolution features, such as widened joints and small voids, penetrate below the weathering zone and have been taken into account during resource estimation.

Figure 4-6: Karst and weathering zone occurring in the current open pit

5 EXPLORATION

5.1 Introduction

The first exploration over the Shiqian Project area was conducted by Tianchen in 2012. Prospecting work included geological mapping at a scale of 1:5,000 and some surface sampling.

In November 2015, Shiqian Investment commissioned Gansu Geological Team to conduct the systematic exploration programme over the Leishoushan Project area. The work programme included topographical survey and geological mapping at a scale of 1:2,000, structural mapping at the test pits at a scale of 1:500, diamond core drilling, geotechnical and hydrological studies. Surface and drill core samples were taken for physical and chemical analyses. SRK visited the site while the drilling and sampling were underway in December 2015.

5.2 Survey

A topographic survey was conducted by real time kinematic ("**RTK**") GPS method at a scale of 1:2,000. The drill hole collars were surveyed by the same method. The map projection was the XIAN 1980 projection system and the National Elevation Datum-1985 system.

5.3 Geological and structural mapping

Geological mapping was conducted at a 1:2,000 scale and structural mapping at a scale of 1:500 was conducted at the three test pits. The latter focused on the identification of the joint patterns and estimation of block yield.

5.4 Drilling

A total of 32 diamond drill holes were drilled, totalling 2,742.89 m. The drill spacing was 200 m by 150 m. All drill holes were initially drilled in HQ size (108 mm) and reduced to NQ size (91 mm) after passing through the weathered zone. All holes were vertical, and a downhole survey was taken at every 50 m. There is generally little deviation in azimuth and dip for all the holes. The core recovery ranges from 80.4% to 93.8%, with an average of 88.0%, which is considered acceptable by SRK (Table 5-1).

All the drill cores were logged for lithology, colour and structural features. Figure 5-1 shows a typical drill core tray photo, showing core break mark-up, drill depth, selected sample interval, hole number and drill depths.

Table 5-1: Drill hole details

Hole ID	East	North	Elevation	Total depth	Exploration line	Core recovery
					(m)	*(%)*
ZK001	36530149.91	3060685.58	923.84	115.50	0	90.66
ZK002	36530230.62	3060603.48	910.70	75.65	0	93.81
ZK003	36530295.27	3060502.12	896.02	115.82	0	91.70
ZK004	36530386.00	3060367.00	857.33	81.00	0	90.10
ZK101	36530261.25	3060772.32	933.65	60.10	1	89.72
ZK102	36530335.62	3060684.49	924.53	62.26	1	89.26
ZK103	36530413.76	3060592.53	894.86	61.30	1	85.56
ZK104	36530487.34	3060505.48	874.75	80.15	1	85.78
ZK201	36530045.83	3060564.11	921.49	59.92	2	90.94
ZK202	36530109.50	3060482.02	915.15	86.05	2	85.76
ZK203	36530182.02	3060394.33	902.16	85.36	2	89.37
ZK204	36530261.49	3060305.79	871.30	82.75	2	85.21
ZK301	36530392.22	3060833.56	942.05	139.60	3	92.75
ZK302	36530473.00	3060750.99	916.17	70.20	3	85.68
ZK303	36530540.36	3060657.25	889.73	105.30	3	88.36
ZK304	36530613.28	3060567.24	873.69	64.80	3	88.67
ZK401	36529938.00	3060458.61	916.54	110.25	4	82.93
ZK402	36529998.52	3060384.30	912.27	50.45	4	86.58
ZK403	36530072.97	3060293.99	880.15	101.40	4	91.54
ZK404	36530153.95	3060204.39	864.26	63.10	4	85.75
ZK501	36530504.56	3060936.67	949.32	149.90	5	85.84
ZK502	36530583.74	3060853.18	934.91	75.65	5	80.40
ZK503	36530655.53	3060762.52	903.16	66.98	5	89.40
ZK504	36530732.01	3060674.01	886.47	83.90	5	88.10
ZK601	36529812.55	3060370.56	900.32	51.66	6	89.02
ZK602	36529888.55	3060282.11	885.04	68.80	6	88.88
ZK603	36529965.09	3060192.36	865.82	79.18	6	89.22
ZK604	36530039.78	3060100.41	845.57	61.90	6	89.92
ZK701	36530634.26	3061036.46	949.44	102.49	7	84.20
ZK702	36530700.99	3060945.03	937.53	85.85	7	84.94
ZK703	36530774.99	3060855.98	913.07	140.22	7	92.56
ZK704	36530850.59	3060769.54	889.36	105.40	7	84.68

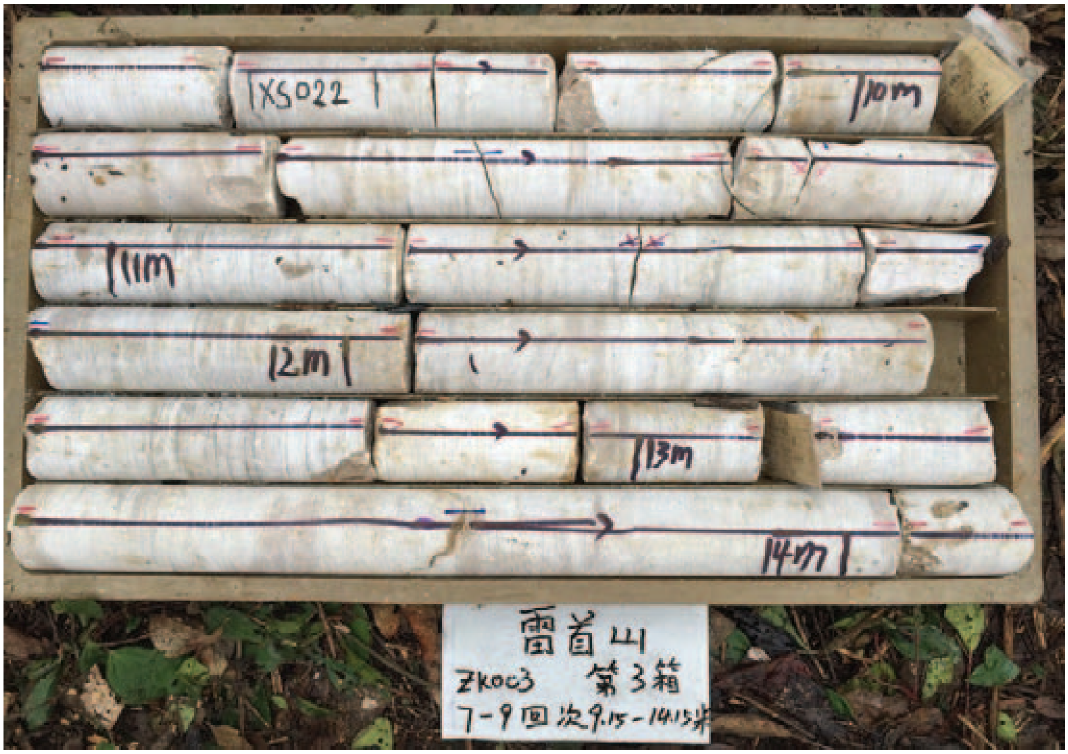

Figure 5-1: Drill core of the Leishoushan Project

5.5 Laboratory tests

Laboratory tests have been carried out to determine the physical and chemical characteristics of the marble at the Leishoushan Project area. The results of these tests provide information on the quality of the stone and its suitability for various applications. The test results are assessed in accordance with standard specifications such as those set out in the Chinese National Dimension Stone Exploration Standard (DZ/T 0291-2015). Some of the test results are also used as geotechnical data for mine design. The price of dimension stone is affected by a combination of both technical quality considerations and appearance.

Unlike traditional metal exploration projects, where drill cores are usually halved for whole rock assay, the dimension stone marble drill cores are subject to a number of physical and chemical tests on the whole core sample. The physical and chemical tests of the Leishoushan Project were undertaken at the laboratory of Gansu Geological Team that is located in Tianshui City (天水市), Gansu Province. The radioactivity analysis was undertaken by an independent research institute, located in Shaanxi Province. SRK visited the laboratory of Gansu Geological Team and was satisfied with the sampling procedures and test quality.

5.5.1 Chemical assay

Three samples were taken from each marble target (Beige Marble U-1, Pink Marble U-2 and Grey Marble U-3) in four drill holes, totalling 12 samples. These samples were crushed, sampled and assayed by X-ray fluorescence ("**XRF**") for major elements (SiO_2, CaO, MgO, Fe_2O_3, Al_2O_3, K_2O, Na_2O, Cr_2O_3, FeO, TiO_2 and MnO). SRK 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 Resource estimation or assessment of the quality of the stone, standards and blanks are not considered necessary.

Table 5-2 shows the average chemical composition of the target marble units. The content of CaO ranges from 48.67% to 53.58% and increases with depth. The content of MgO reaches 3% and 7% in the Pink Marble U-2 and Beige Marble U-1 unit respectively, indicating their dolomitic nature whereas the MgO content of Grey Marble U-3 is approximately 1%. Other elements are approximately or less than 1%.

Table 5-2: Chemical compositions of the target marble units (%)

Unit	SiO_2	CaO	MgO	Fe_2O_3	Al_2O_3	K_2O	Na_2O	Cr_2O_3	FeO	TiO_2	MnO
Beige Marble U-1	0.37	48.67	6.60	0.14	0.11	0.03	0.02	0.00	0.02	0.01	0.00
Pink Marble U-2	0.34	52.61	3.12	0.10	0.17	0.05	0.02	0.00	0.02	0.01	0.00
Grey Marble U-3	1.12	53.58	1.35	0.18	0.31	0.11	0.02	0.00	0.02	0.02	0.01

5.5.2 Physical tests and results

The physical tests on the marbles taken from the Leishoushan Project were performed according to the Chinese national standards (Table 5-3). The drill cores were sampled at a frequency of either one every 10 m or one every unit per hole and were cut to the prescribed sample size. The results of physical testing are summarised in Table 5-4.

Table 5-3: Physical tests standards, sample size and sampling frequency

Tests Item	Standard	Sample size	Sampling frequency
Bulk density	GB/T 9966.3-2001	Φ65 mm × 65 mm	1 every 10 m
Water absorption	GB/T 9966.3-2001	Φ65 mm × 65 mm	1 every 10 m
Dry compressive strength	GB/T 9966.1-2001	50 mm × 50 mm × 50 mm	1 every 10 m
Dry flexural strength	GB/T 9966.2-2011	160 mm × 40 mm × 20 mm	1 every 10 m
Abrasion resistance	GB/T 19766-2005	Φ25 mm× 60 mm	1 every unit per hole
Glossiness	DZ/T 0276.7-2015	160 mm × 40 mm × 20 mm	1 every unit per hole
Shore hardness	GB/T 9966.5-2001	160 mm × 40 mm × 20 mm	1 every unit per hole
Acid resistance	DZ/T 0276.12-2015	Φ65 mm × 65 mm	1 every unit per hole
Alkali resistance	DZ/T 0276.12-2015	Φ65 mm × 65 mm	1 every unit per hole
Freeze-thaw resistance	GB/T 9966.1-2001	Φ65 mm × 65 mm	1 every unit per hole
Soundness	No Chinese standard	Φ65 mm × 65 mm	1 every unit per hole

Note: Φ represents sample core diameter. "GB/T" represents recommended national standard and "DZ/T" represents recommended geological standard.

SRK considers that these tests are the most appropriate tests for assessing marble dimension stone, covering the features that most potential buyers would consider in assessing the quality of the stone. If the stone is to be used for exterior applications, particularly for extreme climates, further tests, such as freeze-thaw and salt crystallisation tests should be considered.

Bulk density and water absorption

Bulk density measures the unit weight of the stone and is required by architects and engineers for the design of the structure and fixtures for supporting the stone. The water absorption test is a measure of the porosity of stone and can reflect its general durability and resistance to staining and salt attack.

A total of 299 samples were tested for bulk density and water absorption, of which 68, 86 and 145 samples were taken from the Beige Marble U-1, Pink Marble U-2 and Grey Marble U-3 units respectively. The majority of the samples have met the Chinese standards, with a few (~1%) of the selected samples not meeting the minimum values. These samples were found to mainly occur either close to surface or in the proximity of fracture zones and hence can be identified during the mining processes.

Compressive and flexural strength

Strength tests measure the ability of stone to carry loads in buildings and other applications. The compressive strength is the maximum compressive load that a stone can resist without crushing or deforming. The flexural strength is a measure of the bending strength of the stone. It is measured by applying a load to a specimen that is supported near ends.

A total of 299 samples were cut to specified sizes and subjected to dry compressive and flexural strength tests, 68 from U-1, 86 from U-2 and 145 from U-3. The majority of the samples have met the Chinese standards, with less than 1% of the selected samples not meeting the minimum specified values. The number of failed samples is considered negligible.

Glossiness

The glossiness test is a measure of the level of polish that can be achieved when the stone is processed. A total of 32 samples were tested for gloss, 16 from U-1, 11 from U-2 and 5 from U-3. All samples met the Chinese standard.

Shore hardness

A total of 32 samples were tested for shore hardness, a rebound test designed to measure of the elastic properties of the stone – 16 were from U-1, 11 from U-2 and 5 from U-3. All samples met the Chinese standard.

Freeze-thaw test

The freeze-thaw test is used to assess the resistance of stone to cracking from the freezing of absorbed water in cold climates. A total of 32 samples of marble were subjected to 25 cycles of soaking, freezing, thawing and drying followed by measurement of their compressive strength. The samples of marble tested showed a significant reduction in strength compared to the average dry compressive strength for each of the marble units. These results indicate that the marble at the Leishoushan Project, like most other marbles, is not suitable for exterior applications in very cold climates.

Acid and alkali resistance

A total of 32 samples were tested for resistance to acid and alkali solutions – 16 were from U-1, 11 from U-2 and 5 from U-3. The test materials are immersed in acid and alkali solutions respectively. The alkali resistance is, as expected, very high, being 99.9% or higher in all cases. As would be expected for marble, the acid resistance is lower. Marbles, being composed of calcium carbonate, are sensitive to acid attack and should not be exposed to acidic environments or acidic cleaning solutions.

Soundness

A total of 32 samples were tested for soundness. The purpose of the test is to estimate durability, and, also resistance to freezing, of stone by soaking samples in a sodium sulphate solution for 48 hours and drying the samples over several cycles. The samples from this Project were soaked and dried for five cycles under the appropriate Chinese standard. The results of the test are expressed as the percentage of weight lost after five cycles. While there is no relevant specification, and the number of cycles used in the test is lower than that used in overseas specifications, the samples have low levels of loss (<0.4%), indicating that the stone is likely to be durable.

Abrasion resistance

The abrasion resistance test measures the resistance of stone to scratching, abrasion and loss of polish. A total of 32 samples were tested for abrasion resistance – 16 from U-1, 11 from U-2 and 5 from U-3. All samples tested met the Chinese National Dimension Stone standard.

Table 5-4: Physical characteristics of units and standard requirements

Unit	Statistics	Bulk density	Dry compressive strength	Dry flexural strength	Water absorption	Glossiness	Abrasion resistance	Shore hardness	Freeze thaw test	Acid resistance	Alkali resistance	Soundness
		(g/cm^3)	*(MPa)*	*(MPa)*	*(%)*	*(%)*	*(g/cm^3)*		*(MPa)*	*(%)*	*(%)*	*(%)*
Beige Marble U-1	Number of samples	68	68	68	68	16	16	16	16	16	16	16
	Minimum	2.56	48.50	2.26	0.01	75.59	11.57	51.52	45.02	99.24	99.92	0.01
	Maximum	2.74	141.56	15.34	0.47	88.71	15.26	63.12	91.82	99.66	99.99	0.14
	Mean	2.67	81.32	10.53	0.12	80.06	13.11	57.76	60.77	99.54	99.97	0.08
	Standard deviation *(Note)*	0.04	23.51	2.02	0.11	3.72	0.98	3.21	13.09	0.12	0.02	0.04
Pink Marble U-2	Number of Samples	86	86	86	86	11	11	11	11	11	11	11
	Minimum	2.56	49.28	8.03	0.01	72.49	12.34	52.12	41.28	98.93	99.87	0.01
	Maximum	2.73	125.63	13.95	0.35	84.57	17.34	61.12	87.39	99.68	99.99	0.33
	Mean	2.67	75.98	10.21	0.06	78.89	14.25	57.79	58.88	99.49	99.95	0.10
	Standard deviation *(Note)*	0.03	16.44	1.21	0.05	4.35	1.34	2.71	14.48	0.20	0.03	0.09
Grey Marble U-3	Number of samples	145	145	145	145	5	5	5	5	5	5	5
	Minimum	2.54	30.30	3.54	0.01	76.84	12.35	49.94	40.87	99.55	99.86	0.04
	Maximum	2.74	147.53	15.98	0.39	80.61	15.23	59.52	61.18	99.71	99.97	0.10
	Mean	2.66	77.12	10.30	0.06	79.12	13.67	55.37	51.09	99.61	99.93	0.07
	Standard deviation *(Note)*	0.03	19.93	1.66	0.05	1.36	1.13	4.11	7.69	0.10	0.04	0.02
Chinese National Dimension Stone standard for slabs		≥2.6	≥50.0	≥7.0	≤0.50	≥70.0	≥10			No specific requirement		
Chinese National Dimension Stone standard for blocks		2.56	≥50.0	≥7.0	≤0.50	≥70.0	≥10			No specific requirement		

Note: Standard deviation is a measure that is used to quantify the amount of variation or dispersion of a set of data values. A low standard deviation indicates that the data points tend to be close to the mean of the set, while a high standard deviation indicates that the data points are spread out over a wider range of values.

5.5.3 Radioactivity

Two samples from each marble unit, totalling six samples were taken and delivered by Gansu Geological Team to an independent research institute for radioactivity testing.

The national mandatory standard (GB6566-2001) of "*Limit of Radionuclide in Building Materials*" has been effective since 1 July 2002. It divides dimension stones into four classes according to their radioactivity:

- Class A ($I_{Ra} \leq 1.0$ and $I_\gamma \leq 1.3$) – no restrictions on use
- Class B ($I_{Ra} \leq 1.3$ and $I_\gamma \leq 1.9$) – cannot be used for houses, flats, hospitals, schools, and other commercial buildings
- Class C ($I_{Ra} \leq 2.8$) – can only be used on building exteriors
- Class D ($I_\gamma \geq 2.8$) – can only be used for seawalls and piers

where I_{Ra} is internal exposure index and I_γ is the external exposure index.

The analysis results in Table 5-5 for samples taken from the mining area indicate that their radioactivity is extremely low, and the samples belong to Class A (no restrictions on use).

Table 5-5: Radioactivity analysis results

Sample ID	^{226}Ra	^{232}Th	^{40}K	I_{Ra}	I_r
Fr-1	4.14	1.59	43.52	0.021	0.028
Fr-2	4.9	1.27	21.22	0.025	0.023
Fr-3	5.28	1.36	17.73	0.026	0.024
Fr-4	9.42	0.89	32.97	0.047	0.037
Fr-5	7.31	1.17	21.22	0.037	0.029
Fr-6	7.84	2.11	142.6	0.039	0.064
Average	6.48	1.4	46.54	0.033	0.034

5.6 Quality assurance/quality control

The quality assurance/quality control (QA/QC) protocols for the tested samples include laboratory duplicates and inter-laboratory checks. An approximate 11% of all the samples tested for bulk density, water absorption, compressive strength and flexural strength were selected for the laboratory duplicate test. Due to the original sampling of whole core, each "duplicate" sample was taken from immediately below the original sample. For other physical test items, four samples of each were selected for the laboratory duplicate test. Table 5-6 shows the statistics of the original and duplicate results, showing the duplicates had good reproducibility.

Table 5-6: Laboratory duplicate results

Test item	Original			Duplicate			Correlation coefficient	Number of samples
	Mean	Standard deviation	Median	Mean	Standard deviation	Median		
Bulk density	2.67	0.03	2.67	2.67	0.03	2.67	0.92	32
Water absorption	0.09	0.06	0.07	0.08	0.06	0.07	0.97	32
Compressive strength	75.51	18.34	74.16	75.50	18.26	74.54	1.00	32
Flexural strength	10.35	1.41	10.52	10.36	1.38	10.38	0.96	32
Acid resistance	99.04	0.13	99.05	99.39	0.08	99.39	0.94	4
Alkali resistance	99.98	0.01	99.98	99.93	0.09	99.97	0.98	4
Freeze – thaw test	10.37	16.24	66.52	65.70	16.27	66.33	1.00	4
Glossiness	55.51	3.75	56.76	55.55	3.62	56.45	0.99	4
Shore hardness	58.37	4.74	60.13	58.39	4.60	60.06	1.00	4
Abrasion resistance	0.99	0.18	1.035	0.99	0.19	1.03	0.97	4

An inter-laboratory check was also part of the standard quality control protocol, but only samples taken for the most widely used tests, bulk density, water absorption, compressive strength and flexural strength, were taken for inter-laboratory analysis. A total of 32 samples of each item were analysed at an independent laboratory located in Shaanxi Province. These samples were collected immediately below the original sample. Table 5-7 shows the inter-laboratory check statistics, indicating a high degree of correlation between the results of two laboratories. Given the natural variability of stone samples, the results are considered acceptable.

Table 5-7: Inter-laboratory results

Test item	Original			Check			Correlation coefficient	Number of samples
	Mean	Standard deviation	Median	Mean	Standard deviation	Median		
Bulk density	2.67	0.03	2.67	2.68	0.03	2.69	0.76	32
Water absorption	0.09	0.06	0.07	0.10	0.06	0.09	0.89	32
Compressive strength	75.78	18.11	74.16	68.29	15.36	66.22	0.93	32
Flexural strength	10.19	1.35	10.49	9.21	1.56	9.57	0.75	32

5.7 Conclusion

Natural stone is, by its nature, variable in its physical and chemical properties and the performance of individual pieces of stone cannot be guaranteed purely on the results of tests on a limited number of samples. However, test results give a strong indication of the quality of the stone and are widely used by purchasers and construction project specifiers.

Laboratory tests were carried out in accordance with Chinese standard specifications for major element analysis, radioactivity and a range of physical attributes. Quality control of the sampling and testing is considered to be in accordance with the relevant industry practice. The average test results for the most widely specified characteristics, bulk density, water absorption, strength, glossiness and abrasion resistance, fell well within the values required by the specifications for all three marble units.

Overall, the results of the tests indicate that the marble samples from the Leishoushan Project meet the appropriate Chinese standard specifications. The marble is considered to be suitable for its intended applications as blocks, slabs and other products under normal conditions.

5.8 Block yield

Gansu Geological Team estimated the theoretical block yield by structural mapping at three existing test pits. The mapped joints, bedding planes and fractures were used to estimate the amount of blocks with various dimensions (0.5 m – 4.0 m) that can be mined from the mapped pits. The theoretical block yield is estimated as 64.5%.

The actual block yield, spanning 2014 to June 2015, when the test blocks were removed from the test pits is presented in Table 5-8. The production block yield from the test pits range from 29.8% to 35.2%, with an average of 31.1%.

Table 5-8: Actual block yield

Test pits	Year	Extracted volume	Produced block	Block yield
		(m^3)	*(m^3)*	*(%)*
1	2014	2,850	930	29.8
	March – June 2015	610	100	
2	2014	540	190	35.2
3	2014	920	310	33.7
Total/Average		4,920	1,530	31.1

SRK believes, based on experience of similar marble extraction operations, that the theoretical block yield estimated by the Gansu Geological Team based on the joint mapping is highly optimistic. The production block yield which is estimated from the actual mining activities is preferred at this stage of assessment. The more conservative block yield of 31.1% is applied in the Resource and Reserve estimation and allows for variations in features such as joint frequency and karstic voids. SRK also notes that the production block yield is estimated from shallow surface mining, and actual block yield might increase with depth after mining through the weathered zone.

6 MINERAL RESOURCE ESTIMATION

6.1 Introduction

SRK is satisfied with the exploration work completed by Gansu Geological Team, including drilling, survey, geological and structural mapping, joints mapping, block yield analysis. The sampling and laboratory analytical procedures are considered appropriate and the implemented QA/QC protocol and the results are considered satisfactory. The quality of the obtained data is considered suitable to be used for marble estimation in accordance with the JORC Code (2012).

The JORC Code 2012 states that, "*A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction*." Mineral Resources are classified as Inferred, Indicated and Measured according to increasing degrees of geological confidence (Figure 6-1).

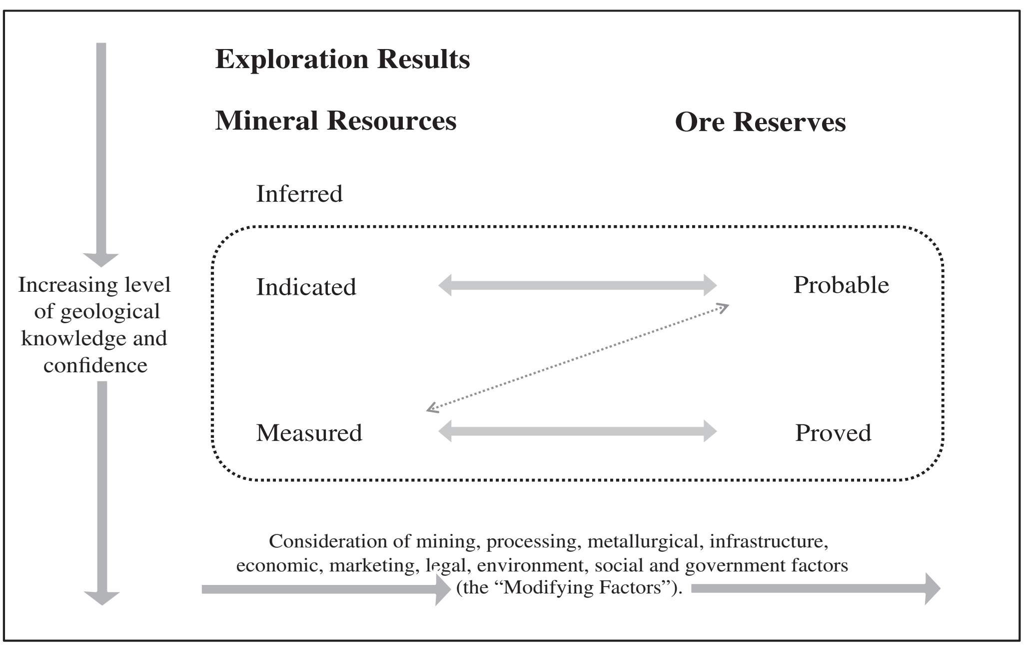

Figure 6-1: General relationship between Exploration Results, Mineral Resources and Ore Reserves (JORC 2012)

6.2 Database compilation and validation

Geological maps, cross sections, drill hole records (Table 5-1) including geological and geotechnical logging, laboratory test results and topographic map were provided in MapGIS, a Chinese GIS software package and Excel spreadsheet format. SRK digitised and compiled the provided data into a database that was further viewed and validated by Leapfrog, a 3D modelling software package.

6.3 Geological modelling

SRK constructed 3D wireframe models from topographic maps at 1:2,000 scale, drill hole records and the geological map at a scale of 1:2,000, using Leapfrog software. The modelling procedures included import of the compiled drill hole database together with the geological and topographic maps into Leapfrog. Wireframes were constructed from the drill hole and mapped stratigraphic contacts. A fault trace (F1) was digitised and later converted to solid wireframes. A surface corresponding to the weathered/fresh interface was also modelled from the drill hole logging records. The current test pits were modelled based on the latest survey. The geological model has captured the geology at a scale appropriate for the anticipated mining method and taken the geologically viable scales of mining selectivity into consideration.

The modelled units include (marble units are shown in bold):

- Topsoil (Quaternary sediment and soil);
- Weathering zone (weathered limestone);
- Fault (F1);
- **Beige Marble U-1;**
- **Pink Marble U-2;**
- **Grey Marble U-3;** and
- Limestone (grey marble (T_1y^{2-4}).

Figure 6-2 is a snapshot oblique view of the Leapfrog model. The 11° dip of the strata is exaggerated in cross section, and the position of the fault appears as a line.

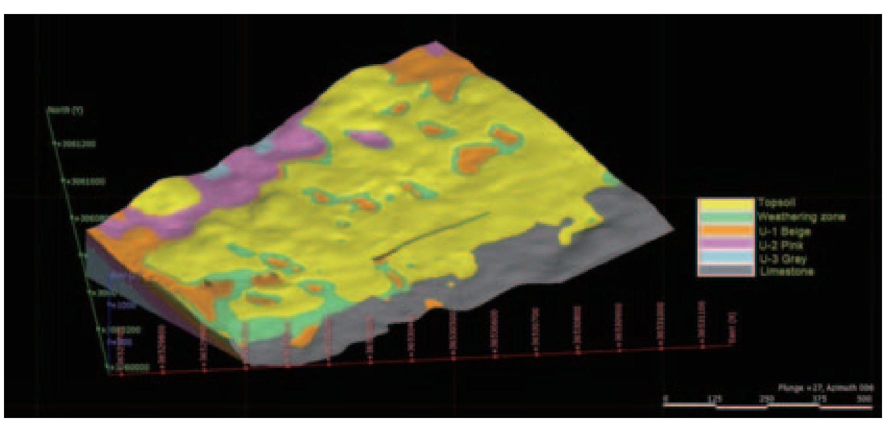

Figure 6-2: Oblique view of the geological model of the Leishoushan Project

6.4 Resource classification

Multiple factors were considered when determining appropriate levels of classification for the marble Resource estimate, including the items listed in Table 1 (Appendix A) of JORC Code (2012).

Resource classification reflects the degree of confidence in the Resource estimate. This was based primarily on data quality and drill spacing, as well as geological confidence. The joint pattern and density have also been taken into account. All materials adjacent to the F1 fault (5 m buffer distance) were removed from the Resource model. The weathered zone was also excluded from the Resources. SRK is of the opinion that there is sufficient confidence in the continuity of marble colour and quality to classify Indicated Resources at a drill spacing of 150 m (strike) × 120 m (down-dip), and Inferred Resources at a drill spacing 300 m (strike) × 240 m (down-dip). Figure 6-3 is a snapshot from the Leapfrog model showing the distribution of the Indicated and Inferred Resources for each of the three marble units.

Figure 6-3 is a snapshot from the Leapfrog model showing the distribution of the Indicated and Inferred Resources for each of the three marble units.

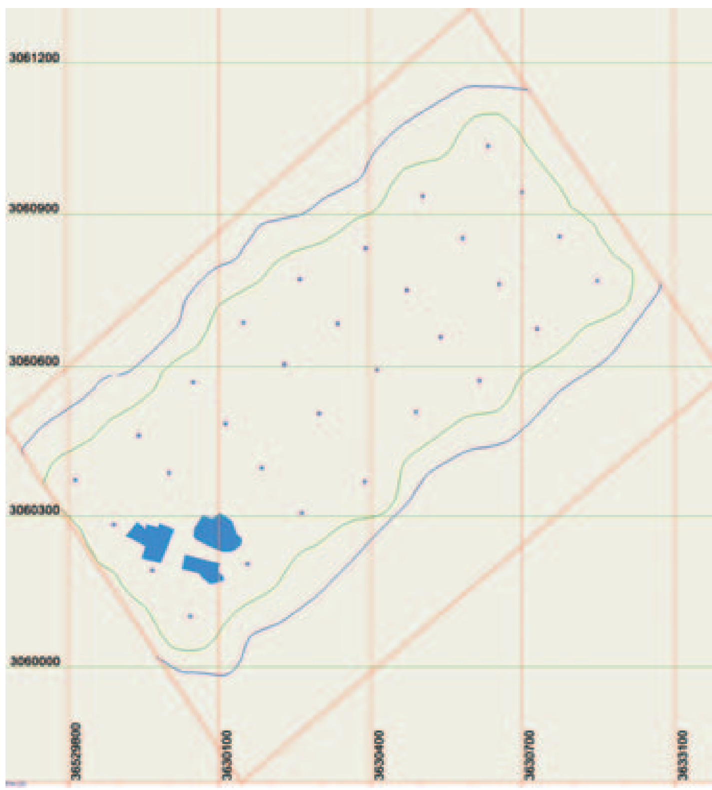

Figure 6-3: Resource classification boundaries

Notes:

Red: mining licence boundary

Blue: Inferred Resource boundary

Green: Indicated Resource boundary

Filled blue polygons: test pits

Purple dots: drill hole collars

6.5 SRK Resource statement

SRK considers that the Mineral Resource estimate for the Leishoushan Project was undertaken using 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 Resource has been limited to the area within the mining licence between the approved mining depth of 810 m – 980 m ASL. Marble resources produced from the test pits as of 30 April 2017 have been deducted from the estimated Resources. Table 6-1 presents the marble Resource estimated by SRK as at 30 April 2017.

Table 6-1: Leishoushan Project Resource statement as at 30 April 2017

Resource Category	Beige Marble U-1	Pink Marble U-2	Grey Marble U-3	Total
	(Mm^3)	*(Mm^3)*	*(Mm^3)*	*(Mm^3)*
Indicated	7.59	11.18	15.52	34.29
Inferred	2.74	3.08	16.87	22.69
Total	10.33	14.26	32.39	56.98

7 MINING

7.1 Introduction

In the period of March 2014 to June 2015, Shiqian Investment carried out limited mine construction at the Leishoushan Project site and a volume of approximately 1,530 m^3 of marble blocks were removed from the three test pits (Table 5-8). The test blocks comprised beige and pink marbles which were marketed as Royal Beige and Carlo Rose respectively. The Leishoushan Project area has been equipped with diamond disc saws; diamond wire saws, excavators, forklifts, and dump trucks. A number of supporting facilities have been constructed, including two head tanks, a water supply system, a marble quarry block stockpile area, and a waste dump. The area is also connected to the electricity grid. A haul road has been constructed from the temporary staging area at the southeast section of the Leishoushan Project site to the test pit areas.

In order to meet market demands, Shiqian Investment commissioned Suzhou Sinoma to undertake a FS on the Leishoushan Project, with a planned annual production volume of 60,000 m^3. The FS was based on the defined Mineral Resources (Section 6) and identified the existing facilities of the Leishoushan Project that require maintenance or improvement and the associated capital cost in order to meet the planned production output.

A review of the proposed mining conditions, a mine plan and an Ore Reserve estimate is presented in this chapter.

7.2 Geotechnics

The geology of the proposed pit and surrounding area is comprised of fine-grained to very fine-grained marmorised limestone. The limestone beds dip gently to moderately towards the southeast. The beds are further capped by Quaternary materials and weathered limestone layers. The Quaternary materials consisting of colluvial and alluvial sand and gravel are distributed mainly on the hillside in low-lying areas or valleys. The thickness of the Quaternary materials is 0.2 m – 5.5 m. Through physical and chemical weathering processes, dense joints and karst voids are developed in some areas within the limestone weathered layer. The thickness of the weathered limestone layer ranges from 1.9 m to 7.9 m.

The three target marble units (Beige Marble U-1, Pink Marble U-2 and Grey Marble U-3) have respective average compressive strengths of 81.32 MPa, 75.98 MPa and 77.12 MPa, and respective average flexural strengths of 10.53 MPa, 10.21 MPa and 10.30 MPa. The rock quality designation (RQD) of the drill cores range from 22.5% to 88.7%, with an average of 72.9%. The areas with low RQD values are either close to the surface or near fracture zones.

The maximum heights of the designed pit slopes range from 107 m to 165.3 m. The pit slope will be 70° within the marble units and 45° within the weathered marble unit and the Quaternary cover. The Quaternary cover and weathered limestone units are thin and have minimal influence on slope stability. The limestone units are regarded as competent with good stability. SRK considers that the proposed slope geometry is conservative and adequate for this operation.

7.3 Hydrogeology

The relative elevation difference within the mining licence is 247 m, with the highest elevation of 1,007 m ASL and the lowest of 760 m ASL. The lowest point of the mining licence area is above the local erosion level of 620 m ASL.

The average annual rainfall is 1,121 mm, mainly between May and August, accounting for 70% of the annual rainfall. There are no surface water bodies or springs in the mining licence area. The closest spring is located 3 km southeast of the mine site in Majiaping Village, where the domestic water and production water for the mine are both sourced. The source of groundwater in the mining licence area is atmospheric precipitation.

There are two aquifers in the area. The first is composed of mainly of Quaternary colluvium and fluvial materials, with a thickness of 0.2 m – 5.5 m and weathered limestone layer which is 1.9 m – 7.9 m thick. Temporary local aquifers may form after precipitation in this layer; but with limited thickness, they will have little influence on mining.

The second aquifer is a carbonate rock karst fissure aquifer. The current survey shows that karst and joint fissures are not well developed in this area. This aquifer has rock of weak water yield and thus has minimal effect on mining.

SRK considers that the hydrogeological conditions of the area will not have a significant impact on the overall design of pit slopes and the proposed future operations.

7.4 Mining methods

7.4.1 Dimension stone block mining

In the FS, the dimension stone block mining method adopted by the Company consists of diamond wire saw cutting, forklift loading and flatbed truck transport. The mining processes, which is detailed below, involves cutting, overturning, separation and reshaping, loading, and working surface cleaning (Figure 7-1). Three sizes of blocks are planned to produce: Large ≥ 280 × 80 × 160 cm, Medium ≥ 200 × 80 × 130 cm and Small ≥ 100 × 50 × 40 cm.

- Topsoil striping: Topsoil is stripped using wheel loaders. Marble blocks are exposed and ready for cutting.

- Cutting: Holes are drilled both vertically and horizontally for the diamond wire saw to pass through the rock. A large rectangular stone with dimensions of 10 × 3.2 × 5 m (length × width × height) is cut.

- Overturning: A cushion layer, made up of the crushed stone and soil, is formed by a front end loader on the working bench. The large rectangular stone block is toppled by an air-bag and air compressor.

- Separation: The large overturned stone is separated with a diamond wire saw into rough blocks of 2 m – 3 m in length. The rough blocks are further shaped and trimmed by a light diamond wire saw. During separation and shaping, care is taken to avoiding cracks being created and maximising block yield.

- Loading: The marble blocks are loaded by forklift onto flatbed trucks for delivering to the Processing Plant or directly to the customers. Some of the blocks are transported to the stockpile area located on the west edge of the Leishoushan Project site.

- Cleaning: The rock fragments on the working bench are loaded into dump trucks by wheel loader or excavator for transfer to the next working level if needed, or to the waste dump.

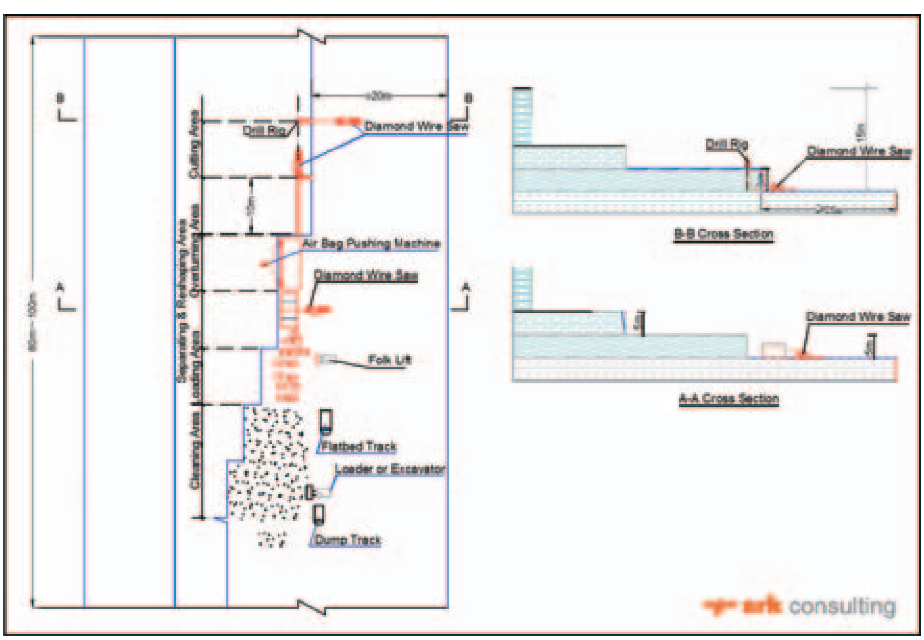

Figure 7-1: Mining method scheme

7.4.2 Stripping and waste rock management

The topsoil will be stripped by excavators and transported and dumped by trucks into temporary soil stockpiles for use in land reclamation once the mining bench reaches the bottom of the ore body. The temporary soil stockpile with an area of 11,073 m^2 is designed in the northeast part of the mine. The maximum height of the piled soil is 7 m, with a volume of 48,600 m^3.

The stripping of the weathered marble layer will employ the same method as the marble blocks. The waste materials comprise the weathered marble and fragments, or rejects from the marble block mining. The waste material will be dumped into a waste dump located in the west of the mine site. The waste dump covers an area of 78,259 m^2. The designed maximum height of the waste dump is 88 m, with a volume of 1,971,500 m^3 (Table 7-2).

The estimated LoM is 40 years at an annual production volume of up to 60,000 m^3; the designed waste dump can only serve the mine for a maximum of 15 years. Marble waste rock could be sold for fill, aggregate and various chemical uses, which in turn can extend the service life of the waste dump. SRK understands that the Company will investigate potential markets for the waste materials and plan to engage waste rocks processing plants in a close proximity of the Leishoushan Project to process the wastes into other saleable materials.

7.4.3 Mining equipment

The major mining equipment consists of diamond wire saws, drills, forklifts, wheel loaders and flatbed trucks. The ancillary equipment includes diamond disc saws, mobile air compressors and dump trucks. Some equipment items have already been purchased and were in use as at 30 April 2017. The details of the mining equipment used are listed in Table 7-1.

SRK considers that the mining method is appropriate for the mine design and the annual production volume of 60,000 m^3 of marble block is achievable. The equipment types selected for the mining processes and the ancillary equipment are considered to be suitable for the planned operation.

Table 7-1: Mining equipment

		Existing	To be purchased			
Item	**Type/capacity**	**As at 30 April 2017**	**May – Dec 2017**	**2018**	**2019**	**Total**
Diamond wire saw	75 kW	0	1	2	6	9
	55 kW	5	0	1	5	7
	37 kW	3	0	0	3	6
	22 kW	0	0	2	7	10
Diamond disc saw	120 kW	2	0	0	0	2
Vertical drill rig		0	2	0	0	2
Horizontal drill rig with guide rail		3	0	1	0	4
Forklift	15 t	0	2	0	0	2
	28 t	1	0	0	0	1
Wheel loader	5 t capacity/3 m^3 bucket size	0	1	2	1	4
Excavator	1.6 m^3 bucket size	1	1	0	0	2
Air bag machine		4	3	2	5	14
Mobile air compressor	18.5 kW	2	0	0	0	2
	75 kW	1	1	0	0	2
Light air compressor	5.5 kW	2	0	0	0	2
Dump truck	20 t	4	0	0	1	5
Flatbed truck	25 t	0	1	1	1	3
Light vehicle		5	0	0	0	5
Mobile water tank		0	1	1	1	3

7.5 Mine planning

7.5.1 Initial mining areas

As per the mine design set out in the FS, the initial mining will be conducted in two Phases: Phase 1 and Phase 2. The Phase 1 area covers a site area of approximately 13,942 m^2 and covers the current test pits. 23,000 m^3 of weathered materials around the pits will be stripped to access the working benches. The area measures 200 × 80 m and contains 25,000 m^3 marble mining inventory, which can serve the production schedule for 2.5 years. The Phase 1 area will cease operation by June 2018 when it lowers to level 865 m ASL.

The Phase 2 area is located to the north of Phase 1 area and covers a site area of approximately 14,989 m^2. The development of Phase 2 area will commence in January 2018, while the Phase 1 area is still in operation. The Phase 2 area will undergo a 6-month development period till June 2018, and will reach the full target production volume by 2020. The production will commence on level 930 m ASL and gradually lower to 910 m ASL. Figure 7-2 shows the location of the existing test pits, waste dump, soil pad, existing and planned rocks and the open pit boundary at the end of the 40-year LoM.

Figure 7-2: Initial mining areas

7.5.2 Production schedule and LoM

The FS design has a target annual production volume of 11,500 m^3 in 2017, 20,000 m^3 in 2018, 42,000 m^3 in 2019 and reach the full production volume of 60,000 m^3 in 2020 as the production capacity will gradually ramp up from 15,000 m^3 in 2017, 25,000 m^3 in 2018 and 55,000 m^3 in 2019 to 66,000 m^3 in 2020 (Table 7-2). Mining operations are scheduled for 300 days per year, assuming two 8-hour shifts per day and taking holidays into account.

SRK agrees with the target annual production and the initial mining areas (Phase 1 and 2) proposed by Suzhou Sinoma and considers that the time allocated to construction and the ramp-up process is reasonable.

A production schedule with a LoM of 40 years has been prepared. The schedule is based on the available Indicated Resources and the mining technical conditions set out in the FS.

In the first 16 years, all marble blocks are scheduled to be mined from the area bounded by the area under the Notice of Temporary Land-Use (see Section 11.1.6), after which the pushback of the Phase 2 pit above 930 m ASL will commence. By 2021, the marble variety to be mined can be selected without difficulty, as the working bench will have exposed each type of marble Resource. Prior to 2021, only the upper-layer Beige U-1 and Pink U-2 marble Resources will be available for extraction. The stripping ratio over the LoM is 0.13. Table 7-2 summarises the production schedule between 2017 and 2022.

Table 7-2: Production schedule

Type/Year	Total Production through LoM	2017	2018	2019	2020	2021	2022
Beige Marble U-1 (000 m^3)	745	11.5	19	32	36	33	31
Pink Marble U-2 (000 m^3)	967	–	1	10	24	27	28
Grey Marble U-3 (000 m^3)	521	–	–	–	–	1	1
Total Production (000 m^3)	2,233	11.5	20	42	60	60	60
Production Capacity	–	15	25	50	66	66	66

7.6 Mine services

7.6.1 Water supply

Fresh water is sourced from a spring located in Majiaping Village, which is 3 km southeast of the mine site. The mine water supply system has been constructed and consists of the following:

- A water pond near the mouth of the spring
- A pump station equipped with one 15 kW pump
- Pipes connecting village and the mine site
- A pump station with two 2.2 kW pumps
- Two 50 m^3 head tanks on the mine site

The daily amount of water required for mining production is estimated to be 100 m^3, comprising 70 m^3 of recirculated water and 30 m^3 of fresh water. The daily amount of fresh water required for dust suppression is 2 m^3. SRK considers that the water source is sufficient for the planned operation.

7.6.2 Dewatering

The lowest mining level is 810 m ASL, which is above the base level of erosion. Water in the pit is mainly from atmospheric precipitation and small amounts of fissure water. The average annual rainfall is around 1,121 mm. The pit is a hillside open pit, and the collected water is expected to gravity-flow out from the pit.

The mining berm is designed at -0.2% – 0.5% gradient towards the foot of the hill. The headrace channel is designed to run along the safety berm and cleaning berm, as well as along the haul road.

Floodwater-catching channels are designed around the pit (3,730 m) and waste dump for preventing downhill-flowing water from entering the pit and managing runoff from the waste dump (420 m).

7.6.3 Power and diesel supply

The mine site has installed a 400 kVA-capacity transformer connected to a state-owned power grid through a dedicated connection at a 10 kV capacity. Suzhou Sinoma designed for the transformer capacity to be increased for an amount of 800 kVA capacity to 1,200 kVA. The total power rating and total annual power consumption are estimated by Suzhou Sinoma to be 1,055 kVA and 2.81 million kWh respectively.

SRK is of the opinion that the designed power supply capacity is sufficient and stable to meet the requirements of the mine site.

Diesel is supplied and transported to the mine site by local suppliers from the nearby town. The estimated diesel consumption during full production years is 2,305 tpa. SRK considers the local diesel supply is stable and sufficient to meet the requirements of the mine site.

7.6.4 Communication

The mine site is within the service area of public telecommunications suppliers providing internet and telephone services. An intercom system is used as a main tool for operational communication.

7.6.5 Maintenance facilities

Equipment maintenance will be carried out on site, and a workshop with a height of 4.5 m and covering an area of 108 m^2 has been designed. Repairs to large heavy equipment will be contracted out to service providers in the nearby town.

7.7 Ore Reserve estimation

7.7.1 Introduction

The JORC Code (2012) states that, "*An Ore Reserve is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified*" (Figure 6-1).

From the Mineral Resources defined in Section 6.5, a mine plan based on the technical parameters set out in the FS was designed; this was reviewed and modified by SRK. The mine is designed at an annual production volume of 60,000 m^3 of marble block with a LoM of 40 years and operated using conventional open pit mining methods. After reviewing the site and the Modifying Factors in conjunction with mining parameters provided in the FS, SRK considers the current open pit mining method to be appropriate and considers the FS to be appropriate to allow conversion from Indicated Resources within the proposed pit to Ore Reserves. SRK converted the Ore Reserves for the Leishoushan Project based on technical parameters set out in the FS, the proposed pit and its own resource model, and reported them in accordance with the JORC Code (2012). No Measured Resources have been declared. The Indicated Resource within the mine plan was converted to Probable Ore Reserve.

7.7.2 Mine design

The pit design parameters are presented in Table 7-3.

Table 7-3: Pit design parameters

Item	Unit	Value	Remarks
Top pit dimension	m × m	590 × 500	
Bottom pit dimension	m × m	520 × 460	
Final pit depth	m	123	
Bottom elevation	m	810	
Sub-bench height	m	5	Three sub-benches merge into one final bench
Final bench height	m	15	
Safety berm width	m	5	
Cleaning-berm width	m	8	One cleaning berm every other two safety berms
Bench face angle within marble	degrees	70	
Bench face angle within weathered zone	degrees	45	
Final slope angle	degrees	55	

7.7.3 Modifying Factors

The proportion of the marble Indicated Resources that can be mined out is at a block yield of 31.1%. Based on rates typical for this type of mine, a further loss of 10%, comprising a 5% block handling loss and 5% loss in the transport process, is assumed. No Inferred Resource has been considered in Ore Reserve estimation.

7.7.4 Ore Reserve statement

SRK has classified the final mine gate marble quarry block product, within the pit and mining licence area, as Probable Reserve as at 30 April 2017 (Table 7-4).

Table 7-4: Leishoushan Project Ore Reserve statement as at 30 April 2017

Reserve Category	Beige Marble U-1	Pink Marble U-2	Grey Marble U-3	Total
	(Mm^3)	*(Mm^3)*	*(Mm^3)*	*(Mm^3)*
Probable	0.75	0.97	0.52	2.23

Note:

There is a block yield of 31.1%, and 10% production loss (from block handling and transportation), i.e. 31.1% × (1–10%) = 28.0%.

7.7.5 Potential for defining additional Ore Reserve

A significant amount of Indicated Resource is located to the east of the proposed pit boundary. There is a potential for those Resources to be converted to Reserves in the future based on further technical studies and consideration of Modifying Factors.

8 PROCESSING

8.1 Introduction

A volume of approximately 1,530 m^3 of marble blocks was removed from the three test pits from March 2014 to June 2015. Some test blocks have been processed at the Processing Plant, situated beside Yanrong Highway and is located approximately 26 km southwest of the Leishoushan Project at Yabei Industrial Park. Development of Phase 1 of the Processing Plant was completed in January 2016, covering a site area of 8,061 m^2. Currently, it has one polished slab production line and one shaped stone production line. The Processing Plant is at the commissioning stage with an annual production capacity of 600,000 m^2. Its auxiliary facilities include an office building, transformer substation and sewage processing system.

The Company received positive feedbacks from the products evaluations (Table 8-1) and subsequent market research. In order to meet the predicted market demand, the Company commissioned Suzhou Sinoma to conduct a FS on the Shiqian Project, with a target annual mining volume of 60,000 m^3. The design allows for 70% of the mined blocks to be processed at the Processing Plant, equivalent to an annual processing output of 1,428,000 m^2. The FS has identified the existing facilities of the Processing Plant that require upgrading and the associated capital.

Table 8-1: Products evaluation records for slabs and shaped stones

Product	Colour/Type	Unit	2014	2015	2016
Slabs	Royal Beige	m^2	249	–	–
	Carlo Rose	m^2	199	194	–
Shaped stones	Roadblock ball	count	100	7	63
	Flower pot	count	–	80	220
	Crafts	count	–	–	600
	Samples	m^2	–	4	–

8.2 Processing flow

8.2.1 Marble block yard

Extracted marble blocks from the mine are placed by gantry crane into different block yards based on type, size and classification. Blocks are lifted by gantry crane to the flatcars to be sent to the gang saw for cutting. Blocks for shaped stone production are sent to the cutting machine by telescopic handler for further processing.

8.2.2 Polished slabs

Marble block cutting: A multi-bladed gang saw is used to cut the marble blocks into slabs. The distance between the saw blades is adjusted to produce slabs of different thickness.

Mesh and glue application: Glue is applied to the raw slabs and nylon mesh is affixed to the slabs to treat fractures and blisters on the surface and to reinforce the strength of the flag slabs. Glue can be air dried or dried by machine.

Polishing and thickness rendering: After the glue and nylon mesh are applied, slabs have uneven surfaces and differ in thickness. A polishing machine is used to smooth the slabs and to give them a consistent thickness for further polishing to give the gloss required.

Packaging: As the final product, polished slabs are packed and stored for sale to clients.

8.2.3 Shaped stones

Since marble blocks for shaped stone production have various shapes and sizes, different equipment is required for their processing. They are first sent to a stone cutter or diamond wire saw by telescopic handler to be cut to the required size. After this, they are sent via a single-girder overhead travelling crane to the digitally controlled bridge cutting machine, bridge wire saw, fully automated cylindrical multi-stone cutter, lathe, and water cutter for shaping, rubbing, and polishing, to yield the final product. They can also be processed to have an antique or matte appearance, according to the client's needs. Nearly 30% of semi-finished product requires hand-rubbing and water polishing to produce large art works and special order items. Spalls can be further utilised as a material for producing railings, pillars and stone caps through a series of processes, including lathe and wire saw cutting, chiselling, shaping, rubbing and polishing.

8.3 Products

8.3.1 Slabs

The polished slabs with gloss finish are shown in Figure 8-1. The physical properties of marble slabs are represented by density, water absorption, dried compressive strength, dry and wet flexural strength, abrasion resistance and glossiness (Section 5.5). The average glossiness of the tested samples was 80.0 gloss units (Gs), ranging from 72.5 Gs to 88.7 Gs. The average glossiness of Royal Beige was 79.5 Gs from 32 samples, that of Carlo Rose was 81.4 Gs from four samples and that of Athens Grey was 81.9 Gs from four samples. The glossiness of all three types of primary gloss slab meet the minimum Chinese national standard of 70 Gs.

The five standard polished slab products have sizes of 3,000 × 2,000 mm, 2,800 × 1,800 mm, 2,600 × 1,500 mm, 2,500 × 1,600 mm, and 2,400 × 1,700 mm, with a thickness range of 16-18 mm.

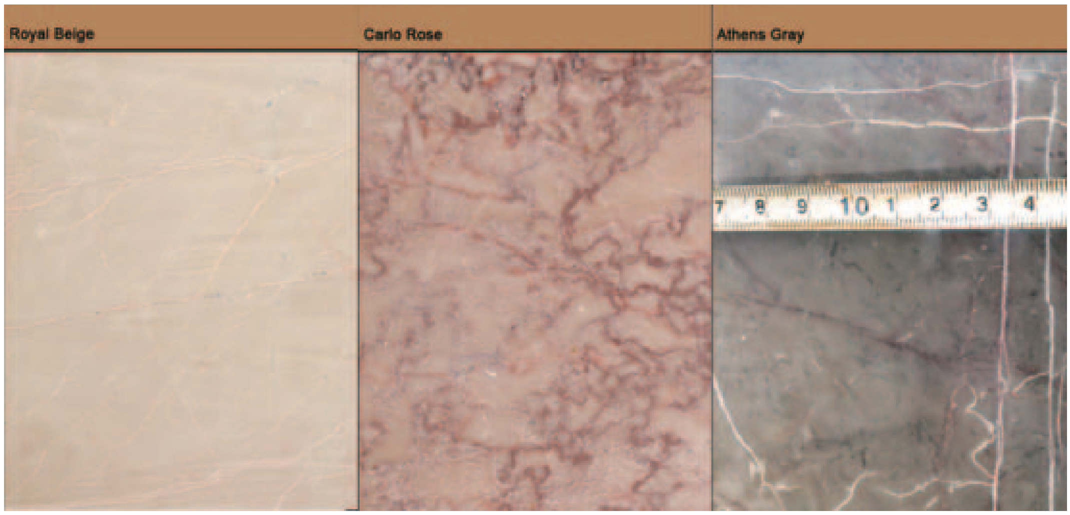

Figure 8-1: Slab with gloss finish (left to right: Royal Beige, Carlo Rose and Athens Grey)

8.3.2 Shaped stones

The shaped stone products include marble pillars, column bases, column caps, roman columns, twisted columns, straight and curved cornices, steps, balustrades, tiling patterns, countertops, fireplaces, car barrier stones, kerb stones, flower pots, furniture and embossments.

8.4 Processing equipment

The selected major processing equipment comprises trimming machine, gang saw, polishing machine, stone cutter for the polished slab production line and computerised stone cutter, water cutter, rubbing and trimming machine, disc stone cutter, basin cutter and a gantry crane for the shaped stone production line. Some equipment items have already been purchased and were currently in use as at 30 April 2017. The details of the processing equipment are listed in Table 7-1. SRK considers the equipment types selected for the Processing Plant and the ancillary equipment to be suitable for the planned operation.

Table 8-2: Polished slab production equipment

No	Equipment	Model	Power	Existing	To be purchased
			(kW)		
1	Hydraulic trimming machine	XBDQ-2200	37		2
2	32 t gantry crane	QD3T2-28.6 A3	45	1	0
3	Gang saw	3JP2200	121	3	6
4	Electric travelling crane	LH5T-26	7.5	5	3
5	Inclined drum-type conveyor		3		1
6	Jib crane	GB5-10	10		1
7	Electronic drying oven	INTELLYONE30A-RB-3E	18		1
8	Chain-conveyor	CRV2200-13	3		1
9	Chain-conveyor	TC2200-5000	3		1
10	Catalytic oven	40C-RB-3E	1.6		1
11	Electric drum-type conveyor	200RLM400L-P	3		2
12	Inclined drum-type conveyor	RB-M 300RM	3		1
13	Lift rotary table		2.2		8
14	40-rack drying oven		24		4
15	7 m infra-red curing box	SHG 70/21D	12		4
16	Cooling roller table		1.1		5
17	Lifting machine		2.2		4
18	Electric roller table	SBT36/19D	1.1		5
19	Electric block turnover machine	SFB28D/19D	8		4
20	Polish machine	SML21B/6	260		2
21	Electric drying roller table	SBT36/19DF1	1.1		2
22	Vacuum chamber		7.5		2
23	Polisher	ZLMJL2100/16	125	1	1
24	Stone cutter	ZDCQ-600	18.5	4	8
25	Sandblast		45	1	2
26	Electric single-beam crane		3		2
27	Electric double-beam crane		13		2
28	1 t loading machine	CBY-2000	0.2	1	2
29	Telescopic handler	7t		1	2

Table 8-3: Shaped stone production equipment

ID	Equipment	Model	Power (kW)	Existing	To be purchased
1	Computer controlled stone cutter	SKFX-1200	55	1	2
2	Stone cutter control system				3
3	Lathe	700 、1700 mm	45	2	4
4	Computer controlled water cutter	HR1212 、2515	87		2
5	Bridge cutter		7.5		4
6	Polishing machine		7.5		2
7	Numerically controlled stone cutter	DKFX	15	2	0
8	Rubbing machine	LCS–B	11	1	3
9	Hand operated rubbing machine	MS-1800A	5.5	1	29
10	Hand operated trimming machine	QSQ-2800	6	2	39
11	Hexagonal tiling machine	SY-ST2	4	2	2
12	Fully automated cylindrical multi-stone cutter		15	1	3
13	Balustrade water polishing machine	NMRV	15		12
14	Disc stone cutter	QSD-1600	26		12
15	Bridge wire saw	QSFX-1600	15	1	19
16	Numerically controlled diamond wire saw	SDNSB3500	22		15
17	Numerically controlled diamond wire saw	SDNFX-2000	11	1	17
18	Drilling machine	ZG825A	2.2		5
19	Computer controlled column base cutter	ZMFX-2500	11		2
20	Computer controlled stone cutter	ZDSZG-2500	11		3
21	Automatic basin cutter	MQB-580	2		6
22	Polishing machine	WQB-6	4		6
23	Wire-drawer	B650-800	5.5		10
24	Sandblaster	¢1200	45		8
25	Electric single-beam crane	LD 5t LK=22.5 m	3		6
26	3 t telescopic handler		0		5
27	Bridge hydraulic trimming machine	XBDQ-2200	37		3
28	A type double-beam hook gantry crane	32/5 LK=30 m	16.3		1

8.5 Production schedule

Table 8-4 shows the target annual mine and processing plant production schedule. The FS target is 30% of the mined blocks will be sold directly at the mine gate, 60% and 10% of the mined blocks will be processed to polished slabs and shaped stones respectively at the Processing Plant. The processing yields for polished slabs and shaped stones are assumed as 38 m^2/m^3 and 10 m^2/m^3 respectively. The development of Phase 1 of the Processing Plant had already been completed by January 2016, with an annual processing capacity of 600,000 m^2. The construction of the Phase 2 facilities, including construction of new workshops, waste water processing facilities, a storeroom, an office building, a research centre, a product exhibition hall, and allocation of new equipment, is scheduled to finish by the fourth quarter of 2018. Equipment installation and testing is expected to take place in the the following quarter. The Phase 2 Processing Plant will begin commissioning in the second quarter of 2019. The Processing Plant is expected to reach an aggregate processing capacity of 1,800,000 m^2 by mid 2019. Processing operations are scheduled for 300 days per year, assuming two 8-hour shifts per day and taking holidays into account. Table 8-5 to Table 8-7 show the production schedule for the polished slabs and shaped stones for each target marble type.

The Processing Plant is currently at the commissioning stage and has commenced limited commercial production since April 2017. The Processing Plant is expected to produce 228,000 m^2 polished slabs and 10,000 m^2 shaped stones in 2017. With the commissioning of the Phase 2 Processing Plant by the second quarter of 2019, the Processing Plant is expected to reach its target processing output of 1,368,000 m^2 polished slabs and 60,000 m^2 shaped stones by 2020.

SRK considers that the development plan for the Processing Plant is reasonable.

Table 8-4: Annual production schedule for the Leishoushan Project and the Processing Plant

Product	2017	2018	2019	2020	2021
Mined blocks (m^3)	11,500	20,000	42,000	60,000	60,000
Direct sales blocks (m^3)	4,500	6,000	12,600	18,000	18,000
Polished slab (m^2)	228,000	456,000	957,600	1,368,000	1,368,000
Shaped stones (m^2)	10,000	20,000	42,000	60,000	60,000
Processing capacity (m^2)	600,000	600,000	1,800,000	1,800,000	1,800,000

Table 8-5: Royal Beige polished slab and shaped stone production schedule

Royal Beige	2017	2018	2019	2020	2021
Mined blocks (m^3)	11,500	19,240	32,323	36,373	32,669
Direct sales blocks (m^3)	4,500	5,772	9,697	10,912	9,801
Slabs (m^2)	228,000	438,672	736,960	829,309	744,857
Shaped stones (m^2)	10,000	19,240	32,323	36,373	32,669

Table 8-6: Carlo Rose polished slab and shaped stone production schedule

Carlo Rose	2017	2018	2019	2020	2021
Mined blocks (m^3)	–	760	9.677	23,627	26,603
Direct sales blocks (m^3)	–	228	2,903	7,088	7,981
Slabs (m^2)	–	17,328	220,640	538,691	606,550
Shaped stones (m^2)	–	760	9,677	23,627	26,603

Table 8-7: Athens Grey polished slab and shaped stone production schedule

Athens Grey	2017	2018	2019	2020	2021
Mined blocks (m^3)	–	–	–	–	728
Direct sales blocks (m^3)	–	–	–	–	218
Slabs (m^2)	–	–	–	–	16,592
Shaped stones (m^2)	–	–	–	–	728

8.6 Utilities

8.6.1 Water supply

The Processing Plant has been connected to the Yabei Industrial Park's domestic water supply network. The daily amount of water required for the Processing Plant totals 2,672 m^3. Approximately 90% of the water is supplied by the Processing Plant's water recirculation system. In addition to the daily domestic water consumption for the Plant and allowance for fire services, the amount of annual water consumption is estimated to be approximately 105,925 m^3. SRK opines that the water supply is sufficient and stable for the planned operation.

8.6.2 Power

The Processing Plant has installed a 400 kVA capacity transformer connected to a state-owned power grid through a dedicated connection at a 10 kV capacity. According to the FS, the transformer capacity has been designed to be increased to 5,000 kVA by installing two 2,500 kVA transformers. The total combined power capacity is 5,400 kVA.

SRK is of the opinion that the designed power supply capacity is sufficient and stable to meet the Processing Plant's requirements.

9 COSTS

9.1 Capital costs

The FS has provided a baseline for the capital which have been updated by Shiqian Investment. The total estimated capital cost for developing the Project with an annual mining volume of 60,000 m^3 and an annual processing output of 1,428,000 m^2 approximately RMB233.7 million. Most of the costs will be incurred on development of Phase 2 of the Processing Plant and the purchase and installation of the processing equipment. The forecast capital costs include an approximately 8% contingency on all costed items except Rehabilitation fee. The capital costs by category are summarised in Table 9-1. Each cost centre is briefly described below:

- Mine construction and roads include the cost for stripping the topsoil and weathered rocks above the marble deposit and construction of mining benches and building access and internal roads within the mine.

- Mining equipment consists of the purchase of mining equipment and the cost of their installation.

- Mine supporting facilities comprise the purchase and installation of all supporting facilities which include water supply system and electric transformer and associated setup, and the construction of office, workshop and dormitory.

- The mining licence fee represents the fee paid to the government for the purchase of the mining licence.

- Technical studies comprise the fee for conducting the exploration and technical studies for the development of the Shiqian Project.

- Processing Plant construction and equipment is the fee for constructing the Processing Plant and the purchase of required equipment including cutting saws and polishing machines.

- Processing Plant's supporting facilities include the purchase and installation of all supporting facilities, such as water supply and reticulation system, electricity supply system and the construction of workers dormitory, workshop and administration office.

- The land acquisition fee represents the fee for acquiring the land for our Processing Plant.

- The rehabilitation fee represents the rehabilitation security deposit and environmental recovery deposit.

- Others include costs for construction administration and supervision, employee training and purchase of furniture.

Table 9-1: Actual and forecast capital cost by category (RMB million)

Cost item	Prior to 2014	2014	2015	2016	2017	2018	2019
Mine construction and road	2.1	0.9	2.2	2.7	0.5	0.9	1.3
Mining equipment	0.2	9.1	0.1	0.2	6.7	5.7	0.1
Mine supporting facilities	0.9	0.3	0.3	–	–	3.9	0.2
Mining licence fee	2.2	–	–	–	–	–	–
Technical studies and related works fee	0.7	0.2	0.1	–	–	–	0.3
Processing plant construction and equipment	6.2	12.6	3.0	1.4	6.3	37.0	22.6
Processing plant supporting facilities	2.1	8.7	3.3	–	0.1	6.2	31.1
Land acquisition fee	1.4	–	–	10.9	–	–	10.0
Others	0.1	0.2	–	–	2.5	2.2	5.0
Subtotal	16.0	32.0	9.0	15.3	16.1	56.1	70.5
Contingency	–	–	–	–	1.2	4.5	5.6
Rehabilitation fee	0.6	–	–	–	3.1	1.9	1.9
Total	16.5	32.0	9.0	15.3	20.4	62.5	78.0

As at the end of April 2017, a total of RMB80.6 million has already been incurred, which is related to the construction of connecting roads, supporting facilities and stripping of overburden at the initial mining area at the Leishoushan Project and the development of Phase 1 of the Processing Plant. A further RMB153.1 million is estimated to be incurred from 1 May 2017 to 31 December 2019 in order to meet the designed production capacities.

- 2017, production will be from the working faces of the Phase 1 mining area. The target production volume for 2017 is 11,500 m^3. Additional mining and processing equipment will be procured. The existing road to the Phase 1 mining area will also be extended. At the Processing Plant, part of the existing road will also be upgraded.

- 2018, production will continue at the Phase 1 mining area. The target production volume of the Leishoushan Project will increase to 20,000 m^3. Concurrently, removal of topsoil and weathered rocks; construction of working benches and connecting roads to the Phase 2 mining area will commence in early 2018. More mining equipment will also be procured. Mine supporting facilities including upgrade of water and electricity will also be installed.

- At the Processing Plant, the Phase 2 development will commence in the third quarter of 2018, comprising the expansion of the current production line and construction of workers dormitory and office and auxiliary facilities. All construction work is expected to complete by the end of 2018.

- 2019, the target production volume of the Leishoushan Project will increase to 42,000 m^3. All mining activities will now take place at the Phase 2 mining area. Working benches are designed to be developed on levels 920 m and 915 m.

- Installation of Processing Plant's equipment will be completed by the first quarter of 2019, which marks the completion of Processing Plant Phase 2 development. Commissioning is targeted to begin in the second quarter of 2019. As such, we expect our annual processing capacity will be further increased to 1,200,000 m^2 in the second quarter of 2019 and then to 1,800,000 m^2 by mid 2019.

- 2020, the target production volume of the Leishoushan Project will reach 60,000 m^3. Production will be from working benches of 915 m and 900 m. The Processing Plant will reach a full target processing output of 1,428,000 m^2.

After reviewing the capital cost estimate and associated development schedule, SRK considers that the estimation is reasonable and the target production volume at the Leishoushan Project and the target processing output at the Processing Plant are achievable.

9.2 Operating costs

The forecast operating costs between 2017 and 2020 are tabulated in Table 9-2; these are based on:

- Suzhou Sinoma's FS cost estimates

- the contract entered into between the Company and one mining company which provides marble mining services at the Leishoushan Project site;

- the contracts entered into between the Company and two workforce solution companies which provide labour services to undertake marble slab and shaped stone processing at the Processing Plant;

- other supplier contracts;

- a resource tax of 3% of sales revenue;

- a value added tax ("**VAT**") of 3% levied for the sales of marble products;

- an education levy of 5% of the total amount of VAT generated by the Project;

- a city maintenance and construction levy of 5% of the total amount of VAT generated by the Shiqian Project;

- sales expense is assumed at 5% of sales revenue; and

- a 10% contingency is added to the total projected operating cost to account for unforeseen and unpredictable amount to cover the cost.

The unit cash operating costs for block, slab and shaped stone are estimated at RMB1,052/m^2, RMB161/m^2 and RMB777/m^2 when the Project reaches the full target annual mining volume of 60,000 m^3 and a processing output of 1,428,000 m^2 by 2020.

SRK has reviewed the detailed breakdown of the estimated operating cost and considers that the estimation is reasonable and of a similar order of magnitude to other similar dimension stone projects in China.

Table 9-2: Forecast operating costs

Product	Unit	2017	2018	2019	2020
Block	m^3	4,500	6,000	12,600	18,000
Slab	m^2	228,000	456,000	957,600	1,368,000
Shaped stone	m^2	10,000	20,000	42,000	60,000
Workforce employment					
Block	RMB/m^3	139.1	106.6	74.0	70.0
Slab	RMB/m^2	37.8	35.7	33.7	33.0
Shaped stone	RMB/m^2	127.0	104.1	81.2	74.1
Consumables					
Block	RMB/m^3	240.5	184.2	128.0	121.1
Slab	RMB/m^2	66.5	63.0	59.4	58.3
Shaped stone	RMB/m^2	220.8	181.2	141.6	129.3
Fuel, electricity, water and other services					
Block	RMB/m^3	295.5	226.3	157.2	148.7
Slab	RMB/m^2	29.9	25.6	21.2	19.8
Shaped stone	RMB/m^2	219.5	170.8	122.1	107.0
On and offsite administration					
Block	RMB/m^3	333.9	302.8	257.1	257.0
Slab	RMB/m^2	21.0	19.1	16.2	14.7
Shaped stone	RMB/m^2	235.3	213.3	181.2	165.3
Environmental protection and monitoring					
Block	RMB/m^3	17.1	13.1	9.1	8.6
Slab	RMB/m^2	1.1	0.8	0.6	0.5
Shaped stone	RMB/m^2	12.0	9.2	6.4	5.5
Transportation of workforce					
Block	RMB/m^3	–	–	–	–
Slab	RMB/m^2	–	–	–	–
Shaped stone	RMB/m^2	–	–	–	–

Product	Unit	2017	2018	2019	2020
Product marketing and transport					
Block	RMB/m^3	184.2	184.2	184.2	213.8
Slab	RMB/m^2	11.6	11.6	11.6	12.3
Shaped stone	RMB/m^2	129.8	129.8	129.8	137.5
Non-income taxes, royalties and other governmental charges					
Block	RMB/m^3	118.0	118.0	118.0	137.0
Slab	RMB/m^2	7.4	7.4	7.4	7.8
Shaped stone	RMB/m^2	83.2	83.2	83.2	88.1
Contingency allowance					
Block	RMB/m^3	132.8	113.5	92.8	95.6
Slab	RMB/m^2	17.5	16.3	15.0	14.6
Shaped stone	RMB/m^2	102.8	89.2	74.5	70.7
Total operating cash cost					
Block	RMB million	6.6	7.5	12.9	18.9
Slab	RMB million	44.0	81.5	158.1	220.4
Shaped stone	RMB million	11.3	19.5	34.4	46.6
Total		61.9*(Note)*	108.5	205.4	286.0
Total unit operating cash cost					
Block	RMB/m^3	1,461.1	1,248.7	1,020.5	1,051.8
Slab	RMB/m^2	192.9	179.5	165.1	161.1
Shaped stone	RMB/m^2	1,130.4	980.7	819.9	777.4

Note: In April 2017, a total operating cash cost of approximately RMB2.8 million was incurred.

9.3 Economic viability analysis

An analysis of the economic viability of the Shiqian Project has been conducted. The analysis is based on the capital and operating costs, and the production schedule (Table 8-4) presented in this Report. No Inferred Resources have been included in the production schedule. A technical economic model (in real terms) of the Shiqian Project from 30 April 2017 to 31 December 2055 over the 40-year LoM of the Shiqian Project was prepared. The base year of all costs is 2017 with no provision for inflation and escalation. It is important to note that the purpose of the analysis is to demonstrate the economic viability of the Shiqian Project. The derived net present values ("**NPVs**") do not indicate the fair market values or the profitability of the Shiqian Project. A project is considered economically viable when its NPV is positive, whereas a project is not considered economically viable when its NPV is negative.

In the analysis, a discount rate of 10% was used, based on the considerations of the real, risk-free, long-term interest rate (3.0% for the 5-year PRC Government Bond Rate), mining project risk (2% – 4%) and country risk (2% – 4%). The determination of the discount rate is considered by SRK to be appropriate. The marble price is based on the assumptions presented in the FS (see Section 10.6). A straight line depreciation method was used. Any finance costs or company debt have not been taken into account in this analysis.

The analysis shows that the after-tax (25% corporate income tax) NPV, at a discount rate of 10%, returned RMB1,813 million as at 30 April 2017. The Shiqian Project has a break-even prices[*(Note 1)*] of RMB1,256 /m^3 (block), RMB173/m^2 (slab) and RMB910/m^2 (shaped stone) at which the Project's NPV equals zero. The estimated payback period[*(Note 2)*] is 3.4 years.

A sensitivity analysis for the after-tax NPV has also been undertaken with respect to the capital cost, operating cost, production rate and sales prices (Figure 9-1 and Table 9-3). The results reveal the following changes:

- A 1% increase in operating cost will result in a 2.3% decrease in NPV.
- A 1% increase in capital cost will result in a 0.1% decrease in NPV.
- A 1% increase in block sales price will result in a 0.2% increase in NPV.
- A 1% increase in slab sales price will result in a 0.8% increase in NPV.
- A 1% increase in shaped stone sales price will result in a 0.8% increase in NPV.

Notes:

1. A project becomes uneconomic when its NPV is negative. For the Shiqian Project, the break-even prices for block, slab and shaped stone were determined by flexing the input sales prices in the economic viability analysis to the point when the estimated NPV equals zero.

2. The payback period refers to the period of time required to recoup initial capital incurred and to be expended. For the Shiqian Project, the payback period was determined by calculating the amount of time required for the estimated cumulative cash flow to offset the incurred and future capital costs as at 30 April 2017.

Of these parameters, the operating cost is the most sensitive parameter while the capital cost is the least sensitive parameter.

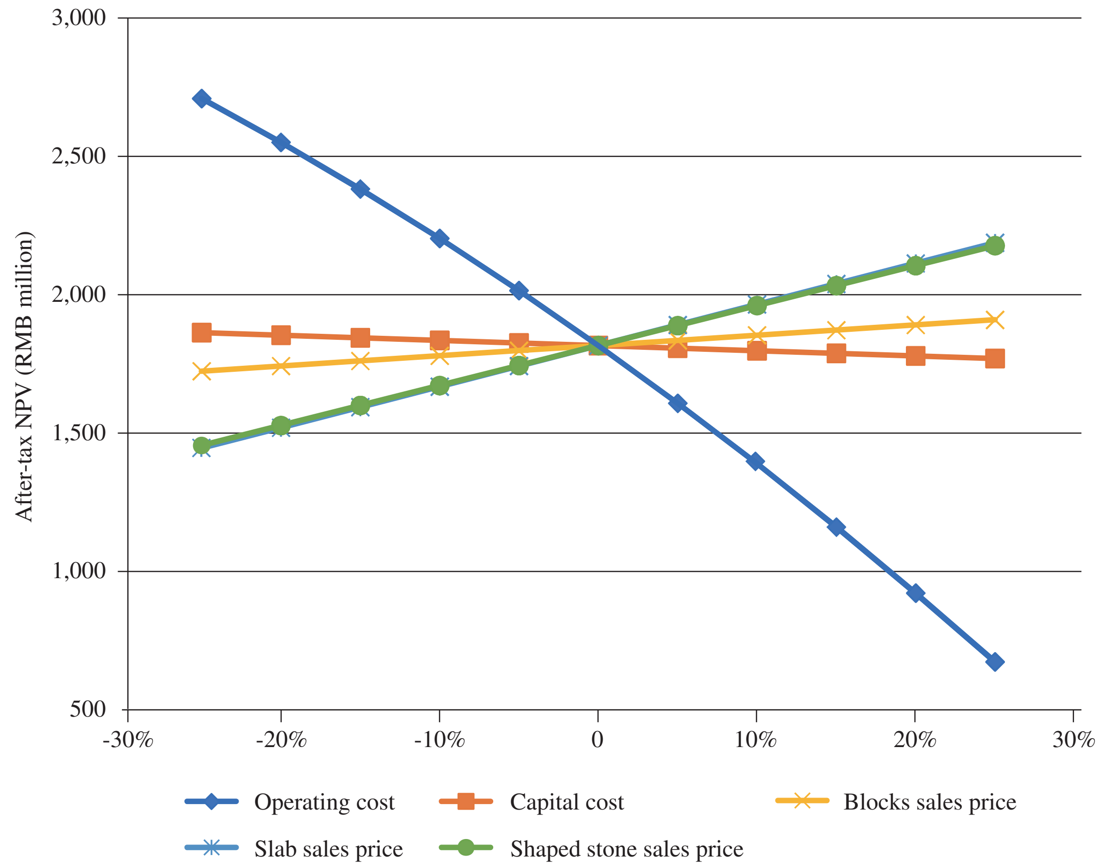

Figure 9-1: After-tax NPV sensitivity analysis of the Shiqian Project

Table 9-3: Sensitivity analysis for after-tax NPV

	After-tax NPV variation *(RMB million)*										
Parameters	+25%	+20%	+15%	+10%	+5%	0%	-5%	-10%	-15%	-20%	-25%
Operating cost	668	917	1,156	1,385	1,604	1,813	2,012	2,201	2,380	2,548	2,707
Capital cost	1,766	1,776	1,785	1,794	1,804	1,813	1,822	1,832	1,841	1,851	1,860
Blocks sales price	1,906	1,887	1,869	1,850	1,832	1,813	1,795	1,776	1,757	1,739	1,720
Slab sales price	2,185	2,111	2,036	1,962	1,887	1,813	1,739	1,664	1,590	1,516	1,441
Shaped stone sales price	2,175	2,102	2,030	1,958	1,885	1,813	1,741	1,669	1,596	1,524	1,452

10 MARKETING

10.1 Introduction

Marble dimension stone can be cut and processed into a wide range of shapes, sizes and finishes. It is used for slabs and tiles for walls, floors and benchtops, for columns and balustrades, monumental objects such as tombstones, monuments and sculptures, and for crafted items such as furniture, lamps and utensils. It may be given a variety of finishes, including honed, polished, hammered, etched and rough. Marble can be used for both interior and exterior applications, but due to its softness and susceptibility to weathering and staining, many marbles, especially polished or carved products, are mainly used for interior applications. Crushed marble by-products can be used for terrazzo, fine aggregate and rock powder, cement, and industrial fillers for paint, plastic and rubber.

Marble dimension stone is mainly used in the decorative materials industry, from large public buildings to residential buildings, landscaping and infrastructure. Most dimension stone is marketed as:

- quarry blocks with only minor trimming, direct from the quarry;
- polished or honed (matte finish) slabs and blocks produced in a processing plant; these products may undergo further processing before being installed;
- polished or honed tiles; and
- marble products such as furniture and artworks.

Polished marble is mainly, but not exclusively, used for interior applications. Honed finishes are often used for exterior applications. Many techniques are used to create other surface textures on finished marble products.

Shiqian Investment commissioned a market study of marble, particularly yellow, grey and red varieties covering its corresponding products of Royal Beige, Carlo Rose and Athens Grey, to assess market size, growth and opportunities. The industry report (Frost & Sullivan, 2016) is based largely on publicly available data including the United States Geological Survey, data from industry associations such as the Marble Institute of America ("**MIA**"), China Stone Material Association ("**CSMA**"), the Chinese Building Materials Federation, China Building Decoration Association ("**CBDA**") and Chinese National Bureau of Statistics ("**NBSC**").

10.2 World markets and trade

World raw dimension stone production in 2014 was reported by Montani (2016) to be 136.5 Mt, having risen from 46.5 Mt in 1990. Calcareous stone, comprising marble, travertine, limestone etc., has consistently made up just under 60% of the total dimension stone production since the late 1970s.

The world's largest "reserves" (non-JORC) of marble are held by Turkey (35.4%), followed by the Philippines, India, China (9.5%) and Spain. Active exploration and development of marble resources in China is likely to significantly increase China's proportion of world reserves.

Global economic growth has been relatively subdued since the global financial crisis in 2007 – 2008. World Bank gross domestic product ("**GDP**") estimates from 2013 – 2018 (World Bank Group, 2016) predict that the growth of global real GDP will increase slowly from 2.6% in 2015 to 3% in 2018. The rate of growth of real GDP forecast for emerging economies is higher than that for advanced economies. Chinese GDP growth was 6.9% in 2015. It is then forecast to decrease to 6.3% by 2018 (World Bank Group, 2016). While the rate of growth in China is forecast to decrease slowly in the forecast period, it is still significantly higher than that of some advanced economies and world growth.

The largest producers of dimension stone are China and India, accounting for approximately 36% of the world production, followed by Turkey, Brazil, Italy and Spain. China is also the leading exporter of stone materials accounting for 42% of the world export value in 2015 (Gussoni, 2016).

China is the largest consumer of dimension stone products with over 30% of the global marble slab sales volume, followed by the USA, Japan, the European Union and the United Arab Emirates. The USA is the largest importer of dimension stone, overtaking China in 2015. The level of import of dimension stone by China is decreasing as domestic supplies increase. China mainly imports high quality light-coloured material that is in relatively short supply within China.

The world stone market has consistently increased at high rates since 1990, partly due to increasing technology in both quarrying and processing. Asian countries, particularly China and India, have undergone very rapid increases in both production and consumption. There is also a current trend in China and elsewhere towards natural and sustainable products.

China exports large quantities of processed marble, with the main destinations being Japan, Hong Kong, South Korea, the USA and Vietnam.

The outlook for the world stone industry is generally positive, due to gradual recovery in the world economy, and there is also increasing potential in emerging markets in Asia, Eastern Europe, South America and Russia. In addition, there is also a notable increase in consumption of finished marble products including furniture, particularly in China (Gussoni, 2016). SRK considers that there are no significant foreseeable global downside risks that are likely to have a major impact on the Project in the next five years.

10.3 The Chinese market

In recent years, China has become the largest consumer and producer of marble dimension stone in the world. It is also now a major manufacturer of stone quarrying and processing machinery. In China, marble is mainly used in the decorative materials industry, from large public buildings to residential buildings to landscaping and municipal works. The Chinese dimension stone quarrying and processing industries have grown very rapidly since the 1980s in response to rapid development and urbanisation creating very rapid increases in demand for construction materials. The extremely high rates of increase in dimension stone slab output, experienced during the construction boom up to 2014, are now decreasing in line with the move of the Chinese economy under the Thirteenth Five-Year Plan into a phase of consolidation and focus on innovation, efficiency, competition and urbanisation.

Chinese domestic marble production has increased rapidly over the last decade. Many new quarries have come into production or are currently in the development phase. This has led to decreasing imports, and is likely to lead to increased competition at local to country-wide scales, and a greater focus on quality within the industry as a point of marketing differentiation. There are also more quarries in higher quality and unusual looking varieties of stone located further from major cities and coastal processing and export hubs.

Various references and industry sources indicate that warm colours, including beige and yellow, and light colours, including white cream and pale grey, are the most popular colours in China. Most marble is used in large and medium sized cities, with the largest consuming regions being the large urban complexes such as Shanghai and Beijing. The demand for different colours may change with time and the demand for light colours is less likely to fluctuate more than that for dark colours.

According to CSMIA (in Frost & Sullivan, 2016) the architectural decoration industry accounted for over 68% of the value of total marble consumption in China in 2015. The artwork sector accounted for another 22%, and landscaping for 10% in 2015. It is reported in several surveys that the consumption of art, carvings and furniture has increased worldwide over the last few years. With increasing urbanisation and affluence in China, it is likely that the proportion of marble being used in the construction industry compared to other materials will continue to increase in coming years.

The development of industrial and mining operations in China is strongly supported by county and provincial government authorities. According to the FS, Guizhou Province has proposed to develop an “Opinion on Accelerating the Development of Stone Industry” with an aim of developing the province into an important stone industry base. This will involve support for stone research, quality inspection, utilisation of local stone for infrastructure, marketing and warehousing etc. According to the FS, local development plans are for Shiqian, where the Processing Plant is located, to become the “stone industry cluster centre” of northeast Guizhou province.

Whilst the growth of the Chinese domestic marble industry was extremely high in 2011 to 2015, and the rate of growth of the economy and particularly the construction sector has decreased since then, SRK considers that Shiqian Investment's assumptions of market growth in the next 4 – 5 years are reasonable.

10.4 Markets for marble products from the Leishoushan Project

Three main varieties of marble have been identified by outcrop mapping and drilling at the Leishoushan Project. They currently have the trade names of Royal Beige, Carlo Rose and Athens Grey. As the Leishoushan Project develops, there is the potential for variations in colour and texture that may have additional trade names.

The FS states that approximately 70% of the marble to be produced from the Leishoushan Project will be processed in the Processing Plant. The remaining 30% will be sold as blocks to other customers, largely processing plants.

The demand for marble dimension stone is based on appearance, including colour, pattern, texture, colour variability, lamination etc. These characteristics are not easy to measure objectively. The initial choice of marble products by consumers often depends more on appearance than quality or the results of testing. Whilst large and upmarket developers may take test results such as strength, water absorption, hardness and polish into account, some, particularly smaller construction firms, architects and property owners may consider appearance and price above quality.

Blocks

Unprocessed quarry blocks from the Leishoushan Project will mainly be sold to processing plants other than that owned by Shiqian Investment, which are located in major stone industry clusters scattered around China. The largest clusters are located in Fujian Province, Shandong Province, Hubei Province, Henan Province, Jilin Province, Hebei Province, Guangxi, Yunnan Province, Sichuan Province, Xinjiang and Inner Mongolia. It is likely that the blocks will be sold to plants in Guizhou Province and adjoining areas and those near relatively close major cities and ports.

Slabs and other processed products

The Processing Plant is approximately 26 km from the the Leishoushan Project, and is currently in the commissioning stage. Commissioning of the Processing Plant occurred in April 2017. The main products observed at the Processing Plant were polished slabs (Figure 10-1), honed slabs, pavers and small marble blocks from the Leishoushan Project. Smaller marble blocks from the Leishoushan Project are processed into furniture and carvings. Some of these products were observed to be used as honed paving, retaining walls and honed and polished street furniture in Shiqian.

Figure 10-1: Polished slabs of Carlo Rose (left) and Royal Beige processed by the Processing Plant

10.5 Competition

Analysis of the stone industry in the FS indicates that Guizhou province has abundant marble resources. At present, there are about 130 stone enterprises in Guizhou, and several stone industry parks in Zhenning, Huaxi, Shiqian, Sinan and Anlong. The total output value of the stone industry in Guizhou is approximately RMB5 billion, and the stone slab processing capacity exceeds 25 Mm^2. Six of the 20 largest domestic stone enterprises in China are in Guizhou.

Competition for products from the Shiqian Project will come from other quarries and processing plants in the province and nearby areas. The FS has identified 18 towns and villages in the Shiqian area that have marble resources. 20 varieties of marble are available in different colours including red, pink, grey, and coffee. There are also 11 stone processing enterprises in Shiqian, of which five were completed and six were under construction.

10.6 Marble prices

Unlike many commodities, dimension stone prices are based on several variables including production cost, colour, pattern, texture, general appearance, block size, polishability, standard test results and the size of the order. The choice of a marble is subjective and is also likely to change with time, current architectural fashions and availability of particular products. Transactions are almost always by private contract and rarely find their way into the public domain, hence it is not easy to predict prices of individual marbles except by comparison with similar products.

Quarry blocks from the Leishoushan Project will be sold from the quarry gate, and processed marble is sold from the Processing Plant. Transportation costs are borne by the purchasers. Approximately 30% of the extracted blocks will be sold directly, and the remaining 70% will be transported to the Processing Plant for processing. According to the FS, the proposed average prices of all three types of marbles are RMB4,275/m^3 for blocks, RMB245/m^2 for slabs and RMB2,750/m^2 for shaped stones respectively, when the Shiqian Project reaches its full production volume of 60,000 m^3 per year in 2020. Lower prices of RMB3,684/m^3 for blocks, RMB232/m^2 for slabs and RMB2,596/m^2 for shaped stones are assumed for products produced during the early stage of the Shiqian Project (2017-2019) when the stones are mined close to the surface which is tended to be affected by weathering, resulting in producing relatively lower quality of stones.

As some of the Carlo Rose and Royal Beige have been processed and evaluated by potential customers, the prices quoted above are likely to be within the range of prices that may be achieved once the Leishoushan Project is in full production and contracts have been negotiated. Checks of advertised prices for similar coloured marbles on the international market confirm that, whilst prices advertised for dimension stone vary a great deal due to the nature and quality of the stone being advertised, the prices above are generally within the range of the prices for which they may be traded.

Sales contracts, including three One-off Sales Contracts for the sales of marble blocks, nine Framework Sales Contracts for the sales of marble blocks, marble slabs and shaped stones and three individual sales contracts for the sales of marble slabs and shaped stones pursuant to the Framework Sales Contracts have been provided to SRK. The Framework Sales Contracts are for a term ranging from two years and three months to three and a half years. Such term is subject to automatic renewal for another term of two years upon expiry of their existing term. The price ranges are RMB3,000/m^3 to RMB5,500/m^3 for marble blocks, RMB 200/m^2 to RMB290/m^2 for marble slabs and RMB2,200/m^2 to RMB2,980/m^2 for shaped stones under the Framework Sales Contracts. The final sales price is subject to the quality of the marble blocks and slabs. Overall, these contracts cover a significant proportion of the production proposed for the periods concerned and the assumed average sales prices quoted in the FS fall favorably within the above price ranges. As of 30 April 2017, a total of 1,500 m^3 marble blocks and 8,500 m^2 of marble slabs have already been delivered to customers. The average sales price was RMB4,260/m^3 for marble blocks and RMB245/m^2 for marble slabs, respectively. In addition, 500 flowerpots were also sold at RMB5,880 each.

The Athens Grey has not yet been processed, hence products made from it have not been tested in the market. Shiqian Investment has conducted a market research on marble products, similar to Athens Grey. The average price of Athens Grey, proposed in the FS falls within the price range of these comparable products.

In China, Chinese marble is usually cheaper than imported products with similar colour, pattern, texture and polish. Comparison with the prices of similar products from domestic suppliers gives a guide to the price that may be achieved for marble from the Leishoushan Project. Approximately 38 m^2 of marble slabs with a thickness of 18 mm or shaped stone products with a total surface area of 10 m^2 can usually be produced from a cubic metre of marble block.

The market study (Frost & Sullivan, 2016) estimated that prices for marble blocks would grow at a rate of 2.7% for red marble, 3.2% for grey and 3.9% for yellow, with an overall growth of 3.3% from 2016 to 2020. Prices for marble slabs were estimated to grow at a rate of 3.5% for red marble, 3.8% for grey and 4.3% for yellow, with an overall growth rate of 3.5%. The study reported that the price of yellow marble slabs is higher than the average and the price of grey is lower than average.

SRK considers that the prices proposed for the marble products from the Leishoushan Project are reasonable compared to advertised prices and those reported by the Company and independent sources. This is supported for the next two to four years by the contracts that have been viewed. In the longer term, there is a risk that forecast prices may not be achieved, especially in an environment of slowing construction industry growth and increasing competition. The Athens Grey marble has not been tested by the market and is only supported by a market research study, hence there is a risk that its estimated price may not be achieved, when Athens Grey begins to be produced in 2021.

11 ENVIRONMENT, PERMITS, AND SOCIAL IMPACTS

11.1 Operational licences and permits

11.1.1 Business licence

The details of the business licence for the Leishoushan Project are presented in Table 11-1.

Table 11-1: Details of the business licence

Business licence no.	Issued to	Issued by	Issue date	Expiry date	Licenced business activities
91520623580665139N	Shiqian Panxing Investment Co., Ltd.	Tongren Municipal Administration of Industry and Commerce	27-Oct-16	30-Mar-46	Marble open pit mining, processing and sales of stone slabs and special-shaped stone.

11.1.2 Mining licence

The details of the mining licence for the Leishoushan Project are presented in Table 11-2.

Table 11-2: Details of the mining licence

Mining licence no.	Issued to	Issued by	Issue date	Expiry date	Area	Mining type	Production rate
					(km^2)		*(m^3/year)*
C5222002015077130138974	Guizhou Province Shiqian County Pingdichang Leishoushan Marble Mine	Tongren City State Land Resources Bureau (銅仁市國土資源局)	13-Jul-15*	15-Oct-22	1.0781	Open pit	60,000

Note: * This mining licence was issued to replace its predecessor issued by the same authority on 15 October 2012.

11.1.3 Safety production permit

The details of the safety production permit for the Leishoushan Project are presented in Table 11-3.

Table 11-3: Details of the safety production permit

Safety production permit no.	Issued to	Issued by	Issue date	Expiry date
(Qian)FM[2016]D00003	Guizhou Province Shiqian County Pingdichang Leishoushan Marble Mine	Tongren City Safety Supervision and Administration Bureau	4-Jan-16	30-Dec-18

11.1.4 Site discharge permit

The details of the site discharge permit for the Leishoushan Project are presented in Table 11-4.

Table 11-4: Details of the site discharge permit

Site discharge permit no.	Issued to	Issued by	Issue date	Expiry date	Pollutant discharge type
2016(0013)	Shiqian Panxing Investment Co., Ltd.*	Shiqian County Environmental Protection Bureau	8-Sep-16	8-Sep-18	Recycling use of water pollutants and zero discharge of air, solid and noise pollution.
2016(0014)	Shiqian Panxing Investment Co., Ltd.*	Shiqian County Environmental Protection Bureau	8-Sep-16	8-Sep-18	Recycling use of water pollutants and zero discharge of air, solid and noise pollution.

11.1.5 Water use permit

SRK has sighted a water use permit for the Project which was issued by Shiqian County Water Bureau on 29 February 2016. The term of validity of this water use permit is five years. During the time of this site visit, the Company reported to SRK that the Leishoushan Project site water and Processing Plant water are sourced from the village's reservoir and local tap water pipeline networks, respectively.

11.1.6 Real estate ownership certificate

The details of the real estate ownership certificate for the Leishoushan Project are presented in Table 11-5.

Table 11-5: Details of the real estate ownership certificate

Certificate No.	Date	Building	Gross Floor Area (sq.m.)
Qian (2017) Shi Qian Xian Bu Dong Chan Quan Di No. 0000024	11-Jan-17	Workshop	10,062.59
Qian (2017) Shi Qian Xian Bu Dong Chan Quan Di No. 0000026	11-Jan-17	Ancillary Office	346.80
Qian (2017) Shi Qian Xian Bu Dong Chan Quan Di No. 0000025	11-Jan-17	Power Distribution Room	28.52

An approval of the temporary use of land, covering 289.17 mu was issued by Shiqian County Land Resources Bureau on 27 December 2016. SRK has sighted the feasibility study for forest use of the Leishoushan Project and a forest use application of the Project. SRK also sighted an administrative penalty for the illegal use of forest land which was issued by Shiqian County Forest Bureau on 14 October 2013. Furthermore, an approval of forest use for the Project, covering 9.8505 ha was issued by Guizhou Province Forest Bureau on 25 May 2016, which was supplemented by an approval granted on 8 March 2017.

11.2 Environmental, Social, Health and Safety ("ESHS") review process, scope, and standards

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

- Chinese national environmental regulatory requirements; and
- Equator Principles (based on the International Finance Corporation's environmental and social standards and guidelines) and internationally recognised environmental management practices.

The site visit for the environmental review was undertaken from 13 to 15 April 2016.

11.3 Status of ESHS approvals and permits

The details of the EIA reports and approvals for the Project are presented in Table 11-6.

Table 11-6: EIA report and approval

Project	Produced by	Production date	Approved by	Approval date
Leishoushan Project	Guangzhou Huanfa Environmental Engineering Co. Ltd	Jul-14	Shiqian County Environmental Protection Bureau	21-Dec-14
Processing Plant	Guizhou Province Transportation Science Institute Co., Ltd.	Sep-16	Shiqian County Environmental Protection Bureau	26-Sep-16

The details of the Final Check and Acceptance ("**FCA**") reports and approvals for the Project are presented in Table 11-7.

Table 11-7: FCA report and approval

Project	Produced by	Production date	Approved by	Approval date
Leishoushan Project	Guizhou Hengjing Detection Service Co., Ltd	13-Sep-2016	Shiqian County Environmental Protection Bureau	29-Sep-16
Processing Plant	Not Required	Not Required	Shiqian County Environmental Protection Bureau	29-Sep-16

The details of the Water and Soil Conservation Plan (WSCP) report and approval for the Project are presented in Table 11-8.

Table 11-8: WSCP report and approval

Project	Produced by	Production date	Approved by	Approval date
Leishoushan Project Processing Plant	Guizhou Xinfazhan Water and Soil Conservation and Ecological Engineering Consulting Co. Ltd	Nov-14	Shiqian County Water Bureau	22-Dec-14

Project	Issued by	Date of issuance	Validity period	Particulars
Leishoushan Project	Shiqian County Water Bureau	21 January 2017	N/A	Permitted to commence marble mining and processing activities

At the time of this site visit, SRK sighted the following safety assessment reports for the Project:

- Safety Final Check Assessment Report for the Shiqian Investment Marble Production Line Project;
- Safety Production Standardisation Assessment Report for the Processing Plant;
- Safety Section of Preliminary Design for the Leishoushan Project; and
- Safety Pre-Assessment Report for the Leishoushan Project.

11.4 Environmental conformance and compliance

SRK notes that the sighted EIA report and approval for the Leishoushan Project site have been compiled in accordance with relevant Chinese laws and regulations. SRK has reviewed the provided EIA reports and approvals and has conducted an environmental site visit in Shiqian County against recognised international industry environmental management standards, guidelines, and practices.

At the time of the site visit, SRK observed that the Leishoushan Project site was generally being developed and/or operated in accordance with the Project's environmental management and approval conditions.

In the following sections, SRK provides comments in respect to the Shiqian Project's proposed environmental management measures.

11.5 Key environmental, social, and health and safety aspects

11.5.1 *Land disturbance*

The main impact on the surrounding ecological environment is disturbance and the potential for contamination caused by surface stripping, waste rock storage, drainage from the Leishoushan Project site and plant, wastewater discharge, explosions, transportation, and construction of associated buildings. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land can become polluted and the land use function changed, causing an increase in land degradation, water loss, and soil erosion.

The Project's EIA report stipulates measures for mitigating the negative impact of water and soil erosion within the mining site and waste rock dump ("**WRD**"). The WSCP report for the Project delineates a total disturbed area of 22.44 ha (equivalent to 224,400 m^2), which comprises the 18.3 ha (equivalent to 183,000 m^2) Leishoushan Project site and 4.14 ha (equivalent to 41,400 m^2) Processing Plant. The Leishoushan Project's WSCP also provides estimates of areas of disturbances for the mining site, industrial site, waste rock dump, haul road. The preventative measures proposed in the WSCP report consist of a drainage ditch, retaining wall, sediment pond, and revegetation.

The disturbed-land estimation of the WSCP report is generally consistent with SRK's observations at the time of this site visit. In addition, no other documented, estimated, and/or currently surveyed areas of land disturbance or rehabilitated areas for any of the Project have been sighted as part of this review.

11.5.2 *Flora and fauna*

The development of mining and mineral processing projects may also result in impacts to or loss of flora and fauna habitat. The Leishoushan Project ESIA should determine the extent and significance of any potential impacts to flora and fauna habitat. Where these potential impacts are determined to be significant, the ESIA should also propose effective measures to reduce and manage them.

A separate biological impact assessment has been conducted within the Leishoushan Project site EIA report for the Project. The EIA indicates that no rare or endangered species were identified in or around the Project site. The EIA states that Project operations will not change the biodiversity of the Project area and provides the measures for managing potential impacts to biodiversity around the Project site. Water and soil erosion are considered by the EIA report to be the most serious biological impacts for the Project.

11.5.3 Water management

The nearest river to the Leishoushan Project site is the Wengla River, which is 4 km east of the Leishoushan Project. The EIA report states that the water used for the Leishoushan Project site is sourced from a creek. However, the aforementioned contract has not been sighted as part of this review. SRK has sighted the on-site water ponds used for fresh water storage. The Processing Plant obtains fresh water from the local tap water network.

The EIA report states that the main production water use is for dust suppression during stripping, mining, and haul road use. The intercepting ditch will be built around the mine site, and the stormwater on site is to be collected and treated by three settling ponds. During this site visit, the Company stated that the stormwater and other production waste water of the Leishoushan Project site was treated by one settling pond and reused for dust suppression on site. SRK has sighted the Leishoushan Project site settling pond, which used to be an abandoned open pit. SRK notes that this management measure is generally consistent with the requirements of the EIA report. At the time of this site visit, SRK did not observe any surface water drainage/flood collection system constructed for the WRD. It is SRK's opinion that the Leishoushan Project site drainage system still has great room for improvement. The EIA report for the Leishoushan Project site states that the domestic waste water will be treated by oil separator, settling pond, and septic system. During the site visit, SRK observed that the production waste water from the Processing Plant was collected and treated by a waste water treatment facility and then reused for production.

11.5.4 Waste rock management

According to the EIA report, the overburden and waste rock generated by the Project have an estimated volume of 154,000 m^3. The topsoil will be stored in the topsoil dump, and the waste rock is to be discharged to the WRD. The EIA report also mentions that the flood drainage system and retaining wall should be constructed for the topsoil dump and WRD. During this site visit, SRK sighted that waste rock was stored in the hillside near the open pit and that there was no topsoil dump on site. The Company stated that the location of a topsoil dump is under consideration and that a retaining wall will be built for the WRD. No WRD design for the Project has been sighted as part of this review. The Company reported that the waste rock generated from the Processing Plant was used by local people for free. No evidence was observed during the site visit of any leaching or acid rock drainage impacts.

11.5.5 *Dust and gas emissions*

The dust emission sources for the Project are mainly open pit mining, loading and unloading, cutting, WRD, and movement of vehicles and mobile equipment. During the time of this site visit, SRK did not observe obvious fugitive dust emissions at the mining site and the open area of the Processing Plant. The EIA report proposes the following site dust management measures:

- water sprinkling for stripping;
- speed limitation of vehicles;
- water sprinkling for wire saw use; and
- haul road maintenance and watering.

It is SRK's opinion that the dust prevention measures mentioned in the EIA report are reasonable. During this site visit, SRK sighted that wet-method operation was adopted at the Processing Plant.

11.5.6 *Noise emissions*

The main sources of noise emissions for the Project are Processing Plant operations (cutting and buffing facilities), blasting, wire saw, circular-disk cutter, crane, air compressor, loader, and vehicles. The EIA report for the Project proposes the following noise management measures:

- use of greenbelt;
- use of flexible connection for pumps;
- use of equipment with low noise emissions; and
- enclosures for noisy equipment.

SRK observed that most of the processing equipment was installed in enclosed rooms. During the time of this site visit, SRK did not note any obvious noise emissions in the open areas of the Processing Plant. The EIA report states that the boundary noise at the Leishoushan Project site is predicted to be within the limits of relevant noise emission standards. No operational noise monitoring report/plan has been sighted as part of this review.

11.5.7 General waste management

The EIA report states that the domestic garbage produced on the Project site is estimated to be 7.5 tpa, which will be collected on site and then treated by a designated garbage disposal station. At the time of this site visit, SRK observed that some domestic garbage was scattered throughout the Leishoushan Project site.

11.5.8 Hazardous materials management

The Company stated that all blasting work is commissioned to a contractor and that there is no explosive magazine on site.

The EIA report classifies waste oil and oily duster cloths used for machinery maintenance work as hazardous materials. The EIA also suggests that all waste oil and oily cloths should be collected in airtight containers and delivered to a qualified company for further treatment. During this site visit, SRK also observed that some adhesives were stored in a separate room of the production workshop.

SRK recommends that collected waste oil be stored with secondary containment, in line with recognised international industry management practices. SRK also recommends that the Company establishes a waste oil management system and that it keep official records of its hazardous materials and registers these records with the environmental protection bureau.

11.5.9 Emergency response plan

The recognised international industry practice for emergency management is for a project to develop and implement an Emergency Response Plan ("**ERP**"). The general elements of an operational ERP are the following:

- administration – policy, purpose, distribution, and definitions of potential site emergencies and organisational resources (including determining roles and responsibilities);
- emergency response areas – command centres, medical stations, gathering points, and evacuation points;
- communication systems – both internal and external communications;
- emergency response procedures – work area-specific procedures (including area-specific training);
- checking and updating – checklists (role and action list and equipment checklist) and regular reviews of the plan; and
- business continuity and contingency – options and processes for business recovery from an emergency.

The EIA report proposes a framework for site emergency response. SRK has sighted Project emergency response plans that have been developed in accordance with Chinese national requirements. The emergency response plans for the Project describe the Project's proposed operational emergency response process for leakage of hazardous materials, fire and explosion, and poisoning, as well as the Project's overall emergency response management.

11.5.10 Occupational health and safety

SRK has reviewed the safety assessment reports, safety management system, and safety operation procedure as provided by the Company, and is of the opinion that the documents cover items that are generally in line with recognised Chinese industry practices and Chinese safety regulations. Operational OHS management systems/procedures for the Project have generally been developed.

The OHS management system and procedures cover basic safety production management for excavation, drilling, cutting, polishing, loading, transportation, equipment maintenance, electro and gas welding. In addition, the safety assessment reports for the Project provide safety management measures including those for open-pit mining, transportation, waste rock dumps, drainage, and electrical management. SRK notes that these proposed safety management measures are the basis for the operational OHS management systems/procedures. During its site visit, SRK observed that:

- safety signs were in place;
- safety provisions and rules were displayed within the work areas;
- moving machinery parts were appropriately guarded;
- guard railings were installed on all gantries; and
- proper personal protection equipment, such as hardhats, was provided and was being used by the workers.

SRK recommends that the workers use earplugs and dust masks during production.

A consent letter, which was issued by Shiqian County Safety Production Supervision Bureau on 13 January 2017, states that there was no recorded safety accident.

11.5.11 *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 (1 May 2009), and the Land Rehabilitation Regulation (2011) issued by the State Council. In summary, these legislative requirements cover the need to conduct land rehabilitation, to prepare a site closure report, and to submit a site closure application for assessment and approval.

The recognised international industry practice for managing site closure and rehabilitation is to develop and implement an operational site closure and rehabilitation planning process and document this through an operational closure and rehabilitation plan. This operational closure planning process generally includes the following components:

- identify all site closure stakeholders (e.g. government, employees, community, etc.);
- undertake stakeholder consultation to develop agreed-upon site closure criteria and post-operational land use;
- maintain records of stakeholder consultation;
- establish a site rehabilitation objective in line with the agreed-upon post-operational land use;
- describe/define the site closure liabilities (determined against agreed-upon closure criteria);
- establish site closure management strategies and cost estimates (to address/reduce site closure liabilities);
- establish a cost estimate and financial accrual process for site closure; and
- describe the post-site-closure monitoring activities/programme (to demonstrate compliance with the rehabilitation objectives/closure criteria).

While this site closure planning process is not specified within the Chinese national requirements for mine closure, the implementation of this process for a Chinese mining project will:

- facilitate achieving compliance with these Chinese national legislative requirements; and
- demonstrate conformance to a recognised international industry management practice.

SRK was provided with the geological environmental protection and recovery plan for the Project, describing the rehabilitation of the site as being undertaken in the following two stages:

- stage 1 (2012 to 2014) – build a drainage system; conduct greening on site; and arrange the geological environment-monitoring location point; and
- stage 2 (2014 to 2019) – conduct collapse-and landslide-prevention engineering; cover bench and slope with soil; conduct greening; and rehabilitate the mine site.

In accordance with related regulations, the Company must deposit the funds into a designated account set up by the local government. SRK has sighted a payment receipt from the bank used for the Project; the payment receipt indicates that RMB560,000 was paid on 3 December 2013.

The rehabilitation plan specifies the measures adopted to recover the soil's functions. SRK notes that the above-proposed approach to rehabilitation of the site is generally in line with the relevant recognised Chinese industry practices.

11.5.12 *Environmental protection and management plan*

The purpose of an operational Environmental Protection and Management Plan ("**EPMP**") is to direct and coordinate the management of the Project's environmental risks. The EPMP documents the establishment, resourcing, and implementation of the Project's environmental management programmes. The site environmental performance should be monitored, and feedback from this monitoring could then be utilised to revise and streamline the implementation of the EPMP.

No such plan has been developed for Project operations covering the above-mentioned components. SRK recommends that as the Project moves toward full operation, the Company develops and implements an operational EPMP – inclusive of a monitoring programme – in line with recognised international practices.

11.5.13 *Social aspects*

The Project is located in Shiqian County, Tongren, Guizhou Province. The general surrounding land of the Leishoushan Project site is farmland and forest. The Processing Plant is situated in an industrial park near Shiqian County.

The main administrative body for the Project is the Guizhou Provincial Government, with some delegation of environmental regulation to the city of Tongren and Shiqian County. According to the provided documentation and Company statement, SRK has not sighted any historical or current non-compliance notices and/or other documented regulatory directives in relation to the development of Project operations. The Company states that there are no natural reserves or significant cultural heritage sites within or surrounding the Project area; and the EIA report also does not report any natural reserves or significant cultural heritage sites within or surrounding the Project.

The Company reported to SRK that the nearest village is Leishoushan Village and that there are about 100 households of the Qilao ethnic group near the mine site. SRK has not sighted as part of this review any historical and/or current community land access/compensation agreements for the development of the Project. No public consultation investigation or assessment report for the Project has been sighted as part of this review. SRK recommends that the Company designs and implements a public consultation and disclosure plan to ensure ongoing community engagement.

The Company reported to SRK that it had helped significantly with the development of the local community. The Company's public welfare programmes are listed as follows:

- donation of RMB100,000 for the drought in Shiqian County in 2011;
- contribution to the building of rural roads at Leishoushan Village in 2011;
- donation of RMB10,000 to the local basketball competition in 2014;
- donation of RMB20,000 to Maolong Festival of Qilao in 2014; and
- donation of RMB250,000 for the flood disaster in Shiqian County in 2014.

During the time of SRK's site visit, the Company stated that there is no documentation in relation to any actual or potential impacts of non-governmental organisations on the sustainability of the Project.

*11.5.14 **Environmental risk assessment***

The sources of inherent environmental and social risks are Project activities that may result in potential environmental and social impacts. These Project activities have previously been described within this Report.

The significant inherent environmental and social risks for the Project are the following:

- water management (i.e. stormwater/surface water drainage, including any mine dewatering);
- waste rock management; and
- social aspects (i.e. resettlement).

The above inherent environmental risks are categorised as medium/low risks (i.e. requiring risk management measures).

12 CONCLUSION

The Project comprises the Leishoushan Project and the Processing Plant. The Leishoushan Project is in the development stage and comprises three test pits, roads, and other supporting facilities and the Processing Plant which is in the commissioning stage. SRK considers that the current marble Reserve of 2.23 Mm^3 can support a LoM of 40 years at an annual production volume of up to 60,000 m^3. Having reviewed the FS prepared by Suzhou Sinoma and information provided by Shiqian Investment, it is SRK's opinion that the Shiqian Project is technically and economically viable.

13 RISK ASSESSMENT

SRK has undertaken a risk assessment and provided a qualitative assessment of the probability and consequence of each specific risk identified for the Shiqian Project. SRK has adopted a 5 × 5 matrix as a measure of the Project risk (Table 13-1). The risk assessment and recommendations together with a risk rating are presented in Table 13-2.

Table 13-1: Risk assessment probability

CONSEQUENCE	PROBABILITY				
	A	B	C	D	E
1	1	2	4	7	11
2	3	5	8	12	16
3	6	9	13	17	20
4	10	14	18	21	23
5	15	19	22	24	25

HIGH 1-6
MEDIUM 7-15
LOW 16-25

Probability	**Consequence**
A Common	1 Catastrophic loss
B Has happened	2 Major disruption/impediment
C Could happen	3 Moderate disruption/impediment
D Not likely	4 Minor disruption/impediment
E Practically impossible	5 No lasting effect

Table 13-2: Risk assessment and control recommendations

Factor	Potential risk	Control recommendation	Residual risk rating
Jointing	Joints closer than expected resulting in reduction in block yield	Maintain records of jointing and have provisions to modify extraction plan to ensure maximisation of block size and yield. A small number of inclined drill holes may be necessary to investigate sub-vertical jointing at depth.	18 low
Karst and weathering effects	Karst and weathering effects greater than expected, resulting in reduction in block yield	Maintain records (mapping) of karst and have provisions to modify extraction plan to ensure maximisation of block size and yield.	18 low
Colour and texture	More variation in colour and texture than anticipated, resulting in reduction in block yield and price	Maintain records of colour and texture, consider marketability of different products, and use selective mining to produce a range of products.	21 low
Physical properties	Quality lower than indicated in tests, resulting in reduction in block prices	Maintain a programme of quality control testing and documentation of extracted material during quarrying. Identify a range of buyers for different products. Modify mine plan if necessary.	21 low

Factor	Potential risk	Control recommendation	Residual risk rating
Geotechnical conditions	Geotechnical conditions worse than anticipated, resulting in: • Greater potential for injury/death • Reduction in block yield • Lower production rate	Conduct a more detailed geotechnical analysis to identify and address potential issues. Modify mine plan if necessary. Ensure good mining practices are implemented.	17 low
Mine plan/ management	Failure to meet production targets	Ensure adequate planning and supervision to ensure maximum efficiency. Identify issues that may cause delays and address them.	17 low
Operating cost/ Capital cost	Reduced profit margins	Identify inefficiencies, source appropriate equipment and consumables, ensure workforce is appropriately trained.	21 low
Hydrological conditions	Siltation and/or contamination of drainage Increase of pH in natural drainage Exhaustion of water supply	Conduct an additional hydrogeological analysis to identify and address potential issues.	23 low

Factor	Potential risk	Control recommendation	Residual risk rating
Waste rock management	Insufficient on-site storage space	An alternative waste rock disposal plan should be developed well before storage space is full.	17 low
Land disturbance, and site rehabilitation and site closure requirements	Impact on local flora and fauna Lead to soil erosion Destruction of the ecological system	Survey and record the operational areas of land prior to mining and use data as land is progressively rehabilitated for the Project.	21 low
Water management	Pollution of the surface water and/or groundwater Impact on local water supply	Ensure water management is carried out according to the Mine Plan. Carry out additional work as necessary. Establish a fully functioning water monitoring report/planned programme.	21 low
Dust and noise emission	Fugitive dust and noise pollution	Use covered trucks for waste rock transportation Use water truck to suppress dust as required Develop an operational noise monitoring programme	21 low

Factor	Potential risk	Control recommendation	Residual risk rating
OHS procedures	Greater potential for injury/death due to substandard OHS procedures Loss of productivity	Ensure staff are adequately trained. Implement site hazard audit and monitoring programme, identify major hazards, implement risk controls.	18 low
Transportation costs	Transportation cost is borne by buyers, but increase in transport cost will reduce interest from potential buyers to purchase products from the Company, which in in turn will result in a reduction in profit.	Continue to seek additional markets. Monitor transport options.	17 low
Markets	Anticipated market prices not achieved, in particular the Athens Grey marble which is scheduled to be produced in 2021. Sales growth not as fast as anticipated Increased competition from new quarries	Establish and implement a marketing plan to optimise product range and target diverse markets. Modify production rate, actively seek new markets, establish long term contracts. Markets and prices be monitored to ensure that prices received are maximised and all the products of the Leishoushan Project are sold.	9 medium

The risks identified for the Project have been rated as low to medium. It is the opinion of SRK that the above risks can be managed if detailed risk assessments and control procedures are implemented, actions specified in the Company Responses of this prospectus are carried out, and Chinese standards and regulatory requirements are followed.

Project Number: SPI002

Report Title: Independent Technical Report on the Shiqian Project

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Appendices

Appendix A: JORC Code, 2012 Edition – Table 1

SECTION 1: SAMPLING TECHNIQUES AND DATA

Criteria	Commentary
Sampling techniques	• The deposit was sampled using vertical diamond holes (DD) on a nominal 150 m × 120 m grid. A total of 32 DD holes were drilled for 2,742.89 m. • The collars were measured by RTK GPS. • Sampling was carried out under standard dimension stone industry practice, as well as the Chinese exploration standards. • Representative intervals of the cores were sampled for whole rock major elements, bulk density, water absorption, compressive and flexural strength, abrasion resistance, gloss, shore hardness, acid and alkali resistance and radioactivity. • The determination of the marketability is based on colour, pattern, texture, colour variability, lamination, etc., but these characteristics are not easy to measure objectively. The choice of a marble by consumers is also subjective and subject to change over time. Issues of appearance are critical to the choice of dimension stone and often override objective measures such as strength, hardness, polish, chemical composition, etc.
Drilling techniques	• All drill holes were diamond holes. For the surface drill hole, wireline drilling was used with a HQ core to penetrate the weathering and an NQ core for the remainder of the run. Hole depths ranged from 50.45 m to 149.90 m. The downhole survey was measured every 50 m.
Drill sample recovery	• Diamond core recoveries were logged and recorded in the database. Recoveries range from 80.4% to 93.8% with an average of 88.0%.
Logging	• Geotechnical logging includes weathering, RQD, break type and scale, and filled materials. • Structural logging consists of break type and axis angle. • Geological logging comprises mineralogy, weathering, texture, structural features and colour. • Core was photographed in both dry and wet forms.

Criteria	Commentary
Sub-sampling techniques and sample preparation	• A core saw was used to cut core into intervals in accordance with the different physical test requirements. • Samples for bulk density, compressive and flexural strength and water absorption tests were collected every 10 m in accordance with standard dimension stone industry practice and specifications. • Samples for other physical tests including shore hardness, freeze-thaw resistance, acid resistance, alkali resistance and soundness were sampled at a frequency of one sample per unit in each hole. • Due to the original sampling of entire core, each "duplicate" sample was taken from immediately below the original sample. • No certified reference materials or blanks were inserted in the sample batches for whole rock assay. The assays were for semi-quantitative purposes and were not used in the Resource estimate. • The sample sizes are considered appropriate to correctly represent the nature of the marble units, the style of mineralisation, the thickness and consistency of the intersections.
Quality of assay data and laboratory tests	• The analytical technique for major element assay is XRF. Other physical tests undertaken include bulk density, compressive strength, tensile strength, water absorption, shore hardness, freeze-thaw resistance, acid and alkali resistance and soundness, as well as radioactivity. These physical tests were conducted in accordance with Chinese dimension stone standard at the Gansu Geological Team laboratory. Radioactivity analysis was undertaken at an Independent research institute, located in Shaanxi Province. • No certified reference materials or blanks were inserted in the sample batches for assay. Blanks are not required for physical tests. The chemical analyses do not require any references or blanks for dimension stone purposes except those used for internal laboratory quality control.

Criteria	Commentary
	• Each "duplicate" sample was taken from immediately below the original sample. An approximate 11% of all samples tested for bulk density, water absorption, compressive and flexural strength were selected for laboratory "duplicate" testing. • An inter-laboratory check was undertaken at the Laboratory of Shaanxi Team of the Chinese Building Materials Centre Geological Exploration. These samples were taken immediately below the original samples. • Both the "duplicate" and inter-laboratory check samples are considered acceptable.
Verification of sampling and assaying	• During the drilling and sampling, SRK visited the site to ensure the data collected can be used for Resource estimation according to the JORC Code. • SRK had visited the laboratory of Gansu Geological Team, and had confidence in the sampling preparation procedure and testing quality. • No twinned holes were drilled. • Primary logging data were recorded on paper and later transferred to a set of standard Excel spreadsheets. Assay and other physical test data were provided to SRK as Excel spreadsheets, supplemented with laboratory test result certificates. • No adjustments or calibrations were made to any assay or physical test data in this estimate.
Location of data points	• Drill hole collars were surveyed by RTK GPS method and down-hole survey was undertaken every 50 m. The topography was surveyed at 1:2,000 scale. The test pits were surveyed at 1:500 scale. • – Datum: Xi'an 1980 • – Projection: Xi'an 80 Gauss Kruger zone 36 • – Height datum: 1985 national elevation datum (China)

Criteria	Commentary
	• The topographic survey was conducted at a scale of 1:2,000 using RTK GPS points and seven control points within the proposed mining area. The survey is considered to be adequate. • Drill collars were surveyed by RTK GPS. • The mined-out areas were also surveyed by RTK GPS.
Data spacing and distribution	• The nominal drill spacing is 150 m by 120 m. • The marble units have demonstrated sufficient geological continuity to support the definition of Mineral Resources and Ore Reserves, and the classifications applied under the 2012 JORC Code. • No sample compositing has been applied.
Orientation of data in relation to geological structure	• All drill holes were sub-vertical. • The orientation of the drilling is sub-vertical and provides unbiased sampling of horizontal and angled structures; however, it does not provide sufficient information on vertical jointing. To supplement the available drill hole data on sub-vertical jointing, a series of outcrop scans (short traverses) and mapping at the test pits were carried out and the data analysed.
Sample security	• The labelled test samples were collected and sent to the laboratory by the geologist of Gansu Geological Team, during the drilling exploration. • The remaining drill core was stored in the mine site shed and well-kept in labelled trays.
Audits or reviews	• A review of the sampling techniques and data was carried out by SRK as part of the Resource estimate and the database is considered to be sufficient quality to carry out Resource estimation. • A review of sampling techniques and data was carried out by SRK during the process of preparing an Independent Technical Report.

SECTION 2: REPORTING OF EXPLORATION RESULTS

Criteria	Commentary
Mineral tenement and land tenure status	• A Mining Licence was issued to Shiqian Investment by Department of Land Resources of Tongren City on 13 July 2015 and is valid until 15 October 2022. The Mining Licence is 100% owned by Shiqian Panxing Investment Co., Ltd.*. • No security, legal or environmental issues regarding the mining licence have been noted.
Exploration done by other parties	• There is only limited historical exploration within the Leishoushan Project tenement area. • Geological prospecting was conducted by Tianchen Dikuang Technology Consulting Company in 2012. • The first systematic exploration over the area was carried out by Gansu Geological Team and the results are reported in "Marble Mineral Resources/Ore Reserves Verification for Facing Stone, in Leishoushan mine, Pingdichang Township, Shiqian County, Guizhou Province" dated March 2016.
Geology	• The stratigraphy of the area is represented by the Middle Member of the Lower Triassic Yelang Formation. The Middle Member of the Yelang Formation is further divided into four beds. These beds are represented by very-fine to fine grained marmorised crystalline limestone. • The area is dominated by a monoclinic structure, dipping gently to the southeast.
Drill hole Information	• A total of 32 diamond drill holes were drilled, totalling 2742.89 m. The details of these drill holes are presented in this Report, dated 30 April 2017.
Data aggregation methods	• Weighting averaging techniques were not applied. • Metal equivalent values are not applicable to dimension stone.

Criteria	Commentary
Relationship between mineralisation on widths and intercept lengths	• The vertical drilling has adequately intersected and tested the mineralisation which has a shallow dip.
Diagrams	• Appropriate maps and sections were viewed, and reported in this Report, dated 30 April 2017.
Balanced reporting	• Reporting is fully representative of the data.
Other substantive exploration data	• Joint mapping and block yield estimation have been undertaken in the test pits as referenced in this Report, dated 30 April 2017.
Further work	• No further work is planned as at 30 April 2017.

SECTION 3: ESTIMATION AND REPORTING OF MINERAL RESOURCES

Criteria	Commentary
Database integrity	• Drill cores were logged on paper and later entered into Excel spreadsheets. Data transfer is electronic via e-mail. • The data were compiled in an electronic database. • Validation checks were carried out using Leapfrog 3D modelling software to identify potential overlapping entries.
Site visits	• SRK's team undertook site visits in September, October and December 2015, April 2016, and February and July 2017. • The details of Independent Technical Consultants for the Ore Reserves are as follows: • During the visit, notes and photos of the proposed mine site, outcrop, drilling activities, three test pits and Processing Plant were taken and discussions held with the senior management, geologists and mining and processing engineers of Shiqian Investment.
Geological interpretation	• The confidence in the geological interpretation is considered good as the deposit is controlled by a simple syncline. • Geological mapping and drill hole logging results were used to define the stratigraphic boundaries. • A narrow fault zone (F1) was mapped, which might have influence on the volumetric resource estimate. This factor has been addressed via the resource estimation and classification process applied. • The topsoil and overburden were also modelled.
Dimensions	• The marble Resource has dimensions of 1,200 m (northeast-southwest direction) and 870 m (northwest-southeast direction). The upper and lower limits are between 810 mASL and 980 mASL.

Criteria	Commentary
Estimation and modelling techniques	• Volumetric models were created by Leapfrog, a 3D modelling software, using geological mapping and drilling results. The modelling procedures include import of the compiled drill hole database together with the geological and topographic maps into Leapfrog. Wireframes were constructed from the drill hole and the fault trace was digitised and later converted to solid wireframes according the mapping and drilling results. A surface corresponding to the weathered/fresh interface was also modelled to the logged position on the drill holes. The current test pits were modelled based on the topographic survey. The models were clipped to the mining licence boundary and topography. • No by-products have been taken into account in the resource and reserve estimates. • No deleterious elements or minerals or other non-grade variables of economic significance were detected. • No block model was created. • No selective mining units were assumed. • Correlation between variables is not applicable to marble dimension stone. • The geology of the project area is dominated by the Pingdichang syncline. The geological mapping results (bedding and geological contacts) were used to define the stratigraphic boundaries and hence to determine the geometry of the marble units. • Grade cutting or capping is not applicable to marble dimension stone. • No geostatistical analysis was undertaken as it is not applicable to marble dimension stone.
Moisture	• The Resource is reported as a volume hence the moisture content is not relevant to the resource estimate.
Cut-off parameters	• Cut-off parameters are not applicable to dimension stone.
Mining factors or assumptions	• The diamond wire saw method was selected in the FS to mine the marble Resources. The operations cycle is composed of primary cuts, secondary cuts, toppling and final block production. The ore loss was assumed as 10% during the mining and transportation. The mining bench was 5 m high, and two or three benches would be in operation at the same time.

Criteria	Commentary
Metallurgical factors or assumptions	• Not applicable to marble dimension stone.
Environmental factors or assumptions	• An EIA report approval has been issued by the relevant authority and has been taken into account in the current marble Resource estimate.
Bulk density	• Bulk density is not applicable to this Resource estimate as only a volumetric estimate was made.
Classification	• The Resource classification is based on good confidence in the geology, pattern and colour continuity, along with 150 m by 120 m spaced drill hole density. The proximity to the drill holes and data quality was used during the classification process. Joint pattern and spacing has been taken into account of the classification.
	• The input data, including geological mapping and drill hole data are comprehensive in their coverage of the mineralisation. Uncertainties relating to the joint pattern and spacing have been taken into account for the classification.
	• The Marble Resource estimate appropriately reflects the view of the Independent Technical Consultant.
	• Indicated and Inferred Resources were classified at a spacing of 150 m (strike) × 120 m (down-dip) and 300 m (strike) and 240 m (down-slip) respectively.
Audits or reviews	• This is the first Resource estimate completed under the guidelines of the JORC Code (2012) for this deposit. No audits or reviews of this Mineral Resource Estimate are known to have occurred.
Discussion of relative accuracy/confidence	• The Independent Technical Consultants' opinion of relative accuracy and confidence in the Mineral Resource estimate is adequately expressed by the classification categories applied.
	• The Mineral Resource statement relates to global volumetric estimates.
	• Production block yields have been used in preparation of the Mineral Resource estimate.

SECTION 4: ESTIMATION AND REPORTING OF ORE RESERVES

Criteria	Commentary
Mineral Resource estimate for conversion to Ore Reserves	• The Ore Reserve estimate was based on the Mineral Resource models developed by the SRK team, and excluded Inferred Resources. • The Ore Reserves are reported inclusive of Mineral Resources. • The Ore Reserve estimate is derived from the pit design parameters set out in the FS.
Site visits	• SRK's team undertook site visits in September, October and December 2015, April 2016 and February and July 2017. • The details of Independent Technical Consultants for the Ore Reserves are as follows: • During the visit, notes and photos of the proposed mine site, outcrop, drilling activities, three test pits and Processing Plant were taken and discussions held with the senior management, geologists and mining and processing engineers of Shiqian Investment.
Study Status	• A FS report for the Project dated June 2016 was compiled by Suzhou Sinoma and reviewed by SRK. • Mining and Processing Plant production data have been collected, and reviewed by SRK.
Cut-off parameters	• For dimension stone, the following parameters are considered appropriate: • From the test-work conducted we have determined that the whole of the Reserves is of marketable or of processable quality. Stone not of marketable or processable quality was excluded from the estimate. • An average 31.1% block yield has been estimated.

Criteria	Commentary
Mining factors or assumptions	• The conversion of Resources to Reserves is based on the pit design set out in the FS. • The final product at mine gate is marble blocks. • The pit is a conventional side hill open pit with adequate benches for movement of machinery and safe access. • The marble will be cut, separated and reshaped by diamond wire saw as blocks that will be loaded by forklift and hauled by flatbed truck. • The following factors have been taken into consideration: 31.1% block yield, 5% handling loss and 5% loss during transportation.
Metallurgical factors or assumptions	• Test work including bulk density, compressive and tensile strength, water absorption, glossiness and abrasion resistance has been carried out on marble samples. The results of these tests indicate that the marble meets Chinese standard specifications for marble dimension stone.
Environmental	• The EIA approvals for the mine site and processing plant have been issued by the relevant authority. The final checking and acceptance approvals for both the mine and Processing Plant have been sighted. • The water and soil conservation documentation and approval for the Processing Plant have been sighted.
Infrastructure	• Water is supplied to the mine site from by pipe from a spring in a village 3 km from the mine site. • The mine site has a 400 kVA transformer, connected to a state-owned power grid. The total power is planned to increase to a total of 1,200 kVA. • The Processing Plant is supplied with water from the domestic supply network. 90% of the water for the Processing Plant is sourced from the plant's recirculation system.

Criteria	Commentary
	• The Processing Plant has been connected to a state-owned power grid. The current 400 kVA power capacity is planned to increase to a total of 5,400 kVA.
Costs	• The FS has provided a baseline for the capital cost, which has been updated by Shiqian Investment's financial team. SRK has reviewed the detailed breakdown of the operating cost and considers that the estimate is reasonable and is of a similar order of magnitude as other comparable dimension stone projects in China.
	• Price forecasts for the beige and pink marble are based on evaluations of similar products. The grey marble has not been produced or market tested, but the price estimated in the FS is considered reasonable.
	• There are several royalties payable on the marble, including a resource tax of 3% of sales revenue; an education levy and a city maintenance and construction levy.
Revenue factors	• Revenue forecasts were based on sale of marble blocks from the mine and processed marble products from the Processing Plant.
	• Price forecasts for the beige and pink marble are based on sales of products from the evaluation of similar products and sales contracts. The grey marble has not been produced or market tested, but the price estimated in the FS is considered reasonable.
Market assessment	• The demand and supply for marble are linked to activity in the construction industry and are also influenced by the subjective choices of building developers. As far as can be determined from the available information, the potential market for the Leishoushan marble is considered adequate. The best approach to market fluctuations will be to modify the rate of production.
	• Forecast prices are based on comparison with similar products.

Criteria	Commentary
Economic	• The capital cost/operating cost forecasts were based on the FS, updated by Shiqian Investment's financial team, and reviewed by SRK as being reasonable. • The prices for marble for the beige and pink marbles are based on evaluations of similar products and sales contracts. The estimated price of grey marble in the FS is considered reasonable. • The analysis shows that the after-tax (25% corporate income tax) NPV, at a discount rate of 10%, is estimated at RMB1,813 million as at 30 April 2017 assuming a variation of 0% in the relevant parameters considered . The positive NPV suggests the Reserve defined is economically viable.
Social	• The general surrounding land of the mine site is cultivated land and forest. The Processing Plant is located in an industrial park. An approval of the temporary use of land and a land use permit have been sighted as part of this review.
Other	• A risk assessment is included in the SRK Report dated 30 April 2017.
Classification	• The Probable Ore Reserves were based on Indicated Resources. The classification is further supported by the feasibility study, pre-commissioning records and data provided by Shiqian Investment.
Audits or reviews	• No external audits of the Ore Reserves have been undertaken. SRK has completed an internal audit review as part of the Ore Reserve derivation process.
Discussion of relative accuracy/confidence	• All mining estimates are based on the FS, pre-commissioning records and forecasts made by Shiqian Investment. • There are no unforeseen Modifying Factors at the time of this statement that will have a material impact on the Ore Reserve estimates. • Where practical and possible, current industry practices have been used to quantify estimations made.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 March 2016 under the Cayman Islands Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 6 October 2017. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Islands Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Islands Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Islands Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Islands Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Islands Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Islands Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Islands Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Islands Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Islands Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Islands Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Islands Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Islands Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 30 March 2016 subject to the Cayman Islands Companies Law. Certain provisions of Cayman Islands Companies Law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Islands Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Islands Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Islands Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Islands Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Islands Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as at necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as at specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 17 May 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Islands Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as at present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Islands Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 30 March 2016.

Our Company has been registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 6 February 2017 and its principal place of business in Hong Kong is at 22nd Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Wong Chi Wah, our company secretary, who resides at Flat A, 9/F, Block 12, Costa Del Sol, Laguna Verde, Hung Hom, Kowloon, Hong Kong has been appointed as our authorised representative for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to the Cayman Islands law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of the Cayman Islands Companies Law is set out in Appendix V to this prospectus.

2. Changes in the share capital of our Company

(a) Authorised share capital

(i) As at the date of incorporation of our Company on 30 March 2016, our authorised share capital was US$50,000 divided into 50,000 shares of US$1.00 each.

(ii) On the date of its incorporation, one share of our Company was allotted and issued at par, credited as fully paid, to the initial subscriber Sertus Nominees (Cayman) Limited, which was subsequently transferred to Xinghui Development on 30 March 2016. On the same day, 44,999 shares, 2,500 shares and 2,500 shares of our Company were further allotted and issued at par, credited as fully paid, to each of Xinghui Development, Panxing Development and Xingjin Development, respectively.

(iii) On 6 October 2017, each issued and unissued share of US$1.00 in the share capital of our Company was subdivided into 100 shares of US$0.01 each. As a result of the share subdivision, the authorised share capital of our Company was US$50,000 divided into 5,000,000 Shares of US$0.01 each. On 6 October 2017, the authorised share capital of our Company was increased from US$50,000 divided into 5,000,000 Shares of US$0.01 each to US$24,000,000 divided into 2,400,000,000 Shares of US$0.01 each pursuant to the written resolutions of our Shareholders passed on 6 October 2017, as set out below.

(iv) Immediately following the completion of the Capitalisation Issue and the Global Offering but taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme, the issued share capital of our Company will be US$15,600,000 divided into 1,560,000,000 Shares, all fully paid or credited as fully paid, and 840,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which have been or may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs headed "Resolutions in writing of our Shareholders passed on 6 October 2017" and "Group reorganisation" of this appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on 6 October 2017

Written resolutions were passed by our Shareholders on 6 October 2017 pursuant to which, among other matters:

(a) our Company approved and adopted the Articles of Association and Memorandum of Association with effect from the Listing Date;

(b) subdivision of each issued and unissued share of US$1.00 in the share capital of our Company into 100 Shares of US$0.01 each was approved. As a result of the Share subdivision, the authorised share capital of our Company shall be US$50,000 divided into 5,000,000 Shares of US$0.01 each;

(c) the authorised share capital of our Company was increased from US$50,000 to US$24,000,000 by the creation of further 2,395,000,000 Shares of US$0.01 each;

(d) conditional on (aa) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates or may be specified in the Underwriting Agreements:

(i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue of the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 13 of this appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at our Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise US$11,650,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,165,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on the date prior to the Listing Date (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank pari passu in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate number of Shares of not exceeding the sum of (aa) 20% of the aggregate number of issued Shares immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate number of such Shares which may be repurchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Cayman Islands Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate number of Shares not exceeding 10% of the aggregate number of issued Shares immediately following the completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the number of Shares which may be purchased or repurchased pursuant to paragraph (v) above;

(e) our Company approved the form and substance of each of the service contracts made between each of our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with our Company.

4. Group reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. For more details regarding the Reorganisation, please refer to section headed "History, development and Reorganisation — Reorganisation" in this prospectus.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are set out under the financial statement in the accountants' report as included in Appendix I to this prospectus.

Save as disclosed in the section headed "History, development and Reorganisation" in this prospectus, there has not been any changes in the share capital to any of our subsidiaries within the two years preceding to the date of this prospectus.

6. Securities repurchase mandate

Restriction on share repurchase

The Listing Rules permits companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by our Shareholders on 6 October 2017, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate number of issued Shares immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Cayman Islands Companies Law or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Cayman Islands Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Islands Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Cayman Islands Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 1,560,000,000 Shares in issue immediately after the Listing (but taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme), would result in up to 156,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates has a present intention, in the event that the Repurchase Mandate is approved by our Shareholders, to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so in the event that our Company is authorised to make purchases of Shares.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the debt-equity conversion agreement (債權轉股權協議書) dated 10 May 2016 entered into between Shiqian Investment and Fujian Panxing in relation to the conversion of the loan of RMB2,425,000 due to Fujian Panxing by Shiqian Investment into equity;

(b) the debt-equity conversion agreement (債權轉股權協議書) dated 10 May 2016 entered into between Shiqian Investment and Mr. Lin in relation to the conversion of the loan of RMB28,925,000 due to Mr. Lin by Shiqian Investment into equity;

(c) the Shiqian Panxing Investment Co., Ltd. equity transfer agreement (石阡盤興投資有限公司股權轉讓協議) dated 17 October 2016 entered into between Flying Mining and Mr. Lin in relation to the transfer of 90% equity interest in Shiqian Investment from Mr. Lin to Flying Mining at the consideration of RMB45 million;

(d) the Shiqian Panxing Investment Co., Ltd. equity transfer agreement (石阡盤興投資有限公司股權轉讓協議) dated 17 October 2016 entered into between Flying Mining and Fujian Panxing in relation to the transfer of 5% equity interest in Shiqian Investment from Fujian Panxing to Flying Mining at the consideration of RMB2.5 million;

(e) the Shiqian Panxing Investment Co., Ltd. equity transfer agreement (石阡盤興投資有限公司股權轉讓協議) dated 17 October 2016 entered into between Flying Mining and Mr. Lai in relation to the transfer of 5% equity interest in Shiqian Investment from Mr. Lai to Flying Mining at the consideration of RMB2.5 million;

(f) the Deed of Indemnity;

(g) the Deed of Non-competition; and

(h) the Hong Kong Underwriting Agreement.

8. Intellectual property rights

(a) Trademarks

(i) As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following material trademarks:

Trademark	Place of registration	Registration number	Class(es)	Registration date	Expiry date	Name of registered Proprietor
	Hong Kong	303828529	19, 35	6 July 2016	5 July 2026	Shiqian Investment
	Hong Kong	304029697	19, 35, 37	23 January 2017	22 January 2027	Our Company
翔辉矿业 FLYING MINING	Hong Kong	304083282	19, 35	21 March 2017	20 March 2027	Shiqian Investment
	Hong Kong	304083291	19, 35	21 March 2017	20 March 2027	Shiqian Investment

(ii) As at the Latest Practicable Date, our Group had applied for registration of the following trademarks:

Trademark	Place of registration	Class(es)	Application number	Application date	Applicant
	PRC	19	20897413	5 August 2016	Shiqian Investment
	PRC	35	21880807	11 November 2016	Shiqian Investment
	PRC	37	21880960	11 November 2016	Shiqian Investment
	PRC	19	21880673	11 November 2016	Shiqian Investment

(b) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following material registered domain names:

Name of registered proprietor	Domain name	Date of registration	Expiry date
Shiqian Investment	flyingmining.com	18 April 2017	18 April 2020
Shiqian Investment	shiqianpanxing.com	18 April 2017	18 April 2020
Shiqian Investment	石阡盘兴.com	18 April 2017	18 April 2020
Shiqian Investment	翔辉矿业.com	18 April 2017	18 April 2020
Shiqian Investment	pxmining.com	26 July 2016	26 July 2018
Shiqian Investment	sqpanxing.cn	10 November 2015	10 November 2018
Shiqian Investment	sqpanxing.com	10 November 2015	10 November 2018
Shiqian Investment	sqpanxing.com.cn	10 November 2015	10 November 2018

The contents of the website(s) do not form part of this prospectus. Except as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are or may be material in relation to the business of our Group.

9. Related party transactions

For details of the related party transactions of our Group entered into within two years immediately preceding the date of this prospectus, please refer to the accountants' report set out in Appendix I to this prospectus.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

10. Directors

(a) Disclosure of interests of our Directors

(i) Mr. Lin is interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph 7 of this Appendix.

(ii) Save as disclosed in this prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing on the Listing Date, until terminated by enter party giving not less than three months' notice in writing to the other. Each of our executive Directors is entitled to their respective basic remuneration set out below.

The current basic annual remuneration payable by our Group to each of our executive Directors is as follows:

Name	*(RMB)*
Mr. Lin	1,200,000
Mr. Luo Jinjun	360,000

Independent Non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company for a term of three years commencing on Listing Date, until terminated by either party giving not less than three months' notice in writing to the other. Each of the independent non-executive Directors is entitled to a director's fee of RMB120,000 per annum. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors remuneration

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the three financial years ended 31 December 2016 and the four months ended 30 April 2017 were nil, nil, RMB72,000 and RMB27,000, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2017 are expected to be approximately RMB987,000.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 December 2016 and the four months ended 30 April 2017 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to any emoluments for the three years ended 31 December 2016 and the four months ended 30 April 2017.

(d) Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Our Company

Director	**Nature of interest**	**Number of Shares held(1)**	**Approximate percentage of shareholding in our Company**
Mr. Lin	Interest in a controlled corporation(2)	1,053,000,000 Shares (L)	67.5%

Notes:

(1) The letter "L" denotes our Directors' long position in our Shares.

(2) Our Company will be held as to approximately 67.5% by Xinghui Development immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme). Xinghui Development is held as to 100% by Mr. Lin.

Associated corporations

Director	Name of associated corporation	Nature of interest	Number of shares held	Approximate percentage of shareholding in our Company
Mr. Lin	Xinghui Development	Beneficial Owner	50,000 shares	100%

11. Substantial shareholders

So far as is known to our Directors, immediately following completion of the Capitalisation Issue and the Global Offering (without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executive) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the issued voting shares of any other members of our Group:

Our Company

Shareholders	Nature of interest	Number of Shares held(1)	Approximate percentage of shareholding in our Company
Xinghui Development(2)	Beneficial Owner	1,053,000,000 Shares (L)	67.5%
Ms. Lin Jing(3)	Interest of Spouse	1,053,000,000 Shares (L)	67.5%

Notes:

(1) The letter "L" denotes our Directors' long position in our Shares.

(2) Our Company will be directly held as to approximately 67.5% by Xinghui Development immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into any account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme). Xinghui Development is held as to 100% by Mr. Lin.

(3) Ms. Lin Jing (林靜女士) is the spouse of Mr. Lin. Under SFO, Ms. Lin Jing is deemed to be interested in the Shares held by Mr. Lin.

12. Disclaimers

Save as disclosed in this prospectus and as at the Latest Practicable Date:

(a) our Directors are not aware of any other person (not being a Director or the chief executive of our Company) who will, immediately following the completion of the Capitalisation Issue and the Global Offering, have interests and/or short positions in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the issued voting shares of any members of our Group;

(b) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company, our subsidiary or any of the associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in the paragraph headed "21. Consents of experts" in this section was interested, directly or indirectly, in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or were proposed to be acquired or disposed of by or leased to our Company or any member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in the paragraph headed "21. Consents of experts" in this section was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant to the business of our Group taken as a whole;

(e) save in connection with the Underwriting Agreements, none of the experts referred to in the paragraph headed "21. Consents of experts" in this section;

    (i) is interested legally or beneficially in any securities of any member of our Group; or

    (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or their respective close associates nor, to the knowledge of our Directors, any Shareholders who held more than 5% of the total Shares as at the Latest Practicable Date had any interest in the five largest customers or the five largest suppliers of our Company.

OTHER INFORMATION

13. Share option scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 6 October 2017. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons ("**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:

(aa) contribution to the development and performance of our Group;

(bb) quality of work performed for our Group;

(cc) initiative and commitment in performing his duties; and

(dd) length of service or contribution to our Group.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer for grant of an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee share certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of shares

The maximum number of Shares which may be issued upon exercise of all option to be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (but taking account of any Shares which may be issued under the exercise of the Over-allotment Option), being 156,000,000 Shares (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue (the "**New Scheme Limit**") as at the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled (the "**Cancelled Shares**") to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the notice given by the grantee in respect of the exercise of the option; and (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the approval of our independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of options

A grant of options may not be made after inside information has come to our Company's knowledge until such information has been announced pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or any other interim period (whether or not required under the Listing Rules);

and ending on the date of actual publication of the results announcement.

(i) Rights are personal to grantee

An option is personal to the grantee. No grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing by a grantee shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the share option scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of our Company (the "**Adoption Date**"). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:

(i) by any reason other than death, ill-health, injury, disability or termination of his/her relationship with our Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) in whole or in part within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or

(ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or, as appropriate, his personal representative(s) may exercise the option in full (to the extent not already exercised) within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death.

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between our company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company no later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as at attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n); or

(iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date upon which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the share option scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms and any adjustment to be made to the exercise price of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules, the supplemental guidance of 5 September 2005 and any future guidance or interpretation of the Listing Rules from time to time and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(u) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) Termination of the share option scheme

Our Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the share option scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee granting the listing of and permission to deal in, on the Main Board of the Stock Exchange, our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sole Global Coordinator (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 156,000,000 Shares in total.

14. Estate duty, tax and other indemnities

On 6 October 2017, our Controlling Shareholders (the "**Indemnifiers**") entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries stated therein), to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing;

(b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;

(c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any other applicable laws, rules or regulations on or before the date on which the Global Offering becomes unconditional;

(d) all claims, actions, losses, damages, costs or expenses suffered or incurred by any of the members of our Group in connection with the social insurance and housing provident fund contributions required to be made by the relevant laws and regulations in the PRC, which any member of our Group has failed to make in accordance with such laws and regulations from their respective date of establishment to the Listing Date; and

(e) all claims, payments, suits, damages, settlements, sums, outgoings, fees, losses and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the legal proceedings and non-compliance matters by any member of our Group as described in the section headed "Business — Legal proceedings and compliance" in this prospectus or in connection with any other non-compliance of any member of our Group which has occurred at any time on or before the Listing Date.

Each Indemnifier is under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 April 2017;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 May 2017 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; and

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or

(c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 April 2017 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifier' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, each Indemnifier has also undertaken to us that it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

15. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed "Business — Legal proceedings and compliance" in this prospectus, our Company is not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

16. Preliminary expenses

Our preliminary expenses are approximately US$4,000. All preliminary expenses and all expenses relating to the Global Offering will be borne by our Company.

17. Promoters

We have no promoter for the purpose of the Listing Rules.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

18. Agency fees or commissions paid or payable

Save as disclosed in the section headed "Underwriting" in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years ended on the date of this prospectus.

19. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any options which have been or may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS. The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive a fee of HK$4,750,000 to act as the sole sponsor to our Company in connection with the Global Offering.

20. Qualification of experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
Guotai Junan Capital Limited	Licensed corporation to carry on type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Ernst & Young	Certified public accountants
SRK Consulting (Hong Kong) Limited	Independent technical consultant
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Appleby	Cayman Islands legal advisers to our Company
Jingtian & Gongcheng	PRC legal advisers to our Company
Colliers International (Hong Kong) Ltd.	Independent property valuer
Helen Ray	Competent person (within the meaning of Chapter 18 of the Listing Rules)

21. Consents of experts

Each of the experts as referred to in the paragraph headed "20. Qualification of experts" in this Appendix has given, and has not withdrawn, their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they are respectively included.

Save as disclosed in this prospectus, none of the experts named above has any shareholding interests in any member of our Company or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of our Company.

22. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

23. No material adverse change

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our financial or trading position since 30 April 2017.

24. Taxation of holders of shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

25. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

26. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries; and

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2017 (being the date to which the latest consolidated financial statements of our Group were made up) up to the date of this prospectus.

(c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(d) There is no arrangement under which future dividends are waived or agreed to be waived.

(e) Our Company has no outstanding convertible debt securities or debentures.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

27. Others

The English text of this prospectus shall prevail over the Chinese text.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in the section headed "Statutory and general information — Other information — 21. Consents of experts" in Appendix VI to this prospectus, and certified copies of the material contracts referred to in the section headed "Statutory and general information — Further information about the business of our Company — 7. Summary of material contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles of Association;

(b) the accountants' report prepared by Ernst & Young in respect of the historical financial information for each of the three years ended 31 December 2016 and the four months ended 30 April 2017, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2016 and the four months ended 30 April 2017;

(d) the report prepared by Ernst & Young in respect of the unaudited pro forma financial information of our Company, the text of which is set out in Appendix II to this prospectus;

(e) the Cayman Islands Companies Law;

(f) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands Companies Law referred to in Appendix V to this prospectus;

(g) the legal opinion prepared by our PRC Legal Advisers in respect of the certain aspects of our Group and the property interests of our Group in the PRC;

(h) the material contracts referred to in the section headed "Statutory and general information — Further information about the business of our Company — 7. Summary of material contracts" in Appendix VI to this prospectus;

(i) the written consents referred to in the section headed "Statutory and general information — Other information — 21. Consents of experts" in Appendix VI to this prospectus;

(j) the service contracts and appointment letters referred to in the section headed "Statutory and general information — Further information about directors and shareholders — 10. Directors — (b) Particulars of Directors' service contracts" in Appendix VI to this section;

(k) the Independent Technical Report prepared by SRK Consulting (Hong Kong) Limited;

(l) the valuation report prepared by Colliers International (Hong Kong) Ltd.;

(m) the Frost & Sullivan Report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.; and

(n) the Share Option Scheme.

Flying Mining Limited
翔輝礦業股份有限公司