



红日资本有限公司  
RED SUN CAPITAL LIMITED

18 December 2025

To: *The Independent Board Committee*

Dear Sirs,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY  
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF  
PROMINENCE INVESTMENT HOLDING COMPANY LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
ADD NEW ENERGY INVESTMENT HOLDINGS GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE  
ACQUIRED BY PROMINENCE INVESTMENT HOLDING COMPANY  
LIMITED AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 18 December 2025, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

The Board was informed by the Offeror that on 15 October 2025 (after trading hours of the Stock Exchange), the Vendors, as sellers, and the Offeror and Purchaser B, as Purchasers entered into the Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell and the Purchasers agreed to purchase an aggregate of 194,959,831 Shares, being the Sale Shares (representing approximately 55.66% of the total issued share capital of the Company as at the date of the Joint Announcement and as at the Latest Practicable Date), for an aggregate cash consideration of HK\$80,000,000 (equivalent to approximately HK\$0.4103 per Sale Share. The Completion took place on 15 October 2025 immediately after the entering into of the Sale and Purchase Agreement.

Immediately before Completion, the Offeror, its ultimate beneficial owners and the parties acting in concert with any of them (including Purchaser B) did not hold, own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion and as at the Latest Practicable Date, the Offeror, its ultimate beneficial owners and the parties acting in concert with any of them (including Purchaser B) are interested in an aggregate of 194,959,831 Shares, representing approximately 55.66% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, following Completion, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it).

#### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Leung Nga Tat, Mr. Zhang Jingsheng, Mr. Li Xiaoyang and Ms. Cheng Shuk Teh Esther, has been established to advise the Offer Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Red Sun Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee in the same regard.

#### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Offeror and its concert parties and their respective shareholders, directors or chief executives, or any of their respective associates. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Offer Shareholders regarding the Offer.

In the last two years, save for this appointment, we have not acted as an independent financial adviser to the independent board committee of the Company and/or the Offer Shareholders. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. In addition, having considered that (i) remuneration for our independent financial adviser engagement in relation to the Offer is fixed and at market level, and is not conditional upon the outcome of the Offer; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company and the Offeror, their respective controlling shareholders and any parties acting in concert with any of them, we consider that we are independent from the Group pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code.



## **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Group, the Directors and/or management of the Company (the "Management"). We have assumed that all information, representations and opinions contained or referred to in the Composite Document or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all the opinions and representations made by the Directors in the Composite Document have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Composite Document. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Company will notify the Shareholders of any material changes to information contained or referred to in the Composite Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed as soon as practicable when there is any material changes to the information contained or referred to herein as well as changes to our opinion, advice and/or recommendation, the information and representations provided and made to us and the information contained in this letter, if any, after the Latest Practicable Date as soon as possible.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

We have not considered the tax and regulatory implications on the Offer Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Offer Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

This letter is issued to the Independent Board Committee solely for their consideration in respect of the Offer, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

## **PRINCIPAL TERMS OF THE OFFER**

Somerley Capital Limited, the financial adviser to the Offeror, is, for and on behalf of the Offeror, making the Offer in compliance with the Takeovers Code on the following terms:

**For each Offer Share** **HK\$0.4104 in cash**

The Offer Price of HK\$0.4104 per Offer Share is roughly equivalent to but higher than the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, there are 350,286,528 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into any Shares or other types of equity interest as at the Latest Practicable Date.

The Offer is extended to all Offer Shareholders in accordance with the Takeovers Code. The Offer extends to all Shares in issue on the date on which the Offer is made, being the date of despatch of the Composite Document, other than those Shares already held by or agreed to be acquired by the Offeror and the parties acting in concert with it.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive all dividends and distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of despatch of the Composite Document. As at the Latest Practicable Date, no dividend and/or other distribution had been declared but not yet paid to the Shareholders, nor did the Board have any plan to declare any dividend or other distribution before the close of the Offer. The Offer is unconditional in all respects and not conditional upon acceptances being received in respect of a minimum number of Shares or other conditions.



## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

### 1. Financial information of the Group and industry outlook

#### 1.1 Business of the Group

The Group is engaged in mining business and trading business.

The Group's mining business comprises two types of business activities, namely, (a) the ilmenite mining, the processing of the ilmenite ores so extracted out of the Group's own mines, and the sale of iron concentrates and titanium concentrates so produced; and (b) the provision of processing services in respect of iron and other mineral ores provided by the Group's customers (the "Mining Business"). The Group possessed mining rights in respect of Yangzhuang Iron Mine, an iron ore mine located in Qinjiazhuang Village, Yangzhuang Town, Shandong Province, the PRC ("Yangzhuang Iron Mine") and the Group disposed of the Yangzhuang Iron Mine in the year ended 31 December 2024. The Company is also principally engaged in ilmenite ore mining and processing at its ilmenite and magnetite mine located in Yishui County, Shandong Province, the PRC (the "Zhuge Shangyu Ilmenite Mine"), however, save for the trial production of mining activities in 2013 and 2014, mining activities at the Zhuge Shangyu Ilmenite Mine had not continued after 2014. In the mining process, the Group first extracts ilmenite ores from the mine. The ores extracted are then processed into iron concentrates and titanium concentrates.

The existing production facilities at the Zhuge Shangyu Ilmenite Mine, particularly the flotation sorting facilities for sorting titanium concentrates, are in such a small scale that prevents the Group from achieving the necessary economies of scale, making it commercially unviable for the Group to mine and process the ilmenite ore extracted from the Zhuge Shangyu Ilmenite Mine, as the costs associated with such mining and processing would otherwise be disproportionately high as compared to the potential output.

The planned new downstream processing plant has a designed total processing capacity of 10,000,000 tonnes per year, which corresponds to the processing capacity of the upstream ore processing system that has already been set up, and will be constructed in two phases. The first phase of the new processing plant is currently being constructed and will be equipped with a processing capacity of 5,000,000 tonnes per year. The construction work is expected to be completed by the end of 2025, upon which the processing plant will undergo testing, trial production and (depending on the quality of the products produced during trial production) adjustment to the production parameters, which are expected to be completed by the end of the first quarter in 2026. With the construction of the first phase of the new processing plant at the Zhuge Shangyu Ilmenite Mine expected to be completed by the end of 2025, the Group resumed its mining activities at the Zhuge Shangyu Ilmenite Mine in June 2025.

To supplement its Mining Business, the Group has been utilising its processing capacity to provide processing services in respect of iron and other ores and such services are provided under subcontracting arrangements with customers (the “**Processing Services**”). Such services are provided under subcontracting arrangements with customers, where the mineral ores to be processed are supplied and delivered by the customers and the Group is only responsible for performing the processing procedures with its own facilities and equipment.

The Group has also been conducting trading of commodities (the “**Trading Business**”). In its Trading Business, the Group serves to ensure that the expectations and requirements of its customers in respect of, among other things, quality, usage and quantity of the relevant commodities can be matched by the commodities sourced by the Group from its suppliers, and that such commodities could be made available to the customers within their expected delivery timeframe. The purchase contracts are not entered into in the wake of, in accordance with or on the back of designated or earmarked sale contracts. Accordingly, the purchase contracts are not initiated by the customers’ orders. Once collected, the commodities ordered from the suppliers are stored at the warehouse operated by the suppliers or their logistics partners at the relevant ports pending sales to customers. The Group will then approach target customers and seek to conclude sales of the commodities. After specific sale contracts have been entered into with customers, the type and quantity of commodities in stock matching the descriptions and specifications provided in the sale contracts will be transferred out of the inventories and available for collection by the customers. The Group traded blended coal, coarse iron powder, semi-coke and coke in the year ended 31 December 2023 and the Group has focused on trading of blended coal and coarse iron powder since early 2024.

Further details please refer to the sections headed “Business model of the Company’s existing business” and “Current operation status of Zhuge Shangyu Ilmenite Mine” as set out in the Appendix II of the Composite Document.

## 1.2 Historical financial information of the Group

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2023 and 2024 as extracted from the annual report of the Company for the year ended 31 December 2024 (the “**2024 Annual Report**”) and the six months ended 30 June 2024 and 2025 as extracted from the interim report of the Company for the six months ended 30 June 2025 (the “**2025 Interim Report**”), respectively:

### *Summary of the consolidated statement of comprehensive income of the Group*

	For the six months ended 30 June		For the year ended 31 December	
	2025	2024	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	12,935	157,288	282,090	1,263,727
– Trading activities	4,222	146,452	244,024	998,935



	For the six months ended 30 June		For the year ended 31 December	
	2025	2024	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)
– Processing service income	8,713	10,836	38,066	241,891
– Sales of iron concentrates	–	–	–	22,901
Cost of sales	(9,280)	(145,104)	(266,343)	(1,122,263)
Gross profit	3,655	12,184	15,747	141,464
Operating profit/(loss)	1,675	(12,610)	74,820	63,078
(Loss)/Profit for the period/year attributable to owners of the Company	(3,564)	(16,353)	61,723	50,525

*Financial performance for the six months ended 30 June 2024 (the “6M2024”) and the six months ended 30 June 2025 (the “6M2025”)*

Based on the 2025 Interim Report, revenue of the Group decreased by approximately 91.8% from approximately RMB157.3 million for 6M2024 to approximately RMB12.9 million for 6M2025. The revenue for 6M2025 comprised approximately RMB4.2 million from trading of coarse iron powder and blended coal and approximately RMB8.7 million from the provision of processing service. The Group did not record any trading sales of semi-coke in 6M2024 and 6M2025.

#### *Trading activities*

For the products traded by the Group during 6M2024 and 6M2025, the average blended coal price dropped from approximately RMB237 per tonne in 6M2024 to approximately RMB221 per tonne in 6M2025, representing a decrease of approximately 6.8%, while the average coarse iron powder price dropped from approximately RMB764 per tonne in 6M2024 to approximately RMB632 per tonne in 6M2025, representing a decrease of approximately 17.3%. Regarding the Group’s trading activities, (a) revenue from trading of coarse iron powder decreased by approximately RMB23.9 million or 87.5% from approximately RMB27.3 million for 6M2024 to approximately RMB3.4 million for 6M2025; and (b) revenue from trading of blended coal decreased by approximately RMB118.3 million or 99.3% from approximately RMB119.1 million for 6M2024 to approximately RMB0.8 million for 6M2025.

During the first half of 2025, iron and coal product prices in the PRC had been volatile and exhibited a general downward trend. This was largely attributable to weakened demand resulting from slowdown in the global and domestic economies as heightened by, among other things, the China-United States trade war, as well as oversupply of steel resulting from poor PRC real estate industries given that steel is heavily used in construction of new properties. Iron is a key raw material for the production of steel and the oversupply of steel has affected the demand of iron. The weakened demand in iron products had also adversely affected the demand for coal products, being a key production material for ironmaking and steelmaking, resulting in significant volatility in its market price during the period.

The commodities ordered from the suppliers are stored at the warehouse operated by the suppliers or their logistics partners at the relevant ports pending sales to customers. The Group will then approach target customers and seek to conclude sales of the commodities. For the decrease in revenue of trading activities, it may also due to the fact that the Group faces inventories risk as in its trading activities, the Group sources and supplies commodities which would involve holding of inventories. The general decreasing trend of blended coal price and coarse iron powder price in 2025 might make the Management reluctant from engaging trading activities, since trading during a downward price trend may incur trading losses. Under such an adverse economic climate and turbulent market conditions, the management resolved to err on the side of caution and strategically limited its trading activities and reduced its trading volume. It was a tactical move to avert losses in the midst of highly unpredictable and significant fluctuations in market price of commodities, given that there was a real risk that the commodities in stock might not be saleable to customers above the purchase price under the downward pressure on market price. This explains the substantial decrease in the Group's revenue generated from its trading activities during the 6M2025 as compared with the 6M2024.

Likewise, we are of the view that the downward trend of market price of blended coal price and coarse iron powder in 2024 and 2025 had led the customers under trading business of the Group to become more hesitant about procuring supply and/or stocking of minerals, thus reducing the orders placed with the Group.

#### *Processing service income*

The processing service income of the Group decreased from approximately RMB10.8 million in 6M2024 to approximately RMB8.7 million in 6M2025 which is attributable to the upgrading of its processing facilities next to the Zhuge Shangyu Ilmenite Mine in 2025 to cope with the commercialization of Zhuge Shangyu Ilmenite Mine in 2026. The upgrading has affected the production capacity of processing service which in turn affected the orders could be received by the Group.



We have discussed with the Management and was given the understanding that in October 2025, the Group has entered into sales agreements for trading of coal which the Group recognised revenue of approximately RMB30.0 million for the six months ending 31 December 2025. However, based on (i) the decrease in revenue of approximately 91.8% from approximately RMB157.3 million for 6M2024 to approximately RMB12.9 million for 6M2025; (ii) the general decreasing trend of blended coal and coarse iron powder price in 2025 might make the Management reluctant from engaging trading activities, since trading during a downward price trend may incur trading losses; and (iii) as at the Latest Practicable Date, the Group have not entered into any disposal in relation to mining right or exploration right during the year ending 31 December 2025, it is expected that the trading activities of the Group in the year ending 31 December 2025 will be lower than FY2024 and due to upgrading of the production facilities which affected its production capacity in 2025, the Directors expected that the performance of processing business (please refer to the paragraph below for the reason) for the six months ended 31 December 2025 would be broadly in line with that of 6M2025 which might not lead to a turnaround for the year ending 31 December 2025.

The existing production facilities next to Zhuge Shangyu Ilmenite Mine is not sufficiently large scale to make ilmenite ore processing commercially viable, and given that the new processing plant is still under construction, the Group is not expected to be able to conduct processing of the ilmenite ores extracted from the Zhuge Shangyu Ilmenite Mine into iron concentrate or titanium concentrate for sales within the remaining months of 2025. Following completion of construction of the first phase of the new processing plant by the end of 2025, the Group is expected to commence sales of self-produced iron concentrates and titanium concentrates starting from the financial year ending 31 December 2026.

The gross profit of the Group decreased from approximately RMB12.2 million for 6M2024 to approximately RMB3.7 million for 6M2025, representing a decrease of approximately 70.0%. The Group recorded loss attributable to owners of the Company for 6M2025 of approximately RMB3.6 million, representing a decrease in loss of approximately 78.2% as compared to approximately RMB16.4 million for 6M2024. The decrease in loss attributable to owners of the Company for 6M2025 was mainly attributable to the gain on reversal of over-provision for accrued expenses attributable to Yangzhuang Iron Mine amounting approximately RMB27.4 million (nil for 6M2024). During 6M2025, the new mining certificate has been formally issued to Shandong Dane Mining Technology Co., Ltd. (“**Shandong Dane**”) under the disposal of Yangzhuang iron mine and the related assets (including the mining right and ore processing plant of Yangzhuang Iron Mine, exploration right of Qinjiazhuang Ilmenite Mine, Yangzhuang Iron Mine production land (including leased and contracted land), buildings, production facilities) in which the Group entered into an assets transfer agreement dated 21 May 2024 (as supplemented by two supplemental agreements dated 12 June 2024 and 28 June 2024, respectively), pursuant to which the Group has agreed to dispose of the above assets at a consideration of approximately RMB314,484,000 less outstanding amount payable for the mining right in respect of Yangzhuang Iron Mine and during the year ended 31



December 2024 (the “Disposal”). The Disposal was completed in FY2024. As at 31 December 2024, the Group has accrued for certain expenses during the course of its operations in Yangzhuang Iron Mine in previous years, which remained unpaid up to date. In view of legal title of the mining right and related assets having been transferred to Shandong Dane and legal opinion sought by the Group in respect of the legal exposure to these long outstanding accrued expenses, the Group considered that the probability of request for payment of these accrued expenses were remote and accordingly, provision for these accrued expenses were reversed and credited as a gain recognised in the consolidated profit or loss during 6M2025.

*Financial performance for the year ended 31 December 2023 (“FY2023”) and the year ended 31 December 2024 (“FY2024”)*

We noted from the 2024 Annual Report that the Group recorded revenue of approximately RMB282.1 million for FY2024, representing a decrease of approximately RMB981.6 million or 77.7% as compared to approximately RMB1,263.7 million for FY2023. The decrease in revenue was primarily due to (i) the slow-down of trading activities of blended coal and coarse iron powder from approximately RMB725.8 million in FY2023 to approximately RMB244.0 million in FY2024 caused by the price fluctuation in FY2024. The average blended coal price dropped from approximately RMB256 per tonne in FY2023 to approximately RMB229 per tonne in FY2024, representing a decrease of approximately 10.5% while the average coarse iron powder price dropped from approximately RMB728 per tonne in FY2023 to approximately RMB699 per tonne in FY2024, representing a decrease of approximately 4.0%; (ii) the stop trading of semi-coke and coke from approximately RMB273.2 million in FY2023 to nil in FY2024 due to its relatively thin profit margin comparing with blended coal and coarse iron powder; (iii) decrease in processing orders received in FY2024 primarily attributable to the decrease in processing capacity due to suspension of Yangzhuang processing plant for the arrangement of assets disposal in FY2024; and (iv) decrease in revenue from sales of iron concentrates from approximately RMB22.9 million to nil for FY2024 due to the Disposal. The other ilmenite and magnetite mine held by the Group, the Zhuge Shangyu Ilmenite Mine, which has already been as part of the Group at the time of listing, was yet to conduct mining in FY2024 and the Group only carried out iron processing service in the facilities next to the Zhuge Shangyu Ilmenite Mine. As stated in Appendix II of the Composite Document, following completion of construction of the first phase of the new processing plant next to the Zhuge Shangyu Ilmenite Mine by the end of 2025, the Group is expected to commence sales of self-produced iron concentrates and titanium concentrates starting from the financial year ending 31 December 2026.

The gross profit of the Group decreased from approximately RMB141.5 million for FY2023 to approximately RMB15.7 million for FY2024, representing a decrease of approximately 88.9% which was resulted from the significant decrease in revenue in FY2024.



The Group recorded operating profit of approximately RMB74.8 million for FY2024 as compared to approximately RMB63.1 million for FY2023 representing a decrease of approximately 18.6%. Save for the Disposal, the Group also disposed of an exploration right in respect of Gaozhuang Shangyu Ilmenite Mine with net carrying amount of Nil to a purchaser at an agreed consideration of RMB8,000,000 (together with the Disposal, the “One-off Disposals”). Notwithstanding the exploration right in respect of the Gaozhuang Shangyu Ilmenite Mine was considered at net carrying amount of nil due to the feasibility for mining, the purchaser considered Gaozhuang Shangyu Ilmenite Mine a business opportunity and was willing to pay RMB8,000,000 for it. After the One-off Disposals, the mining rights of Zhuge Shangyu Ilmenite Mine was the only mining rights hold by the Group and no other exploration right is owned by the Group. The Group recorded net gain resulted from the disposal of mining right in respect of Yangzhuang Iron Mine and the related assets and an exploration right for FY2024 of approximately RMB115.8 million and gain on disposal of an exploration right for FY2024 of approximately RMB7.5 million. For illustrating purposes only, if eliminating the one-off income arose from the One-off Disposals under other net gain, the Group would record loss attributable to the owners of the Company for FY2024 of approximately RMB61.6 million.

Nonetheless, the Group recorded an increase in profit attributable to owners of the Company to approximately RMB61.7 million for FY2024 from approximately RMB50.5 million for FY2023, representing an increase of approximately 22.2%, attributable to the net gain of disposal of approximately RMB123.4 million as compared to nil for FY2023. The turnaround of the profit for the year attributable to owners of the Company of approximately RMB61.7 million for FY2024 from the loss for the period attributable to owners of the Company of approximately RMB16.4 million for 6M2024 was mainly attributable to the net gain resulted on the Disposal of approximately RMB115.8 million.

*Summary of the consolidated statement of financial position of the Group extracted from the 2024 Annual Report and the 2025 Interim Report*

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)	2023 RMB'000 (audited)
Non-current assets	674,890	592,692	633,515
Current assets	360,109	423,289	235,782
<b>Total assets</b>	<b>1,034,999</b>	<b>1,015,981</b>	<b>869,297</b>
Non-current liabilities	75,404	73,728	116,079
Current liabilities	415,557	396,410	261,337
<b>Total liabilities</b>	<b>490,961</b>	<b>470,138</b>	<b>377,416</b>
<b>Total equity</b>	<b>544,038</b>	<b>545,843</b>	<b>491,881</b>

*Financial position as at 30 June 2025 and 31 December 2024*

Total assets of the Group amounted to approximately RMB1,035.0 million as at 30 June 2025, which is broadly in line with the total assets of approximately RMB1,016.0 million as at 31 December 2024. The total assets of the Group as at 30 June 2025 mainly comprised (i) property, plant and equipment of approximately RMB387.6 million; (ii) prepayments and other receivables of approximately RMB278.7 million; and (iii) intangible assets of approximately RMB157.2 million.

Total liabilities of the Group recorded at approximately RMB491.0 million as at 30 June 2025, which mainly consisted of (i) amounts due to the controlling shareholder and the ultimate holding company of approximately RMB374.3 million; and (ii) amount payable for mining rights of approximately RMB75.4 million.

Total equity amounted to approximately RMB544.0 million as at 30 June 2025, which is broadly in line with the total equity of approximately RMB545.8 million as at 31 December 2024.

*Financial position as at 31 December 2024 and 31 December 2023*

Total assets of the Group amounted to approximately RMB1,016.0 million as at 31 December 2024, representing an increase of approximately 16.9% as compared to FY2023. Such primarily comprised (i) property, plant and equipment of approximately RMB315.6 million as at 31 December 2024; (ii) prepayments and other receivables of approximately RMB306.4 million as at 30 June 2024 which mainly comprised the consideration receivable for the Disposal of approximately RMB259.9 million; and (iii) intangible assets, being the mining rights in respect of the Zhuge Shangyu Ilmenite Mine of approximately RMB157.2 million.

Total liabilities of the Group also recorded an increase of approximately 24.6% in FY2024 to approximately RMB470.1 million as at 31 December 2024 as compared to FY2023. The total liabilities as at FY2024 were mainly attributable to (i) amounts due to the controlling shareholder and the ultimate holding company of approximately RMB267.1 million which comprised amount due to Vendor B of approximately RMB263.9 million and amount due to Vendor A of approximately RMB3.2 million with no fixed repayment term and are only repayable when the relevant Group company has sufficient resources to make such repayment; (ii) amount payable for mining rights of approximately RMB73.2 million; and (iii) accruals and other payables of approximately RMB59.4 million.

As a result, total equity of the Group amounted to approximately RMB545.8 million as at FY2024, representing an increase of approximately 11.0% as compared to approximately RMB491.9 million as at FY2023.



### *1.3 Historical dividend of the Group*

During each of the two years ended 31 December 2023 and 2024 and the six months ended 30 June 2025, no dividend had been declared by the Company. As at the Latest Practicable Date, the Company has no outstanding dividend or other distribution that has been declared, made but not yet paid. In addition, the Company does not intend to declare, pay and/or make any dividend or other distribution on the Shares before the close of the Offer. In this connection, Offer Shareholders should take into account (a) the consolidated financial performance of the Group with profit and total comprehensive income for the year attributable to owners of the Company during the two consecutive financial years ended 31 December 2024; (b) the consolidated financial performance of the Group with loss and total comprehensive loss for the six months ended 30 June 2025 attributable to owners of the Company as set out in the 2025 Interim Report; (c) as the financial year ending 31 December 2025 is not yet completed, there are no certainties that the Group will distribute dividend under the stated dividend policy; and (d) as set out in the Letter from Somerley, no dividend and/or other distribution had been declared but not yet paid to the Shareholder at the Latest Practicable Date and the Directors confirmed that the Company does not intend to declare any dividend or other distribution before the close of the Offer, when considering whether to accept the Offer or to retain his/her/its shareholding in the Company, in part or in whole.

### *1.4 Industry prospect and outlook of the Group*

We have discussed with the Management and was given the understanding that in October 2025, the Group has entered into sales agreements in relation to trading of coal which generated recognised revenue of approximately RMB30.0 million. As set out in the Appendix II of the Composite Document, for the second half of 2025, the Management expects the performance and operating results of the Trading Business to gradually improve with the expected gradual recovery in the demands for commodities. However, based on (i) the decrease in revenue of approximately 91.8% from approximately RMB157.3 million for 6M2024 to approximately RMB12.9 million for 6M2025; and (ii) the general decreasing trend of blended coal price and coarse iron powder price in 2025 which might make the Management reluctant from engaging trading activities, since trading during a downward price trend may incur trading losses, it is expected that the trading activities of the Group in the year ending 31 December 2025 will be lower than FY2024. As at the Latest Practicable Date, the Group still possessed the mining rights of Zhuge Shangyu Ilmenite Mine. Please refer to the paragraph headed “Current operation status of Zhuge Shangyu Ilmenite Mine” in Appendix II of the Composite Document for the development of the Zhuge Shangyu Ilmenite Mine.

As the operations of the Group are primarily based in the PRC and that the demand for iron ore, iron concentrates and other minerals may be affected by the PRC economy and the development of the steel and real estates industries, we have conducted our independent research in this connection.



Based on our independent research on the data published by the National Bureau of Statistics of China (the “**Statistics Bureau**”) in February 2025<sup>1</sup> and October 2025<sup>2</sup>, the gross domestic product (“**GDP**”) of the PRC for the year ended 31 December 2024 and the nine months ended 30 September 2025 recorded a growth of (a) approximately 5.0% compared to the corresponding prior year; and (b) approximately 5.2% compared to the corresponding period in the prior year. However, the ongoing geopolitical uncertainties and economic challenges prevailing in major economies, including the protectionist policies under the current U.S. administration, may continue to impact the PRC’s economic environment as a whole.

Furthermore, as for our review of (i) PRC mining related data published by the Statistics Bureau, the cumulative production of iron ore increase from approximately 990.6 million tones as of December 2023 to approximately 1,041.9 million tones as of December 2024, however, the cumulative iron ore production as of September 2025 recorded approximately 761.4 million tones, representing a decrease of approximately 20.0 million tones, as compared to approximately 781.4 million for that as of September 2024; and (ii) price of domestic sulphate process rutile titanium dioxide\* (“**Titanium Dioxide**”) (國內硫酸法金紅石型鈦白粉) published by the China Nonferrous Metals Industry Association, an industry association approved and registered by the State Council of PRC, which the price of Titanium Dioxide recorded about RMB15,000 per tonne in January 2025 and decreased to about RMB12,500 per tonne in August 2025. As the Group is engaged in (i) the mining business which comprises the ilmenite mining, the processing of the ilmenite ores so extracted out of the Group’s own mines, and the sale of iron concentrates and titanium concentrates so produced and the price of the mineral products shall be determined by arms’ length negotiation between the parties taking into account the market price of the relevant products; and (ii) the trading business that after specific sale contracts have been entered into with customers, the type and quantity of commodities in stock matching the descriptions and specifications provided in the sale contracts will be transferred out of the inventories and available for collection by the customers and the respective selling price of the commodities to be traded by the Group will be determined with reference to the then prevailing market price of the relevant commodities, therefore, the potential downward fluctuation of market price of blended coal, coarse iron powder and relevant products in the future might make the Management be reluctant to conduct trading activities since trading during the downward price trend may incur trading loss. We consider that the potential decrease in iron ore production in the PRC from 2023 to September 2025 may cope with the decrease in price of iron ore which may have adverse impact to the future development the Group if the Zhuge Shangyu Ilmenite Mine remains as the key developing mine of the Group and the iron ore price keeps on its decreasing trend.

We have discussed with the Management and we share their view that it is difficult to forecast the price of coarse iron powder and other minerals given that the price will depend on the global and domestic economies as heightened by, among other things, the China-United

1 2024 GDP data published by Statistics Bureau (source: [www.stats.gov.cn/sj/zxfb/202502/t20250228\\_1958817.html](http://www.stats.gov.cn/sj/zxfb/202502/t20250228_1958817.html))

2 PRC GDP data for the nine months ended 30 September 2025 published by Statistics Bureau (source: [www.stats.gov.cn/sj/zxfbjd/202510/t20251021\\_1961646.html](http://www.stats.gov.cn/sj/zxfbjd/202510/t20251021_1961646.html))



States trade war, as well as oversupply of steel resulting from poor PRC real estate industries given that steel is heavily used in construction of new properties. Iron is a key raw material for the production of steel and the oversupply of steel has affected the demand of iron. The weakened demand in iron products had also adversely affected the demand for coal products, being a key production material for ironmaking and steelmaking, resulting in significant volatility in its market price during the period.

As set out in the Appendix II of the Composite Document, (a) titanium concentrates are in short supply and given their exceptional strength, corrosion resistance and lightweight characteristics that are highly sought after in various industries for high-tech applications, the Management expects that the Group's titanium concentrates will be sought-after in the market; (b) the planned new downstream processing plant has a designed total processing capacity of 10,000,000 tonnes per year; (c) the Group was in the course of construction of the first phase of the new processing plant at the Zhuge Shangyu Ilmenite Mine which is expected to be completed by the end of 2025 and the first phase of the new processing plant is currently being constructed and will be equipped with a processing capacity of 5,000,000 tonnes per year; and (d) in connection with the construction project, the Group intends to apply for a new mining permit with an approved annual mining production scale of 4,000,000 tonnes. Considering the above factors, it is expected that the commencement of full operation of the new processing plant might have positive impact to the Group's revenue in the year ending 31 December 2026. Nonetheless, we consider that there is uncertainty of the Group's business outlook and the success of which will depend on the actual development status of the Zhuge Shangyu Ilmenite Mine and the then market prices of coarse iron powder, blended coal, iron concentrates and titanium concentrates.

## **2. Information on the Offeror and the intention of the Offeror in relation to the Group**

### ***2.1 Information on the Offeror and parties acting in concert***

As set out in the Letter from Somerley, the Offeror is an investment-holding company incorporated in the British Virgin Islands with limited liabilities on 12 October 2023 and is wholly owned by SSC Group Limited, which is in turn directly held as to 50% by each of Mr. William Ng and his spouse, Ms. Wei Jiaming. As at the Latest Practicable Date, the directors of the Offeror are Mr. William Ng and Ms. Wei Jiaming. Mr. William Ng and Ms. Wei Jiaming are investors with investment experience in, amongst other things, the mining industry, having also made investments through the Offeror and other companies founded by them in other listed companies in Hong Kong principally engaged in the mining business, namely Wanguo Gold Group Limited (stock code: 3939) which is primarily engaged in mining, ore processing and sale of concentrates products (including copper, iron, zinc and gold), Zijin Gold International Company Limited (stock code: 2259), GT Gold Holdings Limited (stock code: 8299) and China Qinfu Group Limited (stock code: 866) which is engaged in coal operation business involving coal mining, purchase and sales, filtering, storage and blending of coal. Mr. William Ng and Ms. Wei Jiaming are shareholders of these companies but did not involve in the running or management of the underlying businesses of these companies. They have also



invested in Richmond Vanadium Technology Limited, a company whose shares are listed on the Australian Securities Exchange (stock code: RVT) which is engaged in mineral exploration and development with a particular focus on vanadium resources.

Purchaser B is an individual investor who is familiar with the Hong Kong capital market. From his experience in working with, and acting as either the representative or responsible persons of, various licensed corporations in Hong Kong since 2003, Purchaser B has over 20 years of experience in the equity capital market business and the investment banking and financial industry in Hong Kong, where he also gained relevant experience in the mining industry through involvement in the initial public offering in Hong Kong of companies engaged in the mining business.

Given that the Offeror and Purchaser B are investors acquiring their respective portions of the Sale Shares together under the Sale and Purchase Agreement and agreeing to act in concert in respect of the Company, and given that Purchaser B's acquisition of the Sale Shares was wholly financed by an unsecured loan made by the Offeror to Purchaser B, Purchaser B is a party acting in concert with the Offeror under the Takeovers Code. Save for the above, there is no relationship between the Offeror, its ultimate beneficial owners and the parties acting in concert with any of them (other than Purchaser B) on one hand and Purchaser B and his concert parties on the other hand.

Save that Purchaser B has acquired 8,137,200 Sale Shares from Vendor B pursuant to the Sale and Purchase Agreement, there is no other relationship between the Offeror, its ultimate beneficial owners and the parties acting in concert with any of them (including Purchaser B) on one hand and any of the Directors on the other hand.

Considering (i) the seasoned experience of the directors of the Offeror, Mr. William Ng and Ms. Wei Jiaming, in relation to the investment in the mining industry in other listed companies in Hong Kong and also the experience in the equity capital market and (ii) the investment banking and financial industry in Hong Kong over 20 years of Purchaser B, the Company might benefit from their extensive experience and strategic foresight and may enhance the opportunities for fundraising of the Group by the Offeror and Purchaser B.

## *2.2 Intention of the Offeror in relation to the Group*

As set out in the Letter from Somerley, it is the intention of the Offeror to continue the Group's existing principal business following the close of the Offer and Mr. Geng Guohua (the executive Director and chief executive officer of the Company), who will continue to serve as an executive Director under his existing service contract entered into with the Company on 27 March 2024 with a term of three years from 27 April 2024 without amendments to the terms and conditions thereof and Mr. Leung Nga Tat and Mr. Li Xiaoyang, who will continue to serve as independent non-executive Directors under their respective service contracts entered into with the Company on 30 March 2023 and 27 March 2024, respectively, without amendments to the terms and conditions thereof and who were not Shareholders as at the Latest Practicable Date, to ensure the continued oversight and management of the Group's existing principal



business. Subject to the Offeror's detailed review of the Group's existing principal business operations and financial position as mentioned below, as at the Latest Practicable Date, the Offeror had no intention, understanding, negotiation or arrangement to downsize, cease or dispose of any of the existing businesses of the Group. The Offeror will conduct a detailed review of the existing principal business operations and financial position of the Group. Based on the review results, the Offeror will formulate business strategies for the Group's future development, and may explore other business opportunities from time to time and consider whether any acquisition or disposal of assets, fund-raising activity or business restructuring plan should be pursued with a view to achieving business diversification and/or long-term business growth of the Group.

In particular, the Offeror acknowledges that the iron ore market has experienced fierce price and demand volatility since the second half of 2024, which had adversely affected the business and performance of the Group during the year ended 31 December 2024 and the six months ended 30 June 2025. It is the Offeror's intention to engage in discussion with the Board on the feasibility and possible strategies of expanding the Group's existing mining and mineral trading business to include other material resources, including but not limited to gold, alongside its existing iron ore business. The Offeror believes that such diversification may enhance the Group's resilience to commodity market fluctuations and contribute to long-term shareholder value. Nevertheless, any changes to the business development and strategies of the Group would be subject to the Board's review of the Group's business performance, available resources, market conditions and changes in the industry from time to time. We note the intention of the Offeror to include other material resources, including but not limited to gold, alongside its existing iron ore business which we consider that the possible expansion may bring business opportunities to the Group given that gold is a precious metal used for coinage, jewellery, and high-tech manufacturing. However, such expansion may face a number of risks including but not limited to exploration risks, gold theft and robbery risk, and gold price fluctuation, etc. Therefore, unless the Group locates a gold mine with high potential or builds up facilities with high efficiency for gold processing, the business prospects of such expansion is uncertain.

Notwithstanding the above, as at the Latest Practicable Date, the Offeror had no specific proposal for any acquisition or disposal of assets, fund-raising activity or business restructuring in relation to the Group and had not entered into any specific agreement or arrangement with the Group in connection therewith. In the event that any suitable opportunity for such corporate actions arises, further announcement(s) will be made by the Company in accordance with the Listing Rules as and when appropriate.

Save as set out above and the potential changes to the members of the Board as described in the Letter from Somerley, as at the Latest Practicable Date, the Offeror had no intention to (i) discontinue the employment of any employees of the Group; or (ii) dispose of or re-deploy the fixed assets of the Company other than those in its ordinary and usual course of business.



As at the Latest Practicable Date, the Group had outstanding advances of RMB488.9 million in total due to the Vendors (“**Outstanding Advances**”), including amount due to Vendor A and Vendor B incurred during the period from 1 July 2025 up to the close of business on 31 October 2025 (being the latest practicable date for the purpose of the statement of indebtedness included in this composite document of approximately RMB2.5 million and RMB112.3 million, respectively, which are interest-free, unsecured and with no fixed repayment term, and are only repayable when the relevant Group company has sufficient resources to make such repayment. The Offeror does not have any plan to require settlement of the Outstanding Advances within six months after the Closing Date, and expects that the Board to from time to time review the financial positions and capital requirements of the relevant Group companies and decide whether and when the relevant Group companies have such resources to repay the relevant Outstanding Advances.

### *2.3 Proposed Change in Board Composition*

As at the Latest Practicable Date, the Board comprised three executive Directors, namely Mr. Li Yunde (Chairman), Mr. Geng Guohua (Chief Executive Officer) and Mr. Lang Weiguo, and four independent non-executive Directors, namely Mr. Leung Nga Tat, Mr. Zhang Jingsheng, Mr. Li Xiaoyang and Ms. Cheng Shuk Teh Esther.

Pursuant to the Sale and Purchase Agreement, Mr. Li Yunde (as Vendor B) has tendered his resignation, and the Vendors shall procure such other existing Directors (other than Mr. Geng Guohua for reasons further elaborated below) as may be specified by the Purchasers to resign, as Director with effect from the earliest time permitted under the Takeovers Code, the Listing Rules and other laws, regulations and rules applicable to the Company. Save and except for Mr. Geng Guohua (an existing executive Director) and Mr. Leung Nga Tat and Mr. Li Xiaoyang (each an existing independent non-executive Director), all other existing Directors will resign with effect from after the publication of the closing announcement on the Closing Date (being the earliest date as permitted under the Takeovers Code).

The Offeror intends to nominate Ms. Wei Jiaming (being a shareholder of the holding company of the Offeror), Mr. Ng Hoi Kam (i.e. Purchaser B), Mr. Liao Daxue, Mr. Chen Hongzheng and Mr. Zhao Ju as executive Directors, Mr. Xia Chun and Mr. Wang Dong as non-executive Directors and Mr. Xie Jie and Mr. Wong Chi Wah as independent non-executive Directors with effect from after the Composite Document is posted on the date of dispatch of this Composite Document (being the earliest date as permitted under the Takeovers Code). Ms. Wei Jiaming and Mr. Ng Hoi Kam did not own, or otherwise hold any interest in, any Shares before Completion of the Sale and Purchase Agreement, and as parties acting in concert with the Offeror and they are not Offer Shareholders. Further, they will each enter into a service contract with the Company for service as an executive Director on ordinary and usual terms that are no more favourable than those applicable to the existing executive Directors and the other proposed executive Directors who are not Shareholders, and such contracts do not involve purchase or sale of any Shares or acceptance of the Offer. Except for Ms. Wei Jiaming and Mr. Ng Hoi Kam, none of the above proposed Directors was a Shareholder or otherwise held any interest in the Shares as at the Latest Practicable Date. For the above reasons, the



Offeror believes that the appointments of the above proposed Directors do not constitute arrangements that fall within Rule 25 of the Takeovers Code. Further announcement(s) and/or disclosure(s) will be made upon any changes to the composition to the Board in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

As an executive Director since 2012 and the Chief Executive Officer of the Company since 2013, Mr. Geng Guohua has been primarily responsible for the Group's overall operation. Given that the Offeror intends to continue the Group's existing principal business following the close of the Offer, the Offeror would like to enlist the services of Mr. Geng Guohua and take advantage of his rich industry knowledge and familiarity with the Group's operations to ensure a smooth transition and stability in operation as control over the Company changes hands, with a view to achieving continuous development and growth in the business of the Group. Save for being one of the directors of Vendor A from whom both of the Purchasers have acquired certain Sale Shares under the Sale and Purchase Agreement, Mr. Geng Guohua and the parties acting in concert with him have no relationship with the Offeror, its ultimate beneficial owners and the parties acting in concert with any of them (including Purchaser B).

We have reviewed the biographical information of the proposed Directors nominated by the Offeror which details are set out in the Letter from Somerley and we consider that the proposed Directors have extensive experience in financial market and mining industry which the Company might benefit from their extensive experience and strategic foresight in the Group's business development.

#### *2.4 Maintaining the listing status of the Company*

As set out in the Letter from Somerley, the Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer. The Stock Exchange has stated that, if, upon the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares (excluding treasury shares), are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The directors of the Offeror and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer, if the level of acceptances of the Offer Shares results in the shareholding of the Offeror and the parties acting in concert with it exceeding 75% of the total issued share capital of the Company. Such steps may include but are not limited to placing down or selling by the Offeror of a sufficient number of accepted Shares acquired under the Offer to Independent Third Parties or in the market through arrangements that do not fall within Rule 25 of the Takeovers Code. No arrangement had been confirmed or put in place as at the Latest Practicable Date. Further announcement(s) will be made in accordance with the requirements of the Listing Rules and the Takeovers Code as and when appropriate.

### 3. The Offer Price

#### 3.1 The Offer Price comparison

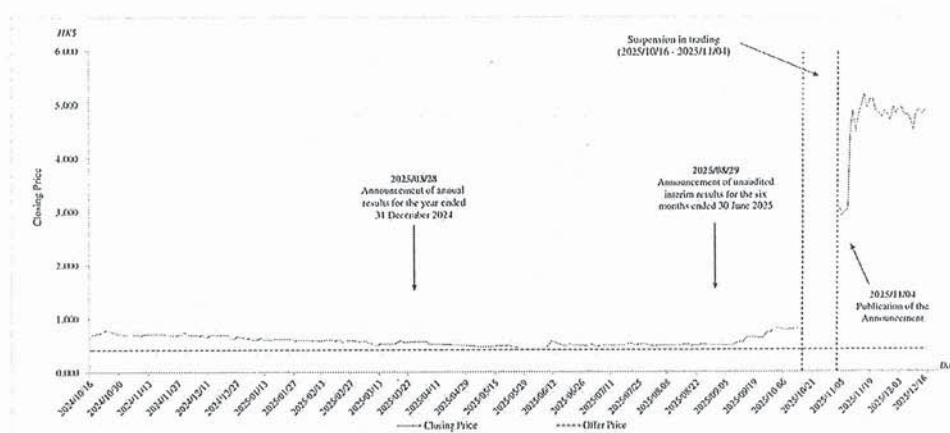
The Offer Price of HK\$0.4104 per Offer Share represents:

- (i) a discount of approximately 91.57% to the closing price as quoted on the Stock Exchange on 16 December 2025, being the Latest Practicable Date, i.e. HK\$4.870 per Share;
- (ii) a discount of approximately 48.70% to the closing price as quoted on the Stock Exchange on 15 October 2025, being the Last Trading Day, i.e. HK\$0.800 per Share;
- (iii) a discount of approximately 48.05% to the average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day, i.e. approximately HK\$0.790 per Share;
- (iv) a discount of approximately 47.92% to the average closing price of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day, i.e. approximately HK\$0.788 per Share;
- (v) a discount of approximately 43.63% to the average closing price of the Shares as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day, i.e. approximately HK\$0.728 per Share;
- (vi) a discount of approximately 37.44% to the average closing price of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day, i.e. approximately HK\$0.656 per Share;
- (vii) a discount of approximately 75.86% to the audited consolidated net asset value per Share of the Group as at 31 December 2024 of approximately HK\$1.700 (based on a total of 350,286,528 Shares in issue as at the Latest Practicable Date and the audited consolidated net asset value of the Group as at 31 December 2024 of approximately RMB545,843,000); and
- (viii) a discount of approximately 75.77% to the unaudited consolidated net asset value per Share of the Group as at 30 June 2025 of approximately HK\$1.694 (based on a total of 350,286,528 Shares in issue as at the Latest Practicable Date and the unaudited consolidated net asset value of the Group as at 30 June 2025 of approximately RMB544,038,000).



### 3.2 Historical Share price performance

We have reviewed and analysed the closing prices of Shares (a) for approximately 12 months immediately prior to the Last Trading Day commencing on 16 October 2024 and up to and including the Last Trading Day (the “**First Review Period**”), which is commonly adopted timeframe for similar share price analysis in the market and is considered to be adequately lengthy to illustrate the recent trend of the closing prices of the Shares for our analysis on the offer prices under the Offer and its trading volume for the purpose of assessing the fairness and reasonableness of the offer prices under the Offer; and (b) from the day immediately following the date of the Joint Announcement up to and including the Latest Practicable Date (the “**Second Review Period**” together with the First Review Period, the “**Review Period**”) below:



Source: [www.hkex.com.hk](http://www.hkex.com.hk)

The Offer Price of HK\$0.4104 represents (a) a discount of approximately 59.9% to the average closing Share price of approximately HK\$1.02 per Share for the Review Period; (b) a discount of approximately 48.70% to the closing price of HK\$0.80 per Share as quoted on the Stock Exchange on the Last Trading Day; and (c) a discount of approximately 91.6% to the closing price of HK\$4.87 per Share as quoted on the Stock Exchange on the Latest Practicable Date. During the Review Period, the closing price per Shares fluctuated between the range from HK\$0.42 to HK\$5.16 (the “**Review Period Price Range**”), with an average of approximately HK\$1.02 per Share.

#### *First Review Period*

During the First Review Period, the closing price per Shares fluctuated between the range from HK\$0.42 to HK\$0.80, with an average of approximately HK\$0.58 per Share. As a broad trend, the closing price per Shares were generally decreased since the commencement of the First Review Period and reaching the lowest closing price per Share of the First Review Period of HK\$0.42 in late May (i.e. 29 May 2025) and early June 2025 (i.e. 2-5 and 9 June 2025), before rising to HK\$0.57 on 11 June 2025 and as confirmed by the Directors, the Directors were not aware of any matters related to the movement in price of the Shares.

The closing price per Share then fluctuated within the range between HK\$0.47 to HK\$0.55 from 12 June 2025 to the trading day immediately before the date of the announcement of the interim results of the Company for the six months ended 30 June 2025 (the “**2025 Interim Results Announcement**”). The closing price per Share experienced a notable increase after the publication of the 2025 Interim Results Announcement, with the highest closing price of HK\$0.80 per Share. As confirmed by the Directors, save for the information as set out in the 2025 Interim Results Announcement dated 29 August 2025, the Directors were not aware of any matters related to the Group which might have a material effect on the price of Shares.

#### *Second Review Period*

During the Second Review Period, the closing price per Share ranged from HK\$2.90 to HK\$5.16 with an average closing price per Share of approximately HK\$4.59. The closing price per Share as at the Latest Practicable Date was HK\$4.87. The Offer Price represents (i) a discount of approximately 91.1% to the average daily closing price per Shares during the Second Review Period; and (ii) a discount of approximately 91.6% to the closing price per Shares as at the Latest Practicable Date.

It is noted that the closing price of Shares rapidly increased to HK\$3.12 per Share on the trading day immediately after the publication of the Joint Announcement from HK\$0.80 per Share as at the Last Trading Day, represents an increase of approximately HK\$2.32 or 290.0%. As confirmed by the Directors, save for the information as set out in the Joint Announcement, the Directors were not aware of any matters related to the Group which might have a material effect on the price of Shares and considered that such fluctuation in the price of Shares may be attributable to market reactions regarding the Joint Announcement.

Based on (i) the Offer Price is lower than the Review Period Price Range; and (ii) the Offer Price represents a discount of approximately 2.3% and 92.0% to the lowest and highest closing price per Share during the Review Period, we are of the view that the Offer Price is not fair and reasonable.

The price of the Shares may increase or decrease after the Latest Practicable Date and/or after closing of the Offer where the Offeror continued to be the controlling Shareholder of the Group.

Offer Shareholders should note that the information set out above is not an indicator of the future performance of Shares and that the price of Shares in the future may increase or decrease from its closing price as at the Latest Practicable Date.



### 3.3 Historical liquidity of the Shares

The table below sets out the trading volume of Shares during the Review Period:

Month/period	Total trading volume of the Shares	Number of trading days in the month/period	Average daily trading volume per trading day in the month/period	Percentage of average daily trading volume to total number of Shares in issue (Note 1) Approximate%	Percentage of average daily trading volume to total number of Shares held by public Shareholders (Note 2) Approximate%
<u>First Review Period</u>					
2024					
October (from 16 October 2024)	183,500	12	15,292	0.004%	0.010%
November	183,333	21	8,730	0.002%	0.006%
December	522,100	20	26,105	0.007%	0.017%
2025					
January	162,300	19	8,542	0.002%	0.006%
February	540,600	20	27,030	0.008%	0.018%
March	651,900	21	31,043	0.009%	0.020%
April	100,833	19	5,307	0.002%	0.003%
May	292,862	20	14,643	0.004%	0.010%
June	814,590	21	38,790	0.011%	0.025%
July	521,633	22	23,711	0.007%	0.016%
August	312,089	21	14,861	0.004%	0.010%
September	716,833	22	32,583	0.009%	0.021%
October (up to and including the Last Trading Day) (Note 3)	1,174,000	9	130,444	0.037%	0.085%
<u>Second Review Period</u>					
November (from 1:00 p.m. on 4 November 2025) (Note 3)	63,712,685	19	3,353,299	0.957%	2.194%
December (up to and including the Latest Practicable Date)	5,454,000	12	454,500	0.130%	0.297%

Source: [www.hkex.com.hk](http://www.hkex.com.hk)

*Notes:*

1. Calculated based on the total number of the Shares in issue at the end of month/period.
2. Calculated based on the total number of the Shares held by public shareholders as set out in the Letter from the Board as at the Latest Practicable Date.
3. During the Review Period, the trading in the Shares had been halted on 16 October 2025 and trading was resumed at 1:00 p.m. on 4 November 2025.

As set out in the table above, during the First Review Period, the percentage of average daily trading volume of the Shares by month/period were in the range of (a) approximately 0.002% to approximately 0.037% with an average of approximately 0.008% as to the total number of issued Shares; and (b) approximately 0.003% to approximately 0.085% with an average of approximately 0.019% as to the total number of Shares held by public Shareholders. The average daily trading volume of Shares during the First Review Period of approximately 29,000 Shares was generally thin and not active. It is also noted that, during the First Review Period, there were a total of 247 trading days, of which 87 days recorded no trading of Shares. Given the percentage of average daily trading volume to total number of Shares in issue and to total number of Shares held by public Shareholders are under 0.01% and 0.05% for most of the month/period during the Review Period, it is noted that the trading liquidity of the Shares has been generally low in the open market.

During the Second Review Period, the percentage of average daily trading volume of the Shares by month/period were in the range of (a) approximately 0.130% to approximately 0.957% with an average of approximately 0.544% as to the total number of issued Shares; and (b) approximately 0.297% to approximately 2.194% with an average of approximately 1.246% as to the total number of Shares held by public Shareholders. As confirmed by the Directors, save for the information as set out in the Joint Announcement, the Directors were not aware of any matters related to the Group which might have a material effect on the trading volume of Shares during the Second Review Period.

The trading volume of the Shares may increase or decrease after the Latest Practicable Date and/or after closing of the Offer where the Offeror continued to be the controlling Shareholder of the Group. Offer Shareholders considering realising their investment in the Company should (i) note that realising a sizeable volume of Shares in the open market may potentially impose downward pressure on the price of the Shares; and (ii) only realise their Shares in the open market when the net proceeds after transaction costs from the sale of such Share in the open market are not less than that receivable by the Offer Shareholders upon acceptance of the Offer.



### 3.4 Market comparable analysis

With a view to assess the fairness and reasonableness of the Offer Price, we have also conducted market comparable analysis by comparing the price-to-earnings ratio (the “**P/E Ratio**”) and the price-to-book ratio (the “**P/B Ratio**”) of the Company as implied by the Offer Price against that of other listed companies on the Main Board of the Stock Exchange that engages in similar business to those of the Group. It is noted that the P/E Ratio and P/B Ratio are the commonly used valuation benchmarks in evaluating the valuation of a company. Having considered that (i) the Group recorded gross profit and operating profit for FY2024 of approximately HK\$15.7 million and HK\$74.8 million, respectively; (ii) the Group recorded other net gain arose from the One-off Disposals of approximately HK\$123.4 million for FY2024; and (iii) for illustrating purposes only, if eliminating the one-off income arose from the One-off Disposals under other net gain, the Group would record loss attributable to the owners of the Company for FY2024, being the latest completed full financial year prior to publication of the Joint Announcement, the P/E Ratio is not applicable for the purpose of our analysis.

Based on the unaudited net asset value attributable to owners of the Company of approximately RMB544.0 million (equivalent to approximately HK\$593.0 million) as at 30 June 2025, the total implied value of the Company based on the Offer Price under the Offer<sup>3</sup>, being approximately HK\$143.8 million, and the implied P/B ratio (the “**Implied P/B Ratio**”) of the Company would be approximately 0.24 times.

For the purpose of our analysis, we have identified comparable companies based on the following criteria: (a) the shares of which are listed on the Main Board of the Stock Exchange; (b) the market capitalisation not more than HK\$2,500 million as at the Last Trading Day and the Latest Practicable Date, having considered that the market capitalisation of the Group is (i) approximately HK\$280.2 million based on the closing price of the Shares as at the Last Trading Day, (ii) approximately HK\$1,705.9 million based on the closing price of the Shares as at the Latest Practicable Date, and (iii) the implied market capitalisation of approximately HK\$143.8 million based on the Offer Price; (c) the listed company(ies) that falls under the category “Materials – Diversified Metals & Minerals – Iron & Steel” of the Hang Seng Industry Classification System (HSIC) according to the Stock Exchange’s website; and (d) the trading of shares of the subject companies were not suspended on the Last Trading Day and Latest Practicable Date (the “**Criteria**”).

Based on the Criteria, we have identified an exhaustive list of eight comparable companies (the “**Comparable Companies**”). The table below sets out the P/B Ratio and the Implied P/B Ratio of the Company under the Offer for comparison purposes.

3 On the basis of the Offer Price of HK\$0.4104 per Offer Share and 350,286,528 Shares in issue as at the Latest Practicable Date, the implied value of the Company is calculated to be approximately HK\$143.8 million.

Company Name (Stock code)	Principal Business	Market	P/B Ratio as	Market	P/B Ratio as
		capitalisation as at Last Trading Day (Note 1) HK\$' million	at the Last Trading Day (Note 1) (Note 1)	capitalisation as at Latest Practicable Date (Note 1) HK\$' million	at the Latest Practicable Date (Note 1)
Aowei Holding Limited (1370)	Principally engaged in (i) the exploration, mining, processing and trading of iron ore products and major products including iron ores, preliminary concentrates and iron ore concentrates; (ii) the production and sales business of the green construction materials construction sand and gravel materials by recycling tailings and solid wastes in the People's Republic of China	433.4	0.65	556.0	0.83
China Vanadium Titano-Magnetite Mining Company Limited (893)	Principally engaged in mining and ore processing, sale of self-produced products, trading of steels, mining facilities management and management of strategic investments	195.7	0.29	182.2	0.27
Da Ming International Holdings Limited (1090)	Processing and sale of stainless steel and carbon steel products and the manufacturing of equipment and component products	1,147.1	0.36	1,083.3	0.34



Company Name (Stock code)	Principal Business	Market		Market	
		capitalisation as at Last Trading Day (Note 1) HK\$' million	P/B Ratio as at the Last Trading Day (Note 1)	capitalisation as at Latest Practicable Date (Note 1) HK\$' million	P/B Ratio as at the Latest Practicable Date (Note 1)
Huajin International Holdings Limited (2738)	Principally engaged in processing of hot-rolled steel coils into cold-rolled steel strips, sheets and welded steel tubes and galvanized steel products customised to the specification of the customers covering a wide range of industries, including light industrial hardware, home appliances, furniture, motorcycle/ bicycle accessories, LED and lighting	153.0	N/A	162.0	N/A
Huiyuan Cowins Technology Group Limited (1116)	Principally engaged in (i) the production and sale of steel products and provision of piped potable water solutions; and (ii) the development and application of energy storage and conservation of PCM technologies, alongside technology integration for facility farming	571.9	2.71	733.7	3.48

Company Name (Stock code)	Principal Business	Market capitalisation as at Last Trading Day (Note 1) HK\$' million	P/B Ratio as at the Last Trading Day (Note 1)	Market capitalisation as at Latest Practicable Date (Note 1) HK\$' million	P/B Ratio as at the Latest Practicable Date (Note 1)
KangLi International Holdings Limited (6890)	Principally engaged in the production and sales of hard steel coil, unpainted galvanised steel products and painted galvanised steel products to mainly midstream steel product processors for further processing and to home appliance manufacturers for production of home appliances such as refrigerators, washing machines and ovens	245.5	0.25	215.2	0.22
Maike Tube Industry Holdings Limited (1553)	Principally engaged in the manufacturing of steel pipe products and the prefabricated pipe nipple products	650.7	0.51	655.0	0.51
Newton Resources Limited (1231)	Engaged in the sourcing and supply of iron ore and other commodities, and also provides value-added services	1,540.0	6.67	1,200.0	5.20
	Minimum		0.25		0.22
	Maximum		6.67		5.20
	Average		1.64		1.55
	Median		0.51		0.51
			<i>Implied P/B Ratio</i>		<i>P/B Ratio based on the Latest Practicable Date</i>
The Company			0.24 (Note 3)		2.88



*Notes:*

1. For illustration purpose, the market capitalisation and the P/B Ratio are calculated based on, where applicable, the closing price of the share of the respective Comparable Companies on the Last Trading Day and the Latest Practicable Date, the total number of issued shares based on the then latest monthly return of the subject listed company published on the website of the Stock Exchange and their respective latest published equity attributable to the owners of the company (for P/B Ratio) as at the Latest Practicable Date.
2. The Implied P/B Ratio is calculated by (a) the Offer Price of HK\$0.4104 per Offer Share multiple by 350,286,528 Shares in issue as at the Latest Practicable Date to arrive at the implied value of the Company of approximately HK\$143.8 million; divided by (b) the net asset value attributable to the owners of the Company as at 30 June 2025.
3. N/A denoted that the subject company recorded net liabilities attributable to the owners of the company.

*Analysis on P/B Ratio*

It is noted from the above table that the P/B Ratio of the Comparable Companies as at the Last Trading Day ranged from approximately 0.25 times to 6.67 times (the “Comparable Companies Range”, with an average and median of approximately 1.64 times and 0.51 times, respectively. Based on their respective latest published financial statements, except Huajin International Holdings Limited with net liabilities, the equity attributable to its owners recorded by the Comparable Companies ranged from approximately HK\$210.8 million to approximately HK\$3,147.4 million. The Implied P/B Ratio of the Company as represented by the Offer Price of approximately 0.24 times is lower than all the Comparable Companies.

Having considered that the Implied P/B Ratio of the Company as represented by the Offer Price of approximately 0.24 times is lower than the Comparable Companies, we are of the view that the Offer Price is not fair and reasonable.

**RECOMMENDATION**

Having considered the abovementioned principal factors and reasons for the Offer, including:

- (a) our analysis on the historical financial performance and position of the Group as set out under paragraph headed “1. Financial information of the Group and industry outlook” that the Group had unsatisfactory financial performance in recent period with significant decreased revenue and the loss attributable to owners of the Company for 6M2025 is higher than 6M2024 if there is no gain on reversal of over-provision for accrued expenses attributable to Yangzhuang Iron Mine amounting approximately RMB27.4 million;
- (b) although the Management expects that the performance and operating results of the Trading Business to gradually improve with the expected gradual recovery in the demands for commodities for the second half of 2025 and the Group’s titanium concentrates will be sought-after in the market and the Group intends to apply for

a new mining permit, there is uncertainty of the Group's business outlook and the success of which will depend on the actual development status of the Zhuge Shangyu Ilmenite Mine including the new processing plant and the then market prices of coarse iron powder, blended coal, iron concentrates and titanium concentrates which details are set out under paragraph headed "Industry prospect and outlook of the Group";

- (c) the potential decrease in PRC iron ore production from 2023 to September 2025 may cope with the decrease in price of iron ore which may have adverse impact to the future development the Group if the Zhuge Shangyu Ilmenite Mine remains as the key developing mine of the Group and the iron ore price keeps on its decreasing trend;
- (d) during each of the two years ended 31 December 2023 and 2024 and the six months ended 30 June 2025, no dividend had been declared by the Company. As at the Latest Practicable Date, the Company has no outstanding dividend or other distribution that has been declared, made but not yet paid. In addition, the Company does not intend to declare, pay and/or make any dividend or other distribution on the Shares before the close of the Offer. In this connection, Offer Shareholders should take into account (i) the decrease in revenue of the Group of approximately RMB981.6 million or 77.7% from approximately RMB1,263.7 million for FY2023 to approximately RMB282.1 million for FY2024; (ii) the decrease in gross profit of the Group of approximately RMB125.8 million or 88.9% from approximately RMB141.5 million for FY2023 to approximately RMB15.7 million for FY2024; (iii) as the financial year ending 31 December 2025 is not yet completed, there are no certainties that the Group will distribute dividend under the stated dividend policy; and (iv) as set out in the Letter from Somerley, no dividend and/or other distribution had been declared but not yet paid to the Shareholder at the Latest Practicable Date and the Directors confirmed that the Company does not intend to declare any dividend or other distribution before the close of the Offer;
- (e) the Offer Price of HK\$0.4104 per Offer Share represents a discount of approximately 48.70% to the closing price on the Last Trading Day;
- (f) the Offer Price of HK\$0.4104 per Offer Share represents a discount of approximately 91.6% to the closing price on the Latest Practicable Date;
- (g) the Offer Price is lower than the closing price per Share during the Review Period and represents a discount of approximately 2.3% and 92.0% to the lowest and highest closing price per Share during the Review Period, respectively;
- (h) the Offer Price represents a discount of approximately 91.1% to the average closing price per Share during the Second Review Period;



- (i) the Implied P/B Ratio of the Company as represented by the Offer Price of approximately 0.24 times is lower than the Comparable Companies Range; and
- (j) we consider that the proposed Directors have extensive experience in financial market and mining industry which the Company might benefit from their extensive experience and strategic foresight in the Group's business development,

based on the above principal factors and reasons, on balance, we consider that the Offer is not fair and not reasonable.

As set out in the above points (a) to (d), among others, the Group had unsatisfactory financial performance in recent period and there is uncertainty of the Group's business outlook. Nonetheless, as further set out in the above points (e) to (j), among others, (i) the Offer Price represents a discount to closing price on the Last Trading Day, Latest Practicable Date and during the Review Period; and (ii) the Implied P/B Ratio is lower than the Comparable Companies Range, we advise the Independent Board Committee to recommend the Offer Shareholders not to accept the Offer.

Offer Shareholders considering realising their investment in the Company should, based on their own circumstances, consider selling their Shares in the open market instead of accepting the Offer if the net proceeds after transaction costs from the sale of such Share in the open market would be higher than that receivable by the Offer Shareholders upon acceptance of the Offer.

Offer Shareholders are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period and Offer Shareholders should also note that disposing of large blocks of Shares in the open market may trigger price slump due to the generally thin trading volume during the Review Period.

Yours faithfully  
For and on behalf of  
**Red Sun Capital Limited**



**Robert Siu**  
Managing Director

*Mr. Robert Siu is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in the corporate finance industry.*

\* For identification purpose only