Investment Memorandum (Teaser)

Inner Mongolia Lvbaoxin 1 Million Tons/Year Coal Gasification Slag Resource Utilization Project

CONFIDENTIAL - For Qualified Investors Only

Date: January 2026

I. Project Overview

Inner Mongolia Lvbaoxin Environmental Technology Co., Ltd. plans to invest and construct a comprehensive utilization project with annual processing of 1 million tons of coal gasification slag in Jiuyuan District, Baotou. The project adopts internationally advanced dual-line process of "acid leaching + glass-ceramic", producing four categories of products: liquid polyaluminum chloride, solid polyaluminum chloride, white carbon black and glass-ceramic, achieving high-value utilization of all solid waste components. Total project investment RMB 681.89 million, construction period 12 months. After reaching full production, annual output value RMB 1.26 billion, after-tax internal rate of return 51.19%, static investment payback period 3.05 years.

II. Investment Highlights

Policy Dividend Period: The project belongs to national solid waste resource utilization industrial policy, conforming to the "Solid Waste Comprehensive Treatment Action Plan" (Guofa [2025] No. 14) issued and publicly released by the State Council on December 27, 2025. This policy document is China's first special national-level document for systematic deployment of solid waste comprehensive treatment. Conforming to the encouraged category of "Industrial Structure Adjustment Guidance Catalog", conforming to national "dual carbon" strategy, enjoying multiple policy supports such as tax reductions and subsidies.

Ultra-high Return Rate: After-tax IRR reaches 51.19%, far exceeding industry average of 15-25%; full investment can be recovered in 3 years.

Rigid Demand Market: Products cover anti-cyclical industries such as water treatment, tires, building materials, with significant regional market gaps and guaranteed sales channels.

Cost Moat: Raw materials are waste slag and waste acid, cost over 30% lower than traditional process; location advantage reduces logistics costs.

Green Attribute: Annual processing 1 million tons of solid waste, reducing CO■ emissions by 200,000 tons, with carbon trading value potential.

III. Market Analysis

Liquid Polyaluminum Chloride: Within 200km radius centered on Baotou, annual demand 600,000 tons, existing capacity only 120,000 tons, gap 80,000 tons.

Solid Polyaluminum Chloride: National market scale 4 million tons/year, annual growth 3-5%, project capacity 480,000 tons, reasonable proportion.

White Carbon Black: Benefiting from green tire popularization, demand annual growth 6-8%, project capacity 240,000 tons, focusing on mid-end market.

Glass-ceramic: Replacing natural stone, domestic potential market over 100 million square meters, project positioning export tombstones, significant cost advantage.

IV. Technology and Process

The project adopts dual process route of "acid leaching line + glass-ceramic line":

> **Acid Leaching Line:** Annual processing 800,000 tons of coal gasification slag, producing polyaluminum chloride series products and white carbon black through acid leaching, polymerization, drying and other processes.
>
> **Glass-ceramic Line:** Annual processing 200,000 tons of coal gasification slag, adopting "melting - calendering - crystallization" process to produce high-quality glass-ceramic.

Technology Maturity: Each unit process has successful industrialization cases in China, overall resource utilization rate ≥90%.

V. Financial Forecast

Indicator	Value
Cumulative 5-year Net Profit	RMB 1,601.02 million
Cumulative Operating Cash Flow	RMB 1,802.97 million

VI. Financing Demand

Item	Amount	Proportion
Total Investment	RMB 681.89 million	100%
Enterprise Self-financing	RMB 201.30 million	29.5%
Current Financing Demand	RMB 480.59 million	70.5%

Priority: Project loan RMB 380.59 million, term 5 years, interest rate 6%

Subordinated: Green bonds RMB 50 million, term 5 years, interest rate 5%

Equity: Strategic investment RMB 50 million, equity ratio negotiable

Fund Use: Construction investment RMB 600 million, initial working capital RMB 38.69 million

VII. Return and Exit

Debt Investors:

• Annualized return: 6-7%

• Guarantee measures: Project asset mortgage, parent company guarantee, accounts receivable pledge

• Debt service guarantee: DSCR 2.68, ICR 29.65

Equity Investors:

• Investment period: 3-5 years

• Return mechanism:

- Annual dividend: Not less than 30% of net profit

- Capital appreciation: Target listing or industrial M&A;

• Exit path:

- Path 1: Major shareholder repurchase at 15% annualized return after 3 years

- Path 2: Achieve A-share/Hong Kong stock listing within 5 years

- Path 3: Sell equity to environmental protection listed companies (Beijing Enterprises, Everbright, etc.)

• Expected return:

- Equity investors: 5-year annualized return >35%

- Debt investors: Safe and stable, sufficient collateral

VIII. Risk and Mitigation

Risk Type	Risk Description	Mitigation Measures
Market Risk	Product price fluctuations, market competition intensification	Long-term supply agreements, diversified sales channels, cost advant
Technical Risk	Process scaling-up, product quality stability	Mature industrial technology, pilot verification, technical team support
Policy Risk	Environmental protection, tax policy adjustments	Close policy tracking, green production, policy compliance
Fund Risk	Financing not in place, capital turnover difficulties	Diversified financing channels, financial control, working capital reserv

IX. Core Team

Deng Funan: 20 years of environmental protection industry experience, once led multiple solid waste treatment projects.

Hu Guiming: 15 years of project management expert, skilled in cost control.

Liu Yajun: Senior engineer, serving as chief engineer of core patent technology company for gasification slag resource utilization.

Yang Maohong: 30 years of large central enterprise operation experience, proficient in lean production management.

X. Transaction Timeline

Time	Milestone
January-February 2026	Investor due diligence
March 2026	Sign investment agreement
March 2026	Project starts construction
March 2027	Project put into production
From April 2027	Quarterly dividends
From 2029	Initiate exit procedure

XI. Contact Information

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