This summary aims at giving you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As the following is only a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of technical terms" in this prospectus.

OVERVIEW

We are a gold exploration, mining and processing company established in 2005 and located in Yantai city of the Shandong Province in China. We sell gold bullion derived from gold concentrate processed by us. According to the F&S Report, we were the third largest gold mining company in the Shandong Province in 2022 with a market share of 2.6% in terms of mine production volume but the top two players have an aggregated market share of approximately 78.3% in terms of gold mine production volume. Further, Shandong Province is the largest gold producing province in the PRC with gold mine production volume of approximately 41.4 t, which accounted for approximately 14.0% of the total gold mine production volume in China in 2022, while Yantai city accounted for more than 90% of the gold mine production of the Shandong Province in 2022. We believe we enjoy growth opportunities attributable to our location in Yantai city. The Listing of our Company will constitute a spin-off of our Company from Majestic Gold, which is listed on the TSX Venture Exchange, by way of a separate listing of our Shares on the Main Board of the Stock Exchange.

According to the SRK Report, we had total Probable Mineral Reserves, Indicated Mineral Resources and Inferred Mineral Resources amounted to approximately 23,130 kt, 35,840 kt and 39,710 kt, respectively, as at 30 June 2023. We operate two operating gold mines, namely, the Songjiagou Open-Pit Mine and the Songjiagou Underground Mine, both are located at Songjiagou, the Muping-Rushan gold metallogenic belt, which is one of the three major gold metallogenic belts in Yantai, and are in close proximity of around 400 metres from each other. We operate an ore processing plant within 4 km from our mines with an annual ore processing capacity of approximately 2,000 kt. Our mining assets and ore processing plant are well supported by upstream and downstream gold supply chain industries in the Yantai city, and are easily accessible by highway.

We have the track records to develop greenfield mining assets and related facilities and have successfully turned them into actual mining and gold producing assets as both of our mining assets, ore processing plant and related facilities such as tailings dam were developed by us. Both our management and operations teams are led by professionals who have extensive industry experience. Our management team is led by our Chairman, executive Director and chief executive officer, Dr. Shao, who held a doctor of philosophy degree in mineral processing and has extensive experience in ore processing, mining-related finance and investment management. Based on the fact that our gold production is mostly attributable to our Songjiagou Open-Pit Mine, we have recorded an average production cost of approximately RMB186.3 per gram in FY2022, which is below the industry average of RMB298.0 per gram in 2022 as stated in the F&S Report.

We accredited this achievement to our effective gold grade control and production management implemented by our technical team as part of our mining methodology which, before drilling and blasting activities to be carried out with respect of our mining works, incorporates geostatistics into a mix of mining methods (such as drilling, blasting, loading and transportation method for Songjiagou Open-Pit Mine and shrinkage stope and cut-and-fill mining method for Songjiagou Underground Mine) to help select and identify higher gold content orebody (i.e. ore with higher gold grade) to be extracted based on ground and mining site conditions to improve our resource quality while controlling the stripping volume so that we can ensure a stable grade of ore is being fed into our ore processing plant for our ore processing operations. Our Directors believe that our streamlined business model enables us to focus on our core mining and ore processing operations while keeping our operation costs low, thereby enhancing Shareholders' value in the long run.

Prior to February 2021, we outsourced a substantial portion of our mining works comprising demolition, blasting, drilling and excavation works, refining and logistics works to qualified third-party subcontractors. Since February 2021 and up to the Latest Practicable Date, we carry out substantially all of our mining works comprising demolition, drilling, blasting and excavation works ourselves seeking to reduce the costs of mining but outsource all the refining and logistics works to qualified third-party subcontractors. We take safety seriously and have training programmes in place for our third-party subcontractors. All third-party subcontractors are required to possess the requisite qualifications to undertake the commissioned works and carry out their works according to our mine plannings and under our supervisions and inspections. We were awarded the Advanced Unit in Production Safety at the District Level from the government authority of Muping District in Yantai city.

As at the Latest Practicable Date, our staff force reached 452. During the Track Record Period, our revenue amounted to approximately RMB361.0 million, RMB247.9 million, RMB418.4 million and RMB196.7 million, respectively, while our net profit amounted to approximately RMB114.4 million, RMB58.7 million, RMB121.0 million and RMB52.8 million, respectively.

COMPETITIVE STRENGTHS

We believe that our success is attributed to, among other things, the following competitive strengths which distinguish us from our competitors: (i) our open-pit mine is instrumental to our low production costs which is below the industry average; (ii) our ability to develop greenfield mining assets and our existing operating mining assets can support our next phase of growth strategies; (iii) our commitment to safety and environmental management; (iv) we have a strong technical team for our mining operation; and (v) our distinguished integrated management team. Please refer to the section headed "Business — Competitive strengths" in this prospectus for further details.

BUSINESS STRATEGIES

We intend to implement the following business strategies to achieve sustainable growth to strengthen our position in the Shandong Province in the PRC: (i) further construction of mining infrastructure in accordance with our mine optimisation plan; (ii) upgrade our gold reserves to increase LoM through additional exploration activities at our existing mine area; and (iii) expand our business and grow our market share through selective acquisitions of gold mining assets. For further details, please refer to the section headed "Business — Business strategies" in this prospectus.

OUR MINERAL ASSETS AND RESERVES

As at the Latest Practicable Date, we had a complete set of portfolio of mining assets and related infrastructure within close proximity with each other, which include (i) one open-pit gold mine, namely our Songjiagou Open-Pit Mine, with a permitted annual mine production volume of 900.0 kt and LoM of approximately 8.5 years; (ii) one underground gold mine, namely our Songjiagou Underground Mine, with a permitted annual mine production volume of 90.0 kt and LoM of approximately 6.0 years; (iii) an ore processing plant with an annual ore processing capacity of approximately 2,000 kt; and (iv) a tailings dam with a total storage capacity of approximately 42.2 million m^3.

LoM is the shortest timeframe that the Mineral Reserves of a mine are estimated to be fully utilised. Such calculated LoM is subject to change under certain circumstances. For instance, if the annual mining volume is reduced, indicating a decrease in the utilisation rate of the Mineral Reserves or if Mineral Reserves are increased by upgrading our Mineral Resources via additional exploration activities, it would take a longer time to deplete the Mineral Reserves of the mine. Pursuant to a preliminary study conducted by SRK, by modifying the final pit structure of our Songjiagou Open-Pit Mine in the future, it is viable for our Group to economically capture additional Indicated Mineral Resources and Inferred Mineral Resources. As advised by SRK, it is common in the gold mining industry and commercially sensible for gold mines to perform exploratory activities to ascertain the existence of economically mineable Mineral Reserves only when the mining and exploratory activities proceeded to a deeper level. Based on the Mineral Resources available at the Songjiagou Open-Pit Mine and the industrial and technical expertise relating to exploration possessed by the Group, SRK is of the view that there is substantial potential for the Group's Songjiagou Open-Pit Mine to increase its LoM along with the exploratory activities and further studies to be conducted in the future. Please see paragraphs headed "Business — Our mineral assets and reserves — Our two gold mines", "Business — Our operations — Our ore processing facility" and "Business — Our operations — Tailings" for further details.

Apart from the amount of Mineral Reserves, the LoM of our Songjiagou Open-Pit Mine of 8.5 year is calculated based on the assumption that the production capacity of the mine would reach a target of 3,300 ktpa annum as from 2026. As concurred by SRK, such production capacity is considered to be the optimal production capacity that would be achievable by our Group based on our Group's mining plan. In particular, our Group had already possessed the necessary machines and equipment, for example, excavators and drill rigs to achieve such production capacity. At the material time, the expanded mining area of our Songjiagou Open-Pit Mine is expected to reach +33 metres ASL, which would provide sufficient working benches and spaces for our Group's excavators and drill rigs to operate.

The following table sets forth the information on our Mineral Resources and Mineral Reserves as at 30 June 2023 under NI 43-101, based on the SRK Report.

Asset	Mineral Resources					Mineral Reserves				
	Resource category	Ore Tonnes	Gold grade	Gold content		Reserve category	Ore Tonnes	Gold grade	Gold content	
		(kt)	*(g/t)*	*(kg)*	*(koz)*		*(kt)*	*(g/t)*	*(kg)*	*(koz)*
Songjiagou	Indicated	34,200	1.10	37,600	1,210.0	Proven	—	—	—	—
Open-Pit Mine	Inferred	36,700	0.95	34,800	1,120.0	Probable	22,600	1.17	26,400	849
	Total	**70,900**	**—**	**72,400**	**2,330.0**	**Total**	**22,600**	**—**	**26,400**	**849**
Songjiagou	Indicated	1,640	1.38	2,270	73.0	Proven	—	—	—	—
Underground Mine	Inferred	3,010	1.24	3,730	120.0	Probable	530	1.39	737	23.7
	Total	**4,650**	**—**	**6,000**	**193.0**	**Total**	**530**	**—**	**737**	**23.7**

CASH OPERATING COSTS

Cash operating costs for our mines primarily consist of workforce employment costs, consumable costs and fuel, electricity, water and other services. The table below is based on the SRK Report and sets forth a summary of historical and forecast of the cash operating costs per gram of gold produced of our mines for the years indicated.

Cost item	Unit	Historical				Forecasts				
		2020	2021	2022	1H2023	2H2023	2024	2025	2026	2027
Workforce employment	RMB/gram	20.26	26.28	32.05	40.76	36.61	39.72	21.34	10.41	10.18
Consumables	RMB/gram	49.30	40.44	40.25	38.70	54.48	58.41	36.65	38.04	37.21
Fuel, electricity, water and other services[(Note)]	RMB/gram	44.74	74.60	59.02	77.85	45.55	48.69	31.32	15.16	14.88
On and off-site administration	RMB/gram	6.28	11.05	9.76	8.43	1.49	1.62	0.87	0.42	0.41
Environmental protection and monitoring	RMB/gram	0.04	0.00	0.00	0.00	0.01	0.01	0.01	0.00	0.00
Transportation of workforce	RMB/gram	0.66	0.80	0.28	0.54	0.70	0.75	0.41	0.20	0.19
Product marketing and support	RMB/gram	—	—	—	—	—	—	—	—	—
Non-income taxes, royalties and other government charges	RMB/gram	15.53	19.68	17.45	18.81	19.99	20.03	17.25	15.42	15.04
Contingency allowances	RMB/gram	7.83	10.46	6.20	9.46	5.48	5.94	3.19	1.56	1.52
Total	RMB/gram	144.64	183.31	165.00	194.55	164.30	175.17	111.04	81.21	79.45

Note: Include smelting and refining costs.

The expected decrease in cash operating costs going forward is mainly attributable to the expected increase in (i) gold production volume; and (ii) gold grade of our Songjiagou Open-Pit Mine. Please refer to the section headed "SRK Report — 19. Capital investment and operating costs" in Appendix III to this prospectus for details of the cash operating costs and the relevant assumptions.

MINING LICENCES

As at the Latest Practicable Date, we held two mining licences in respect of our mines as follows:

Gold mine	Licence name	Licence holder	Area (sq.km.)	Type of natural resources	Permitted annual mine production volume (kt)	Licence number	Validity period of licence From	To	Status
Songjiagou Open-Pit Mine	Mining licence	Yantai Zhongjia	0.5937	Gold	900	C3700002009044110010983	17 May 2020	17 May 2031	Valid
Songjiagou Underground Mine	Mining licence	Yantai Zhongjia	0.4140	Gold	90	C3700002016024210141314	18 February 2021	18 February 2031	Valid

We did not pledge any mining rights to secure any of our bank facilities during the Track Record Period and up to the Latest Practicable Date.

OUR PRODUCTION PROCESS AND PROCESSING FACILITY

Our production process involves three major steps: (i) mining (both open-pit and underground mining); (ii) ore processing, which in turn includes crushing, grinding and flotation; and (iii) gold refining, which we outsource the refining of gold concentrate into gold bullion of Au99.95 to Independent Third Party smelters. Our production activities at our Songjiagou Open-Pit Mine had not exceeded any of the permitted annual volume that would lead to over-production as prohibited under the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Our integrated ore processing facility comprises one mill to process the ores mined from our Songjiagou Open-Pit Mine and Songjiagou Underground Mine. Our ore processing plant has a total surface area of approximately 0.9 ha. The total designed ore processing capacity of our ore processing facility amounted to approximately 2,000 ktpa (or 6.0 ktpd) as at 30 June 2023.

The table below sets forth the utilisation rate and volume of ore processed at our ore processing plant with a capacity of 6.0 ktpd:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	Ore processed (kt)	Utilisation rate(Note) (%)	Ore processed (kt)	Utilisation rate(Note) (%)	Ore processed (kt)	Utilisation rate(Note) (%)	Ore processed (kt)	Utilisation rate(Note) (%)	Ore processed (kt)	Utilisation rate(Note) (%)
Mill with a capacity of 6.0 ktpd	1,590	80.3	1,024	51.7	1,991	100.6	1,001	50.6	997	50.3

Note: Utilisation rate is calculated by dividing volume of ore processed for each period by the designed annual processing capacity of the same period, which is calculated based on our designed ore processing capacity per day assuming we operate 330 days per year. Our utilisation rate in FY2022 exceeded 100% because the actual working days of our processing plant in that year surpassed the theoretical designed 330 working days per annum or equivalent to a processing capacity of 1,980 ktpa.

OUR CUSTOMERS

Our principal product is gold bullion of Au99.95. As we are not a member of the Shanghai Gold Exchange, we engage two Independent Third Party gold smelters, namely Shandong Guoda and Shandong Humon, to refine our gold concentrate into gold bullion of Au99.95 and sell to them (or their subsidiaries) such gold bullion at the fixed price determined by us with reference to prevailing Au (T +D) spot price as quoted on the Shanghai Gold Exchange for their subsequent sales on the Shanghai Gold Exchange during the Track Record Period, which is in line with industry practice according to the F&S Report. Since 2021, we only have one customer, namely, Shandong Guoda. As at the Latest Practicable Date, (i) Shandong Guoda is indirectly owned as to approximately 66.2% by 山東招金集團招遠黃金冶煉有限公司 (Shandong Zhaojin Group Zhaoyuan Gold Smelting Co., Ltd.*) ("**Shandong Zhaojin Gold Smelting**"); and (ii) Shandong Zhaojin Gold Smelting wholly-owned our cornerstone investor, namely, Dongfang Gold Industry (Hong Kong) Limited, which will hold approximately 9.9% of the total issued share capital of our Company immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). For each of FY2020, FY2021, FY2022 and 6M2023, our sales to Shandong Guoda amounted to approximately RMB335.8 million, RMB247.9 million, RMB418.4 million and RMB196.7 million (accounted for approximately 93.0%, 100.0%, 100% and 100% of our total revenue) respectively, and our sales to Shandong Humon amounted to approximately RMB25.2 million, nil, nil and nil (accounted for approximately 7.0%, nil, nil and nil of our total revenue) respectively.

Our Directors noted from Shandong Guoda that Shandong Guoda has been in the process of changing its principal business from gold smelting to copper smelting. However, it would be challenging for Shandong Guoda to change its principal business from gold smelting to copper smelting with immediate effect. Also, there are ample choices of alternatives and there is no material difficulty for our Group to engage and sell to other Independent Third Party smelters in the Shandong Province who provide similar quality of services at similar pricing. Having considered the above, our Directors are of the view that, the change of Shandong Guoda's principal business from gold smelting to copper smelting would not have a material impact on our Group's operation and financial performance. For further details, please refer to the sections headed "Risk factors — Risks relating to the business operations of our Group — We rely significantly on Shandong Guoda to refine our gold concentrate into gold bullion of Au99.95 and its subsequent purchase thereof" and "Business — Sales and customers — Our relationships with Shandong Guoda and Shandong Humon" in this prospectus. Further, both of these customers are also our subcontractors during the Track Record Period. For further details, please refer to the section headed "Business — Sales and customers — Major customers who are also our subcontractors" in this prospectus.

Framework sales contracts with customers

We signed framework sales contracts with our customers primarily to establish the business relationship and the principal framework for the transactions between the parties. Despite such, both of us and our customers acknowledged and accepted that there are contract terms in the framework sales contracts namely product, weighing, transportation, testing, sampling and arbitration and pricing and settlement are not applicable and hence would not be adopted and the actual transaction practice would be modified based on actual commercial needs of the parties.

There were discrepancies between our framework sales contracts with customers and actual transaction practices. Terms in actual transaction practices such as minimum quantity requirement, transportation and testing procedures after smelting, timing of pricing of gold bullion, requirement to pay a security deposit and interest expenses for pricing before delivery of gold bullion and timing in settlement of sales consideration of gold bullion by our customers differed from those stated in the framework sales contracts. As advised by the PRC Legal Advisers, it is not uncommon for the actual transaction procedures between two enterprises to differ from the terms and conditions as set out in the relevant framework agreements signed between them in the PRC.

On 17 May 2023, we signed memoranda with our customers (the "**Subsequent Memoranda**") to record in writing the modified practice adopted in actual transaction between us and our customer for ease of reference. The PRC Legal Advisers are of the view, and the Sole Sponsor concurs that our Group's framework sales contracts and the Subsequent Memoranda with Shandong Humon and Shandong Guoda are valid and legally enforceable. Despite our Group's long-standing business practice of using its customer's standardised template for framework sales contracts, to further enhance the corporate governance of our Group, our Group has negotiated with Shandong Guoda and on 24 November 2023, our Group and Shandong Guoda entered into a new framework sales contract which incorporates actual transaction practices and eliminate any non-adopted terms, as well as the addition of customary contract terms such as representations and warranties, confidentiality, force majeure clauses, etc. Further, our Company has the following safeguards to prevent the re-occurrence of abovementioned discrepancies:

(a) the Board has formed a review committee headed by Mr. Raymond Lo, an Executive Director of the Company and the chief financial officer who leads two members of the accounting department to monitor every sales, smelting and sulfuric acid compensation transaction to ensure that they are executed in accordance with the terms of the new framework sales contract and the smelting contract. Any potential discrepancies are required to be reported to the board of Directors of the Company before continuing the transaction. The board of Directors of the Company would decide whether to cease the relevant transactions and revise the relevant transaction terms in the new framework sales contract or the smelting contract, as the case maybe by negotiating with the Group's customer. In addition, the review committee will submit a quarterly report to the Board every quarter to list out whether there are trades that deviate from the new framework sales contract or the smelting contract, as the case maybe;

(b) after Listing, the Company's compliance adviser will perform review on every sales, smelting and sulfuric acid compensation transaction to ensure that they are executed in accordance with the terms of the new framework sales contract and the smelting contract throughout the effective period acting as the Company's compliance adviser; and

(c) the Group has engaged an external independent professional party to review every sales, smelting and sulfuric acid compensation transaction of the Group with Shandong Guoda to ensure that they are executed in accordance with the terms of the new framework sales contract and the smelting contract for a period from the Listing Date until 31 December 2024. Disclosures will be made in the annual report of the Company in respect of the review result of independent professional party in due course.

Please refer to the section headed "Business — Sales and customers — Salient terms of the framework sales contracts with customers" for further details including circumstances leading to such discrepancies, and the views of our PRC Legal Advisers, the Sole Sponsor and Frost & Sullivan.

OUR SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers and subcontractors of goods and services in the PRC principally included: (i) suppliers of raw materials and consumables such as explosives, steel grinding balls and chemical reagents used during our ore processing operation; (ii) suppliers of utilities such as electricity; (iii) suppliers of parts and replacements of machinery; (iv) our subcontractors for carrying out mining works comprising demolition, drilling, blasting and excavation works, for our Songjiagou Open-Pit Mine and Songjiagou Underground Mine prior to February 2021; (v) our subcontractors for carrying out smelting work to refine our gold concentrate into gold bullion of Au99.95; and (vi) subcontractors of logistic services for transportation of ore. A number of our suppliers and subcontractors during the Track Record Period were individuals, which is common in the industry according to the F&S Report.

For each of FY2020, FY2021, FY2022 and 6M2023, purchases from our five largest suppliers amounted to approximately RMB45.5 million, RMB29.7 million, RMB57.5 million and RMB31.0 million, respectively, accounted for approximately 51.8%, 53.1%, 51.4% and 61.1% of our total purchases. Purchases from our largest supplier amounted to approximately RMB29.6 million, RMB19.2 million, RMB33.5 million and RMB16.9 million. respectively, for the same periods, accounted for approximately 33.7%, 34.3%, 30.0% and 33.4% of our total purchases. For each of FY2020, FY2021, FY2022 and 6M2023, purchases from our five largest subcontractors amounted to approximately RMB19.7 million, RMB8.0 million, RMB17.2 million and RMB6.2 million, respectively, accounted for approximately 22.4%, 14.4%, 15.4% and 12.2% of our total purchases. Purchases from our largest subcontractor amounted to approximately RMB9.0 million, RMB4.1 million, RMB13.7 million and RMB5.4 million, respectively, for the same periods, accounted for approximately 10.2%, 7.3%, 12.2% and 10.6% of our total purchases. For further details, please refer to the section headed "Business — Suppliers and subcontractors" in this prospectus.

COMPETITIVE LANDSCAPE

According to the F&S Report, the gold mining industry in the PRC is relatively fragmented as it is dominated by small and medium-sized gold mines. However, the gold mining industry in the Shandong Province is concentrated to five largest gold mining companies. Shandong Province is the largest gold producing province in the PRC with gold mine production volume of approximately 41.4 t, which accounted for approximately 14.0% of the total gold mine production volume in China in 2022, while Yantai city accounted for more than 90% of the gold mine production of the Shandong Province in 2022. The top ten PRC gold companies by domestic gold mine production volume collectively accounted for approximately 48.5% of the total gold mine production volume in the PRC in 2022 while the top five gold producers in Shandong Province by gold mine production volume accounted for approximately 84.7% of the total gold mine production in Shandong Province in 2022. According to the F&S Report, our annual gold mine production volume was approximately 1.1 t in 2022, making us the third largest gold mining company in the Shandong Province with a market share of 2.6% in terms of mine production volume. As we do not face competition in terms of price differentiation, we primarily compete with nationwide leading gold producers and regional large and medium-sized gold producers in the PRC in terms of our ability to obtain more gold resources and reserves, which is dependent on our financial conditions, technical ability, equipment and machinery and management experience. Please refer to the section headed "Industry overview" in this prospectus for further details.

SUMMARY FINANCIAL INFORMATION

The following tables summarise our consolidated financial information for FY2020, FY2021, FY2022, 6M2022 and 6M2023, which should be read in conjunction with our financial information included in the Accountants' Report set forth in Appendix I to this prospectus, including the notes thereto.

	FY2020	FY2021	FY2022	6M2022	6M2023
				(unaudited)	
			(RMB in thousand)		
Revenue	360,999	247,872	418,413	217,331	196,659
Cost of sales	166,013	107,767	199,823	99,981	104,277
Gross profit	194,986	140,105	218,590	117,350	92,382
Administrative expenses	(21,480)	(22,490)	(33,711)	(14,569)	(16,655)
Profit before tax	169,313	87,210	184,908	108,709	79,498
Income tax expenses	(54,890)	(28,494)	(63,918)	(36,237)	(26,729)
Profit for the year/period	114,423	58,716	120,990	72,472	52,769
Profit attributable to:					
Owners of the parent	82,403	41,624	83,214	51,438	37,261
Non-controlling interests	32,020	17,092	37,776	21,034	15,508
	114,423	58,716	120,990	72,472	52,769

Breakdown of sales volume and average selling price:

	FY2020	FY2021	FY2022	6M2022	6M2023
— Sales volume (kg)	987.4	645.5	1,084.9	568.2	468.1
— Average selling price (RMB/gram)	365.6	384.0	385.7	382.5	420.1

Major components of cost of sales:

	FY2020	FY2021	FY2022	6M2022	6M2023
				(unaudited)	
			(RMB in thousand)		
— Depreciation and amortisation	37,556	17,350	45,130	22,383	23,231
— Subcontracting costs	26,660	12,589	25,608	13,876	9,535
— Utilities expenses	30,042	16,400	33,831	17,424	17,149
— Raw materials costs	30,649	19,048	39,628	19,480	17,979
— Direct labour costs	14,978	11,062	29,119	15,213	16,157

Revenue

During the Track Record Period, we recorded revenue of approximately RMB361.0 million, RMB247.9 million, RMB418.4 million and RMB196.7 million, respectively. The decrease in our revenue in FY2021 was primarily due to the decrease in our gold sales volume by approximately 34.6% from approximately 987.4 kg (or 31,745.6 ounces) in FY2020 to approximately 645.5 kg (or 20,753.3 ounces) in FY2021 mainly as a result of the temporary suspension of our mining operation from February 2021 to August 2021 (for our Songjiagou Open-Pit Mine) and February 2021 to November 2021 (for our Songjiagou Underground Mine) after the occurrence of two safety incidents in two gold mines in the Shandong Province (which are Independent Third Party) in January and February 2021, which was partially offset by the increase in the average selling price of our gold from approximately RMB365.6 per gram in FY2020 to approximately RMB384.0 per gram in FY2021. As we operated in the ordinary and usual circumstances in absence of the temporary suspension of operations that affected our operations in FY2021, our revenue in FY2022 was approximately RMB418.4 million, which represented an increase of approximately RMB170.5 million or 68.8% compared to that of FY2021. In particular, there was an increase in the average selling price of gold from approximately RMB384.0 per gram in FY2021 to approximately RMB385.7 per gram in FY2022.

Our revenue in 6M2023 was approximately RMB196.7 million, which represented a decrease of approximately RMB20.6 million or 9.5% compared to that of 6M2022. In particular, our gold sales volume decreased by approximately 17.6% from approximately 568.2 kg (or 18,268.1 ounces) in 6M2022 to approximately 468.1 kg (or 15,049.8 ounces) in 6M2023, mainly attributable to the fact that our mining activities were paused during May to mid-July 2023 to facilitate the safety inspection on our newly constructed benches solely due to scheduling conflicts between our Group and the designated specialists of the government department for safety inspection as well as repair of the road connecting our Songjiagou Open-Pit Mine and our processing plant ("**FY2023 Temporary Pause of Mining Activities**"), while there was an increase in the average selling price of gold from approximately RMB382.5 per gram in 6M2022 to approximately RMB420.1 per gram in 6M2023.

The gold bullion sale prices in our sales orders are determined with reference to the prevailing Au(T+D) spot price quoted on the Shanghai Gold Exchange, which in turn has historically correlated with international gold price, except for exchange differences. During the Track Record Period, the monthly average gold spot price in the PRC generally exhibited an upward trend despite the fact that price drops occurred in the fourth quarter of FY2020 and first quarter of FY2021. In FY2020 and FY2021, our average selling price increased from approximately RMB365.6 per gram to approximately RMB384.0 per gram despite the fact that the average gold spot price decreased year-on-year. We were able to record an average selling price higher than the average gold spot price in the PRC during FY2021, mainly due to our success in fixing a high selling price in two batches of gold bullion sales near the end of May and July 2021, respectively, which were close to the highest gold spot price in the PRC in FY2021.

Further, we recognised certain amount of gold bullion sales in the first quarter of FY2021 of which the sales order was placed and hence, the selling price was fixed back in May 2020 when the gold spot price in the PRC was in a period approaching to the peak during the Track Record Period. The sales volume of the abovementioned gold bullion sales represented approximately 78% of our total sales volume during FY2021. Our average selling price for FY2022 increased slightly to approximately RMB385.7 per gram as compared to RMB384.0 per gram for FY2021 mainly because the gold spot price in the PRC remained relative high during 2022 due to the Russia-Ukraine tensions and depreciation of RMB against USD. Our average selling price increased from approximately RMB382.5

per gram in 6M2022 to RMB420.1 per gram in 6M2023, representing an increase of approximately 9.8%. Such increase was mainly because the gold spot price in the PRC remained relatively high during the first six months of 2023 due to increase in demand for safe-haven products.

Other income

During FY2022, our other income increased significantly by approximately 272.2% from approximately RMB3.6 million in FY2021 to approximately RMB13.4 million in FY2022 mainly due to the significant increase of approximately 650.0% of sales of sulfuric acid generated during the smelting process from approximately RMB1.4 million in FY2021 to approximately RMB10.5 million in FY2022.

Cost of sales

Our cost of sales decreased from approximately RMB166.0 million in FY2020 to approximately RMB107.8 million in FY2021, representing a decrease of approximately 35.1%. Such decease was mainly due to the decrease in our production as a result of the temporary suspension of our mining operations at both our Songjiagou Open-Pit Mine from February 2021 to August 2021 and our Songjiagou Underground Mine from February to November 2021 for the government authority to carry out safety inspection. Our cost of sales increased from approximately RMB107.8 million in FY2021 to approximately RMB199.8 million in FY2022, representing an increase of approximately 85.3%. Such increase was mainly due to the increase in our production as we operated in the ordinary and usual circumstances in FY2022. Our cost of sales increased from approximately RMB100.0 million in 6M2022 to approximately RMB104.3 million in 6M2023, representing an increase of approximately 4.3%. Such increase was mainly due to (i) the increase in changes in inventories of finished goods and work in progress, mainly represented the increase in utilisation of inventories in prior period; (ii) the increase in other production overheads; partially offset by (iii) the decrease in subcontracting costs, mainly attributable to decrease in production during the period.

Gross profit and profit for the year

Our gross profit decreased to approximately RMB140.1 million in FY2021 due mainly to the decrease in our revenue of approximately 31.3% in FY2021. Our gross profit margin increased to approximately 56.5% in FY2021 mainly because of the increase in average gold selling price of approximately 5.0% and the decrease in mining subcontracting costs as we carry out substantially all the mining works ourselves since February 2021. Therefore, our profit for the year decreased by approximately 48.7% to approximately RMB58.7 million in FY2021.

Our gross profit increased to approximately RMB218.6 million in FY2022 due mainly to the increase in our revenue of approximately 68.8% in FY2022 as a result of the increase in gold sales volume. Our gross profit margin decreased from approximately 56.5% in FY2021 to approximately 52.2% in FY2022 mainly because of the increase in production costs (excluding the impact of changes in inventories of finished goods and work in progress) incurred along with our increase in production activities in FY2022 while our production in FY2021 was mostly affected by the temporary operation suspension. Our profit for the year increased by approximately 106.1% to approximately RMB121.0 million in FY2022.

Our gross profit decreased from approximately RMB117.4 million in 6M2022 to approximately RMB92.4 million in 6M2023 primarily due to a 9.5% decrease in our revenue in 6M2023 compared to 6M2022 resulting from a decrease in gold sales volume caused by the FY2023 Temporary Pause of Mining Activities. Furthermore, our gross profit margin decreased from approximately 54.0% in 6M2022 to approximately 47.0% in 6M2023. Such decrease was mainly attributable to an increase in our cost of sales while there was a decrease in gold production and sales volume during 6M2023, primarily due to the fact that (i) certain components in the cost of sales were semi-variable costs which did not decrease proportionally to the decrease in gold production and sales volume; and (ii) our ore processed volume remained relatively stable during the period notwithstanding the decrease in gold production and sales volume. However, these negative effects on gross profit margin were partially offset by the increase in average gold selling price of approximately 9.8% from RMB382.5 per gram in 6M2022 to RMB420.1 per gram in 6M2023. Our profit for the period decreased by approximately 27.2% from approximately RMB72.5 million in 6M2022 to approximately RMB52.8 million in 6M2023.

Highlight of consolidated statements of financial position

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	560,177	552,394	554,171	570,790
Current assets	248,973	223,195	331,878	396,755
Current liabilities	226,021	181,295	146,431	169,372
Net current assets	22,952	41,900	185,447	227,383
Non-current liabilities	37,128	64,749	63,514	68,107
Net assets	546,001	529,545	676,104	730,066
Non-controlling interests	63,816	40,908	122,233	137,741

We recorded net current assets of approximately RMB23.0 million as at 31 December 2020, mainly attributable to (i) profit for the year of approximately RMB114.4 million; (ii) the decrease in amounts due to related parties of approximately RMB316.7 million; and partially offset by (iii) cash paid and payable for the addition of mining right of approximately RMB101.3 million. Our net current assets increased to approximately RMB41.9 million as at 31 December 2021 due mainly to (i) profit for the year of approximately RMB58.7 million; (ii) the reclassification of payable for mining right of approximately RMB28.3 million from current liabilities to non-current liabilities; and partially offset by (iii) the dividend declared of approximately RMB40.0 million. Our net current assets increased to approximately RMB185.4 million as at 31 December 2022 mainly attributable to profit for the year of approximately RMB121.0 million. Our net current asset further increased to approximately RMB227.4 million as at 30 June 2023 mainly attributable to profit for the period of approximately RMB52.8 million partially offset by increase in property, plant and equipment of approximately RMB23.6 million.

Our non-current assets decreased from approximately RMB560.2 million as at 31 December 2020 to approximately RMB552.4 million as at 31 December 2021 mainly attributable to, among others, the decrease in our intangible assets mainly in relation to an adjustment to the initial valuation of our mining rights of approximately RMB30.2 million in respect of the renewal of mining licences for our Songjiagou Open-Pit Mine. In April 2020, our Group entered into an agreement of transfer of mining rights ("Mining Rights Agreement") with Yantai Municipal Natural Resources and Planning Bureau for renewing the mining licence of our Songjiagou Open-Pit Mine at an initial consideration of approximately RMB101.1 million (the "Initial Consideration"). Such Initial Consideration was just a preliminary and rough estimation while both parties mutually agreed, also as set out in the Mining Rights Agreement, to enter into a supplemental agreement to finalise the consideration based on a valuation report. The final consideration of approximately RMB74.1 million (the "Final Consideration") was determined in December 2021 based on a valuation report prepared by a valuation firm entrusted by

Yantai Municipal Natural Resources and Planning Bureau and a supplemental agreement was entered into between the Group and the bureau. The difference between the Initial Consideration of RMB101.1 million and the present value of Final Consideration of approximately RMB70.9 million was adjusted against the cost of the mining right in 2021.

Our net assets decreased slightly from approximately RMB546.0 million as at 31 December 2020 to approximately RMB529.5 million as at 31 December 2021 due mainly to (i) the profit for the year of approximately RMB58.7 million in FY2021; and offset by (ii) the dividends paid to non-controlling shareholders of approximately RMB40.0 million; and (iii) the dividend declared of approximately RMB33.9 million. Our net assets increased to approximately RMB676.1 million as at 31 December 2022 mainly attributable to (i) our profit for FY2022 of approximately RMB121.0 million; (ii) capital contribution from shareholder of approximately RMB47.1 million; and offset by (iii) dividend declared of approximately RMB38.9 million. Our net assets further increased to approximately RMB730.1 million as at 30 June 2023 mainly attributable to the profit for 6M2023 of approximately RMB52.8 million.

Highlight of consolidated statements of cash flows

	FY2020	**FY2021**	**FY2022**	**6M2022**	**6M2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net cash flows from operating activities	186,756	113,955	199,290	117,622	96,220
Net cash flows (used in) investing activities	(60,906)	(87,797)	(56,060)	(16,581)	(28,353)
Net cash flows generated from/ (used in) financing activities	(58,055)	(45,130)	(54,793)	(30,550)	(1,260)
Net increase (decrease) in cash and cash equivalents	67,795	(18,972)	88,437	70,491	66,607
Cash and cash equivalents at the beginning of year	134,696	202,907	182,398	182,398	282,187
Effect of foreign exchange rate changes, net	416	(1,537)	11,352	667	1,207
Cash and cash equivalents at end of year	202,907	182,398	282,187	253,556	350,001

Our net cash flows generated from operating activities during the Track Record Period amounted to approximately RMB186.8 million, RMB114.0 million, RMB199.3 million and RMB96.2 million, respectively. Our net cash generated from operating activities decreased from approximately RMB186.8 million for FY2020 to approximately RMB114.0 million for FY2021, was mainly due to (i) the decrease in profit before tax after adjustments for non-cash items of approximately RMB93.0 million; (ii) changes in working capital of approximately RMB6.1 million; and partially offset by (iii) the decrease in income tax paid of approximately RMB26.3 million. Our net cash generated from operating activities increased from approximately RMB114.0 million for FY2021 to approximately RMB199.3 million for FY2022 mainly due to (i) the increase in profit before tax after adjustments for non-cash items of approximately

RMB116.0 million; and (ii) the increase in income tax paid of approximately RMB21.9 million. Our net cash generated from operating activities decreased from approximately RMB117.6 million for 6M2022 to approximately RMB96.2 million for 6M2023 mainly due to the decrease in profit before tax after adjustments for non-cash items of approximately RMB28.2 million.

Our net cash flows used in investing activities during the Track Record Period amounted to approximately RMB60.9 million, RMB87.8 million, RMB56.1 million and RMB28.4 million, respectively, represented mainly cash used in purchase of properties, plant and equipments and additions of mining rights.

Our net cash flows used in financing activities during the Track Record Period amounted to approximately RMB58.1 million, RMB45.1 million, RMB54.8 million and RMB1.3 million, respectively, represented mainly amounts due to related companies, interests paid, dividends paid and advances to a related party. In view of the decreases in cash generated from operations mainly due to the temporary suspension of our mining operation from February 2021 to August 2021 (for our Songjiagou Open-Pit Mine) and February 2021 to November 2021 (for our Songjiagou Underground Mine), and coupled with the net cash flows used in investing activities mainly for purchase of items of property, plant and equipment and additions to mining rights and net cash flows used in financing activities mainly for dividends paid, we had net decrease in cash and cash equivalents (including the effect on foreign exchange rate changes, net) of approximately RMB20.5 million in FY2021.

Key financial ratios

The following table sets forth certain of our key financial ratios during the Track Record Period.

	FY or as at 31 December			**6M or as at 30 June**
	2020	**2021**	**2022**	**2023**
Net profit margin (%)	31.7	23.7	28.9	26.8
Return on equity (%)[(1)]	21.0	11.1	17.9	7.2
Return on assets (%)[(2)]	14.1	7.6	13.7	5.5
Interest coverage (times)	42.7	34.0	198.3	111.9
Current ratio (times)	1.1	1.2	2.3	2.3
Quick ratio (times)	0.9	1.0	2.0	2.1
Gearing ratio (%)	5.5	5.7	4.4	4.1

Notes:

(1) For 6M2023, the calculation of return on equity is calculated with reference to our Group's half-year profit, which cannot be directly compared to the return on equity calculated with reference to our Group's full-year profit in previous years.

(2) For 6M2023, the calculation of return on assets is calculated with reference to our Group's half-year profit, which cannot be directly compared to the return on assets calculated with reference to our Group's full-year profit in previous years.

For further details of our Group's financial information, please refer to the section headed "Financial information" in this prospectus.

LISTING EXPENSES

Assuming an Offer Price of HK$0.65 per Offer Share (being the mid-point of the indicative Offer Price range) and the Over-allotment Option is not exercised, the total estimated Listing expenses in relation to the Global Offering (including underwriting commission), which are payable by us are estimated to be approximately HK$60.0 million (equivalent to approximately RMB53.6 million), representing approximately 18.5% of the gross proceeds from the Global Offering. These Listing expenses mainly comprise (i) underwriting related expenses payable to the Underwriters of approximately HK$11.4 million; and (ii) non-underwriting-related expenses, comprising (a) fees and expenses of legal advisers and accountants of approximately HK$24.1 million; and (b) other fees and expenses of approximately HK$24.5 million. Listing expenses incurred prior to the Track Record Period were approximately HK$5.1 million (equivalent to approximately RMB4.5 million). Listing expenses charged to profit or loss for FY2020, FY2021, FY2022 and 6M2023 were approximately HK$5.0 million, HK$4.6 million, HK$9.4 million and HK$4.7 million (equivalent to approximately RMB4.4 million, RMB3.8 million, RMB8.1 million and RMB4.2 million), respectively. We expect to charge the remaining estimated listing expenses of approximately HK$11.4 million (equivalent to approximately RMB10.8 million) to profit or loss in the period subsequent to the Track Record Period and upon Listing and to deduct the listing expenses directly attributable to the issuance of shares of approximately HK$19.8 million (equivalent to approximately RMB17.7 million) from equity upon Listing.

IMPACTS OF THE TEMPORARY SUSPENSION OF MINING OPERATIONS IN FY2021

Due to mine accidents that occurred in other third-party mines in Yantai City in early 2021, all mines (including our mines) in the Yantai City were required by the local government to suspend operation. In view of the above, both our Songjiagou Open-Pit Mine and Songjiagou Underground Mine have suspended mining operations from February to August 2021 and February to November 2021, respectively while our ore processing plant was required to suspend operation from March to August 2021 (except for certain test runs in April and May 2021) for the government authority to carry out safety inspection. During this period, the utilisation rate of our ore processing plant fell by approximately 28.6% to approximately 51.7% in FY2021 as compared to approximately 80.3% in FY2020. In addition, our gold production volume during FY2021 decreased by approximately 414.5 kg or 41.8% as compared to FY2020, which led to the decreases in our revenue of approximately 31.3% and our profit for the year by approximately 48.7% in FY2021 as compared to FY2020.

Further, the local government introduced safety requirements on strengthening the management of subcontracting works on mining activities, among others, mining activities shall be performed and/or managed by the mine owner or a main contractor and prohibiting further outsourcing to subcontractors without proper qualification. Since we had already terminated substantially all of our mining works subcontractors for the Songjiagou Open-Pit Mine in September 2020 and the Songjiagou Underground Mine in January 2021 and we substantially carried out all the mining works ourselves, there has been no material impact on the introduction of the safety requirements to our business operation and we have complied with such requirements to ensure safety of our mines. Since we carried out the aforementioned mining works ourselves, the percentage of direct labour costs and subcontracting costs to sales (excluding the effect of increase in average selling price of gold bullion) decreased from approximately 11.5% for FY2020 to approximately 9.5% for FY2021, representing an increase in gross profit margin of approximately 2.0% and net profit margin of approximately 1.5%. For further details, please see section headed "Business — Impacts of the temporary suspension of mining operations in FY2021" in this prospectus.

IMPACTS OF THE OUTBREAK OF COVID-19 PANDEMIC ON OUR BUSINESS

We have maintained a sound business performance during most of the time when there was an outbreak of COVID-19 pandemic in the PRC in 2020. Other than the temporary two-weeks suspension of our back office administrative functions after the Chinese New Year holidays in February 2020 during the initial stage of COVID-19 pandemic in the PRC, none of these measures implemented by the PRC government had negatively affected our business operations subsequently. In 2020, our monthly revenue continued to remain stable at approximately RMB26.7 million to RMB33.9 million from March to December 2020, and we achieved a 57.5% year-on-year growth in our annual revenue for FY2020 as compared to the year ended 31 December 2019. Despite the regional outbreak of the Omicron variant which led to temporary lockdown measures implemented by the PRC government in major cities such as Shenzhen and Shanghai in 2022, similar lockdown measures were not implemented in Muping District of Yantai city of the Shandong Province and hence, our operations have not been affected. On 7 December 2022, the PRC government announced the nationwide relaxation of COVID-19 restrictions and with effect from 8 January 2023, the quarantine requirements for both COVID-19 patients and inbound travellers were abolished. During the Track Record Period and up to the Latest Practicable Date, trading activities on the Shanghai Gold Exchange had not been suspended and were not affected by the temporary lockdown measures implemented by the PRC government.

Save as disclosed above, during the outbreak of COVID-19, we did not experience any disruption in our business operations and supply chain (including the supply of raw materials used in our mining and processing operations) due to the outbreak of COVID-19, and there had been no loss of our major customers and suppliers. For details of the impact of COVID-19 on our business, results of operation, cash flow and financial condition, please refer to the section headed "Business — Impacts of the outbreak of COVID-19 pandemic on our business".

RECENT DEVELOPMENT

Recent financial and operational developments

Our business model, revenue and cost structure remain unchanged after the Track Record Period and hence our business remained stable which was in line with the past trends and our expectations. Since 1 July 2023 and up to the Latest Practicable Date:

- according to the F&S Report, the average global gold spot price increased from approximately US$1,798.9 per ounce in 2021 to US$1,801.3 per ounce in 2022 and increased to US$1,917.0 per ounce in August of 2023 and further increased to US$2,023.35 per ounce as at the Latest Practicable Date; and the average gold spot price in the PRC increased from approximately RMB374.3 per gram in 2021 to RMB392.1 per gram in 2022 and increased to RMB455.7 per gram in August 2023 and further increased to RMB473.4 per gram as at the Latest Practicable Date;

- based on our management accounts for the four months ended 31 October 2023, our ore mined volume, ore processed volume and gold sales volume during the four months period amounted to approximately 800.5 kt, 599.7 kt and 262.1 kg respectively, as compared to approximately 677.4 kt, 662.0 kt and 356.7 kg respectively for the four months ended 31 October 2022. Our ore mined volume increased by approximately 18.2% during the four months period as compared to the corresponding period in 2022 while there was a decrease in our gold sales volume in the four months period by approximately 26.5%, as compared to the corresponding period in 2022 due to the decrease in gold production as a result of the decrease in gold grade;
- in September 2023, our Group obtained a 1-year bank borrowing with a principal amount of RMB30,000,000 which bears an interest at the rate of 3.77% per annum; and
- our Group expects a decrease in forecasted profit in the year ending 31 December 2023 notwithstanding the forecasted increase in average gold spot price mainly due to (i) implementation of the mine optimisation plan in 2023 which led to the decrease of the gold grade of our Songjiagou Open-Pit Mine, a decrease in total sales volume and a decrease in gross profit margin; and (ii) the increase in Listing expenses.

Recent regulatory developments

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the Notice on the Administrative Filing Arrangement Concerning Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) (collectively, the "**Overseas Listing Trial Measures**") and five supporting guidelines, which require indirect overseas offering and listing by PRC domestic companies to be subject to the CSRC's filing requirement starting from 31 March 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing by PRC domestic companies and will regulate both direct and indirect overseas offering and listing by PRC domestic companies. According to the Overseas Listing Trial Measures, a PRC domestic company seeking offering and listing securities in overseas market, either directly or indirectly as defined in the Overseas Listing Measures, shall file with the CSRC and report relevant information.

As advised by our PRC Legal Adviser, we are subject to the CSRC filing as the Listing constitutes an indirect overseas offering and listing by domestic companies under the Overseas Listing Trial Measures. On 20 October 2023, the CSRC publicly informed us that they have confirmed the Company's overseas offering and listing information submitted to them, and therefore, we have completed the CSRC filing for application of listing of the Shares on the Stock Exchange and Global Offering. No other approvals from the CSRC are required to be obtained for the listing of the Shares on the Stock Exchange, according to our PRC Legal Adviser. Please refer to the section headed "Regulatory overview — Laws and regulations relating to overseas securities offering and listing by domestic companies" in this prospectus for further information.

No material adverse change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirmed that, up to the date of this prospectus, save for the recent developments as described above and the impact of the listing expenses on the financial performance of our Group for the year ending 31 December 2023, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since 30 June 2023, being the end date of the periods reported in the Accountant's Report set out in Appendix I, and there is no event since 30 June 2023 that would materially affect the information shown in the Accountant's Report set out in Appendix I.

GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 500,000,000 Shares are issued pursuant to the Global Offering; and (ii) 2,000,000,000 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK$0.495 per Offer Share, after Downward Offer Price Adjustment of 10%	**Based on the minimum indicative Offer Price of HK$0.55 per Offer Share**	**Based on the maximum indicative Offer Price of HK$0.75 per Offer Share**
Market capitalisation of our Shares *(Note 1)*	HK$990 million	HK$1,100 million	HK$1,500 million
Unaudited pro forma adjusted net tangible assets per Share *(Note 2)*	HK$0.37	HK$0.38	HK$0.43

Notes:

1. The calculation of the market capitalisation of our Company is based on 2,000,000,000 Shares expected to be in issue immediately following the completion of the Global Offering and the Capitalisation Issue but does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.

2. The unaudited pro forma adjusted net tangible assets per Share as at 30 June 2023 is calculated after the adjustments referred to in Appendix II to this prospectus and on the basis that 2,000,000,000 Shares are expected to be in issue immediately following the completion of the Global Offering and the Capitalisation Issue but does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.

FUTURE PLANS AND USE OF PROCEEDS

The aggregate net proceeds from the Global Offering, after deducting underwriting fees and other estimated expenses in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and an Offer Price of HK$0.65 per Offer Share (being the mid-point of the indicative Offer Price range of HK$0.55 to HK$0.75 per Offer Share) will be approximately HK$265.0 million, which will be applied as follows:

Use of net proceeds from the Global Offering	Amount of net proceeds from the Global Offering	Amount of net proceeds from the Global Offering	Percentage of net proceeds from the Global Offering
	HK$ million	*RMB million*	*%*
Further construction of mining infrastructure	54.0	48.2	20.4
Upgrade of gold reserves	5.3	4.7	2.0
Selective acquisitions	145.6	130.0	55.0
Repayment of existing bank loans	33.6	30.0	12.6
Working capital	26.5	23.7	10.0
Total	265.0	236.6	100.0

Please refer to the section headed "Future plans and use of proceeds" in this prospectus for details.

DIVIDEND

All dividends were declared to the then shareholders of our Company and of Yantai Zhongjia pro rata in accordance with their shareholdings. In FY2020, Yantai Zhongjia declared dividends amounted to RMB20.0 million to its then shareholders, of which RMB5.0 million were declared and paid to Dahedong and RMB15.0 million were declared to and settled with the capital injection from Majestic Yantai BVI. In FY2021, our Company declared dividends of approximately RMB33.9 million to its then shareholders of which were fully settled as at the Latest Practicable Date. In the same year, Yantai Zhongjia declared dividends amounted to RMB160.0 million to its then shareholders, of which RMB40.0 million were declared and paid to Dahedong and RMB120.0 million were declared to Majestic Yantai BVI. The dividend of RMB120.0 million declared to Majestic Yantai BVI has been settled in full in September 2022. In FY2022, our Company declared and paid dividends of approximately RMB38.9 million to our Shareholders. In November 2023, Yantai Zhongjia declared dividends amounted to RMB36.0 million to its then shareholders, of which RMB9.0 million were declared and paid to Dahedong and RMB27.0 million were declared and paid to Majestic Yantai BVI, which were fully settled. Majestic Yantai BVI then declared and paid dividend amounted to HK$26.0 million to our Company, which was fully settled in November 2023 and our Company declared and paid dividends of approximately HK$26.0 million to our shareholders, which were fully settled. As at the Latest

Practicable Date, no other dividends have been declared and paid by the companies now comprising our Group to their then shareholders. As at the Latest Practicable Date, our Company did not have any dividend payables. Our Company does not have a dividend policy or any pre-determined dividend distribution ratio. The declaration of dividends is subject to the discretion of our Board. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment of the dividends will be subject to the Articles of Association and the laws of the Cayman Islands. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. Any dividends declared will be in RMB with respect to our Shares on a per share basis, and our Company will pay such dividends in RMB.

SHAREHOLDER INFORMATION

Immediately after the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme) and the Capitalisation Issue, 70.5% of the issued share capital of our Company will be owned by Majestic Gold. In this regard, Majestic Gold is our Controlling Shareholder within the meaning of the Listing Rules. Majestic Gold is a limited liability company organised and existing under the laws of British Columbia, Canada, the shares of which have been listed on TSX Venture Exchange (stock code: MJS.V). Prior to the Listing, Majestic Gold has been principally involved in the acquisition, exploration and development of mineral properties in Canada and Australia, as well as in the PRC through our Group. Following completion of the Listing, Majestic Gold will cease its operations in the PRC (other than by retaining a controlling interest in our Company), and principally be engaged in the acquisition, exploration and development of mineral properties in Canada and Australia. For further details, please see the section headed "Relationship with our Controlling Shareholder" in this prospectus.

RISK FACTORS

Our business is subject to a number of risks. Material risks we face include: (i) fluctuations in the market price of gold, which may be caused by political tension or interest rate hikes; (ii) our existing mining operations have a finite life and our business expansion plan may not achieve the intended economic benefits. Further, the eventual closure of these operations will entail costs and risks regarding on-going monitoring, rehabilitation and compliance with environmental standards; (iii) our operations are subject to safety inspection from government which may cause temporary suspension of our operations; (iv) failure to achieve our production estimates; (v) early termination or non-renewal of the leasing arrangements of land and buildings by Dahedong could have a material adverse effect on our business, financial conditions and results of operations; (vi) unable to obtain, retain or renew government approvals, licences and permits necessary for our business operations; and (vii) we rely on third-party subcontractors to conduct refining and logistics works. You should carefully consider the risk factors set out in this prospectus before you make a decision to invest in the Shares. For further information and other risks that we face, please refer to the section headed "Risk factors" in this prospectus.

PROPERTIES LEASED FROM DAHEDONG

The land on which our Songjiagou Open-Pit Mine is located, and the land and building for our ore processing plant are leased from Dahedong. Dahedong is a minority shareholder of our 75%-owned subsidiary, Yantai Zhongjia, which held 25% of the entire equity interest in Yantai Zhongjia, and is a connected person. Our Executive Directors are of the views that the risk of early termination or non-renewal upon expiry of the lease period of such leases by Dahedong is remote because Dahedong, being the minority shareholder of Yantai Zhongjia, has vested economic interest to ensure Yantai Zhongjia remains operational and profitable to generate returns to its shareholders (which include Dahedong). There are no other commercial reasons or benefits for Dahedong to early terminate or not to renew the leases as (i) Dahedong may be exposed to liabilities arising from claims by us for early termination under the lease agreement, (ii) Dahedong may face interruptions of its business operations and disputes from villagers who lost their livelihood if our operations are suspended, and (iii)Dahedong is not able to use the land for any other purposes other than for mining activities, and without the mining licence to operate the mining land, Dahedong can have no other usage over such land and extract no commercial values out of such termination of lease arrangements. In particular, the Natural Resources Bureau has provided written confirmation that the parcels of land leased from Dahedong where our Songjiagou Open-Pit Mine is located and where the ore processing plant is constructed have been categorised as mining land pursuant to the Third National Land Survey. For further details, please see paragraph headed "Business — Properties — Leased land and buildings — Land use right and our Group's lease arrangement with Dahedong".

NON-COMPLIANCES

During the Track Record Period and up to the Latest Practicable Date, we had experienced certain non-compliance incidents in the PRC in relation to (i) properties with defective titles; (ii) entering into non-compliant bill arrangements; and (iii) under contribution of social insurance fund and housing provident fund. Please refer to the sections headed "Business — Properties — Properties with defective titles", "Business — Compliance with laws and regulations — Non-compliant bill arrangements" and "Business — Compliance with laws and regulations — Non-compliance incidents" in this prospectus for further details.