Prospective investors should consider carefully all the information set out in this prospectus and including the risks and uncertainties described below before making an investment in the Offer Shares. Prospective investors should pay particular attention to the fact that we conduct our operations in the PRC and are governed by the local legal and regulatory environment which in some respects may differ from that prevailing in other countries. The occurrence of any of the following events could harm us and our Group's business, financial condition or results of operations could be materially and adversely affected by any of these risks and uncertainties. If these events occur, the trading price of the Shares could decline and prospective investors may lose all or part of their investment.

RISKS RELATING TO THE BUSINESS OPERATIONS OF OUR GROUP

Fluctuations in the market price of gold could materially and adversely affect our Group's profitability and cash flow.

Our revenue is generated from the sale of gold bullion refined by third party smelters derived from gold concentrate processed by us, with reference to the prevailing Au (T+D) spot price as quoted on the Shanghai Gold Exchange. Historically, while the gold price has increased in value over time, it has fluctuated widely and there can be no assurance that the gold price will not continue to fluctuate in the future or that such prices will otherwise remain at sufficiently high levels to support our profitability and cash flow.

According to the F&S Report, average global market gold spot price increased from approximately US$1,765.4 per ounce in 2020 to approximately US$1,798.9 per ounce in 2021, approximately US$1,801.3 per ounce in 2022 and further increased to approximately US$1,931.5 per ounce in the first half of 2023. The average gold spot price in the PRC in 2020, 2021, 2022 and the first half of 2023 was approximately RMB387.1 per gram, RMB374.3 per gram, RMB392.1 per gram and RMB433.8 per gram, respectively. For further details of the global and the PRC gold spot price on the Shanghai Gold Exchange, please refer to the section headed "Industry overview — Gold industry in China and Shandong — Gold price" of this prospectus.

Fluctuations in gold price are inherently difficult to predict, being dependent on numerous factors such as (i) global macro-economic and political events and sentiments such as regional conflicts including Russian Ukraine conflict and Israel-Palestine conflict; (ii) supply and demand for gold; (iii) interest rate and inflation rate expectations; (iv) actual and predicted behavior of central banks in relation to gold acquisition and disposals; and (v) performance of exchange traded gold funds and speculative trading in gold. For illustration, according to the F&S Report, the average global gold spot price and the average gold spot price in the PRC in January 2022 was approximately US$1,816.8 per ounce and RMB372.6 per gram, respectively. Upon the occurrence of the Russia-Ukraine tensions in February 2022, the global spot price and the gold spot price in the PRC further increased by approximately 6.6% and 5.3%, respectively to US$1,936.3 per ounce and RMB392.5 per gram, respectively on 24 February 2022 when Russian President Vladmir Putin announced the launch of a special military operation in eastern Ukraine, as compared to January 2022. After the outbreak of the Israel-Palestine conflict on 7 October 2023, the global spot price and the gold spot price in the PRC increased by approximately 7.6% and 4.5%, respectively, to US$1,957.5 per ounce and RMB468.3 per gram on 9 November 2023 from US$1,819.6 per ounce on 6 October 2023 and RMB448.0 per gram on 28 September 2023 (the last trading day before 7 October 2023 due to the National Day holiday in mainland China), respectively. Average global gold spot price is US$1,801.3 per ounce in 2022, increasing to US$1,931.5 per ounce in first half of 2023, around 7.2% increase; average China gold spot price is RMB392.1 per gram in 2022, increasing to RMB433.8 per gram in first half of 2023. If the gold price should fall below or remain below our cost of production for any sustained period as a result of, among others, the ease of Russia-Ukraine and/or Israel-Palestine tensions or the interest rate hike, our business and results of operations would be materially and adversely affected. As a result, we may be forced to suspend some or all of our operations, or reduce any planned capital expenditures in part or completely. Further, the Mineral Reserves of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine as at 30 June 2023 were estimated using, among other things, a gold price of RMB310 per gram, such Mineral Reserves estimate may also be affected by significant fluctuations in actual gold prices.

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.

Our existing mining operations have a finite life and will eventually close. According to the SRK Report, the estimated LoM of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine are 8.5 years and 6.0 years, respectively. In order to maintain our future growth beyond the estimated LoM of our current gold mines, we may need to expand our Mineral Resources or Mineral Reserves. Further, the estimation of LoM already considered the implementation of our optimisation plan of our Songjiagou Open-Pit Mine. If the mine optimisation plan is delayed or interrupted by various reasons, including shortage of funding for the construction costs, severe weather conditions or any other factors outside our controls, the net present value of the mine might decrease. Further, our gold production volume and gold sales volume will be reduced and our revenue and profitability will be adversely affected. Due to the finite nature of our existing mining operations, an integral part of our business strategy is to expand our business by increasing our Mineral Reserves and production capacity, as well as through selective acquisition of gold mines. However, we may not be able to successfully implement our expansion plan, or our expansion plan may not achieve the intended economic benefits by the higher cost to operate an underground gold mine to be acquired. Our expansion plan may also be delayed or adversely affected by numerous factors, including the failure to obtain necessary regulatory approvals, technical difficulties, and the lack of manpower or other resource constraints, which may divert resources and management attention from our other business activities. In addition, the costs of our expansion plans may exceed our planned investment budget. As a consequence of delays, cost overruns, changes in market circumstances or other factors, the intended economic benefits from these expansion plans may not materialise and our business, financial condition and results of operations may be materially and adversely affected.

The key costs and risks for mine closures are: (i) long-term management of permanent engineered structures; (ii) achievement of environmental closure standards; (iii) orderly retrenchment of employees; and (iv) relinquishment of the site with associated permanent structures and community development infrastructure and programs to new owners. The successful completion of these tasks is dependent on our ability to successfully implement negotiated agreements with the relevant government authorities, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to on-going environmental rehabilitation costs and damage to our reputation if a desired outcome cannot be achieved, all of which could materially and adversely affect our business and results of operations.

We rely significantly on Shandong Guoda to refine our gold concentrate into gold bullion of Au99.95 and its subsequent purchase thereof.

During the Track Record Period, we outsourced the refining of gold concentrate produced by us into gold bullion of Au99.95 principally to Shandong Guoda, and we subsequently sold the gold bullion to it for its subsequent sales on the Shanghai Gold Exchange. During the Track Record Period, purchases of refining services from Shandong Guoda amounted to approximately RMB5.3 million, RMB4.1 million, RMB13.7 million and RMB5.4 million, respectively, accounted for approximately 6.0%, 7.3%, 12.2% and 10.6% of our total purchases. Sales derived from Shandong Guoda during the Track Record Period amounted to approximately RMB335.8 million, RMB247.9 million, RMB418.4 million and RMB196.7 million, respectively, accounted for approximately 93.0%, 100.0%, 100% and 100% of our total revenue. Shandong Guoda became our sole subcontractor for gold refining services and our sole customer since 2021.

According to Shandong Guoda, Shandong Guoda has been in the process of changing its principal business from gold smelting to copper smelting. For further details of Shandong Guoda, please refer to the section headed "Business — Sales and customers — Our relationships with Shandong Guoda and Shandong Humon — Shandong Guoda" in this prospectus. As there is no exclusive arrangement between Shandong Guoda and us, in the event that Shandong Guoda does not renew our contract for refining services for the aforesaid reason or other reasons or it adjusts the processing fees of its refining services significantly, we may not be able to identify suitable subcontractor who would provide refining services to us and would also purchase gold bullion from us in a timely manner or at all, which may have a material adverse effect on our business, financial condition and results of operations.

As a developing mining company, we cannot guarantee that we will generate revenue or positive cash flow and grow our business as planned.

We have over 18 years of operating history. We commenced commercial production for our Songjiagou Open-Pit Mine in May 2011 and our Songjiagou Underground Mine in September 2019. While we had generated profits or positive cash flows from our operations during the Track Record Period, we cannot assure you that we will be able to achieve successful operation or commercial viability. We may not be able to generate profits in the future.

We may encounter risks and uncertainties commonly experienced by early-stage mining companies, including those relating to:

- our ability to maintain effective control over operating costs and expenses;
- our ability to maximise returns of our Shareholders by constantly evaluating risks against opportunities in the market when allocating capital for expansion;

- our ability to explore and identify new gold mines to keep our mining operation sustainable;
- our ability to ramp up our processing capacities and production output according to our plan;
- the quality of our gold ore;
- our ability to respond to changes in the regulatory environment in the PRC; and
- our ability to manage the logistics, utility and supply needs of our expanded operations.

If we are unable to address any of these and other related risks, our business, financial condition and operating results may be materially and adversely affected.

Our operations are currently concentrated on two gold mines and we are exposed to uncertainties in relation to these mines.

As at the Latest Practicable Date, we had two gold mines, namely, the Songjiagou Open-Pit Mine and the Songjiagou Underground Mine. While we endeavour to acquire more gold mines in the future, we expect these two gold mines to be our only operating gold mines in the near term, and therefore we expect all of our revenue and operating cash flows to be derived from the sale of gold produced from these two mines in the near future. According to the SRK Report as set out in Appendix III to this prospectus, the possible risks of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine which may occur within the respective LoMs include improper classification of Mineral Resource category, significant geological structures, deformation of final pit wall. The Competent Person also identified environmental risks (land disturbance and steep side slope, poor water management and dust emission) and social risks (stakeholder engagement and cultural heritage protection) relating to our operations. We cannot guarantee that our mitigation measures will be sufficient to prevent such risk for occurring in the future. In addition, all mines in the Shandong Province (including ours) were ordered to temporarily suspend operations from February 2021 to enable the government authority to carry out safety inspection in accordance with the requirements of the local authorities after the occurrence of two safety incidents in January and February 2021 at Qixia Hushan Gold Mine (棲霞市笏山金礦) of Shandong Wucailong Investment Company Limited (山東五彩龍投資有限公司) and Caojiawa Gold Mine (曹家窪金礦) of Zhaoyuan Caojiawa Gold Mine (招遠市曹家窪金礦), two local enterprises which are owned by Independent Third Parties. Our Songjiagou Underground Mine has passed the safety inspection and obtained resumption approvals in April 2021 and resumed operations in December 2021 while our Songjiagou Open-Pit Mine passed the safety inspection and obtained resumption approvals in August 2021 and resumed operations in late August 2021. We cannot guarantee that such shutdown will not reoccur in the future. Any problem that causes our mines to suspend operations or causes them to operate at less-than-optimal capacity, or the occurrence of any other negative event as described elsewhere in this prospectus could reduce, disrupt or halt our operations, which in turn could materially and adversely affect our business, financial condition and results of operations.

Our operations are subject to safety inspection from government which may cause temporary suspension of our operation.

Our operation was temporary suspended from February 2021 to August 2021 (for our Songjiagou Open-Pit Mine) and February 2021 to November 2021 (for our Songjiagou Underground Mine) to facilitate safety inspection from government 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. Further, during May to mid-July 2023, our mining activities were paused to facilitate the safety inspection on our newly constructed benches (i.e. the southern part of our Songjiagou Open-Pit Mine) required for enabling us to obtain an enhanced safety production permit and conduct our mining works under +21 m ASL. There was unexpected delay solely due to scheduling conflicts between our Group and the designated specialists of government department for safety inspection. There is no assurance that our Group would not be subject to further safety inspection from the government which leads to temporary suspension of operations.

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.

During the Track Record Period and up to the Latest Practicable Date, we leased from Dahedong, among others, two parcels of Collectively-owned Rural Land as mining area of our Songjiagou Open-Pit Mine, a parcel of Collectively-owned Construction Land and the ore processing plant and related facilities constructed on the Collectively-owned Construction Land. The leases for the land for our Songjiagou Open-Pit Mine will expire in September 2027 while the leases for the land and building of the ore processing plant and dormitory will expire in December 2031, such leases will be renewed for a further 10 years upon expiry of the lease period. If Dahedong decides not to lease the abovementioned land and buildings to us upon expiry of the lease period or early terminate the lease arrangements prior to the expiry of the lease period, our mining operations will be materially and adversely interrupted as we will not be able to access our Songjiagou Open-Pit Mine, which contributed over 90% of our ore mined volume during the Track Record Period, to carry on our mining activities and will not be able to process ore concentrate at the ore processing plant. Even if we are able to lease an ore processing plant in the nearby area to process ore mined from our Songjiagou Underground Mine which is not subject to lease arrangement, given the permitted annual production volume from our Songjiagou Underground Mine is only 10% of our Songjiagou Open-Pit Mine, our financial condition and results of operations will be materially and adversely affected.

Our operations may be interrupted if we are denied access to our mines.

We conduct some of our mining activities on land that is collectively-owned by Independent Third Parties. We have signed lease agreements with the owners of the collectively-owned land authorising us to use and occupy the land for our mining operations and setting out details of the area, method of use and relevant compensation for each affected mining area. If we are denied access to any of our mines due to a breach of these lease agreements by the owners of the relevant collectively-owned land or the expiration of any of such agreements, or if there is a dispute regarding our use of their land or the terms of our agreements with them, it may require substantial time, cost and effort to regain access to our mines and any interruptions to our operations or sustained inability to access our mines may have a material adverse effect on our business, financial condition and results of operations.

Our failure to achieve our production estimates could have a material adverse effect on our business, financial condition and results of operations.

Our production estimates are based on, among other things, Mineral Reserves estimates, gold recovery rate, assumptions regarding ground conditions and physical characteristics of Mineral Reserves, our mining schedule, utilisation of production facilities, costs of production and conditions of the industry and the general economy. There are uncertainties relating to our production estimates, and relating to our ability to achieve the mining schedule. Since our Mineral Reserves estimates as at 30 June 2023 are based on a gold price assumption of approximately RMB310 per gram, our operation and actual production may also be affected by significant gold price change. According to the SRK Report, as at 30 June 2023, the net present value of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine in aggregate amounted to approximately RMB3,332 million, which indicated that our gold mines are economically viable with positive net cash flow from 2022 to 2031. Such economic analysis was carried out based on various assumptions and factors. Therefore, in a hypothetic situation and assuming the current project design, LoM schedule and all other operational factors remain constant, if the gold price decreases by a certain percentage, our projected operation may be considered uneconomic and we may fail to achieve our production estimates. For more details of the economic analysis by the Competent Person, please see the section headed "SRK Report — 20. Economic analysis" in Appendix III to this prospectus.

Actual production may vary from estimates for a variety of reasons, including risks and hazards in the SRK Report, including but not limited to:

- actual gold-containing ore mined from our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine varying from estimates in grade, tonnage, and metallurgical and other characteristics;
- encountering unusual or unexpected geological conditions, such as the lack of significant Mineral Resources and lower average grade of gold;
- mining dilution;
- actual gold recovery rate lower than estimates during the testing;
- industrial accidents;
- equipment failures during ore processing;
- natural phenomena such as weather conditions, floods, rock slides and earthquakes;
- changes in the costs of electricity;
- decreases in gold price in the PRC which may cause Mineral Reserves that are currently economic to become uneconomic;
- labour unrest, strikes, labour turnover;

- interference from local communities and competitors;
- political and socio-economic impact; and
- shortages of supplies needed for operation.

Such occurrences could result in damage to our mining assets, interruptions in production, injury or death to persons, damage to our property or the property of others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable. It is possible that actual facilities utilisation, gold recovery rate, operating cash costs and economic returns will differ significantly from those currently estimated. We cannot assure you that we will achieve our production estimates. Our failure to achieve our production estimates could have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to obtain, retain or renew government approvals, licences and permits necessary for our business operations.

Our ability to carry out our business operations is subject to our ability to obtain and retain necessary approvals, licences and permits from relevant PRC Government authorities and to renew them when they expire. Any failure to obtain, retain or renew, or any delay in obtaining or renewing, such approvals, licences or permits could subject us to a variety of administrative penalties or other government actions and adversely impact our business operations.

Under the PRC Mineral Resources Law, all mineral resources in the PRC are owned by the state. As a gold mining company, we are required to obtain certain government licences and permits, among which mining licences are crucial for our mining operations. Mining licences are limited to a specific geographic area and a certain time period. The validity of a mining licence is determined according to the scale of the mine. During the Track Record Period and up to the Latest Practicable Date, we held valid mining licences for our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine, both of which will expire in 2031. We plan to apply to the appropriate authorities for a renewal when such licence expires.

In addition, pursuant to relevant PRC laws and regulations, before commencing formal production, we are required to pass the inspection and acceptance of safety facilities and environmental protection facilities by the production safety authority and environmental protection authority and to obtain a production safety permit.

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had obtained the requisite approvals, licences and permits for our current operations in all material aspects. However, we may not be able to obtain or renew such approvals, licences or permits or obtain, retain or renew other approvals, licences and permits necessary for our business operations in the future, either in respect of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine or at any mines we may operate in the future. Our mining licences for our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine are subject to annual inspection by the competent bureau of land and resources at central or provincial level. In the annual inspection, the relevant authorities will consider whether our mining activities in the past year have been in compliance with the relevant laws and regulations. If we do not pass the annual inspection, we may be penalised according to the relevant laws and regulations, be given a deadline to rectify the situation, or our mining licences may be suspended or revoked. Should our mining licence be suspended or revoked or we have to incur additional significant costs to rectify non-compliances, our business, financial condition and results of operations would be materially and adversely affected.

The preferential tax treatment currently enjoyed by our PRC subsidiary may be changed or discontinued, which may adversely affect our business, financial condition and results of operations.

Pursuant to the EIT Law, with respect to a high and new technology enterprise, the tax levied on its income will be at a rate of 15% after obtaining the High-tech Certificate and completing the filing with the competent tax authorities. Yantai Zhongjia was certified by the PRC government authorities as a High and New Technology Enterprise, and therefore enjoyed preferential enterprise income tax rates of 15% from January 2020 to December 2022. In order to maintain this status as a high technology enterprise, in the future, we will need to continue to file an application with the competent authorities for their review and determination of our relevant subsidiary as high and new technology enterprise within three months prior to the expiration of the applicable High-tech Certificate. After passing the review, Yantai Zhongjia will still be required to complete the tax reduction and exemption filing with the competent tax authorities to continue to have a preferential tax rate of 15%. Also during validity term of High-tech Certificate, we are still subject to yearly qualification review. In arriving at the current tax provision for Yantai Zhongjia for FY2020, FY2021, FY2022 and 6M2023, we have prudently adopted, among others, the uniform EIT rate of 25% to avoid the potential impact on our financial statements during the Track Record Period should the tax authority hold a different view on the preferential tax rate we enjoyed. Also, we cannot assure you that we will be able to pass all reviews in the future and to complete the tax reduction and exemption filing with the competent tax authorities in order to maintain the preferential tax rate. We also cannot assure you that the preferential tax rate treatment for high technology enterprises under PRC law will not change or be discontinued in the future.

The accuracy of the Mineral Resources and Mineral Reserves estimates of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine is based on a number of assumptions, and we may produce less gold than the current estimates.

The Mineral Resources and Mineral Reserves estimates of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine are based on a number of assumptions made by the Competent Person in accordance with NI 43-101. For more details about the procedures and parameters used for Mineral Resources and Mineral Reserves estimates, please see the SRK Report as set out in Appendix III to this prospectus. The accuracy of estimates depend on the quantity and quality of available data, the assumptions made and the judgements used in engineering and geological interpretation, which may prove to be unreliable. There is no assurance that the estimates will prove accurate or that the Mineral Reserves can be mined or processed profitably.

The Mineral Resources and Mineral Reserves estimates of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine may change significantly when new information becomes available or new factors arise, and interpretations and deductions on which Mineral Resources and Mineral Reserves estimates are based may prove to be inaccurate. Mineral Resources estimates indicate mineral concentration or occurrence of solid material of economic interest in our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine in such form, quality and quantity with reasonable prospects for eventual economic extraction, based on specific geological evidence and knowledge, including sampling. Mineral Reserves contained in this prospectus are an estimation of the amount of gold that we believe can be economically mined and processed and are calculated based on a number of economic and technical assumptions, including, among others, the estimates of future production costs and gold prices. In the future, we may need to revise the Mineral Reserves estimates of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine if, for instance, our production costs increase or gold prices decrease and as a result the extraction of a portion (or all) of the gold from Mineral Reserves at our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine becomes uneconomical. For example, our gold content of Mineral Reserves estimates as at 30 June 2023 was based on a gold price assumption of RMB310 per gram over an estimated LoM of approximately 8.5 years for our Songjiagou Open-Pit Mine and approximately 6.0 years for our Songjiagou Underground Mine. The aforementioned gold price assumption is set with reference to historical average gold price between January 2018 and 30 June 2023, which was approximately RMB310 per gram. According to the SRK Report, if gold price decreases from RMB420 per gram to RMB290 per gram, our Mineral Reserves estimates in terms of ore tonnage in respect of our Songjiagou Open-Pit Mine and Songjiagou Underground Mine will decrease by approximately 10.2% from approximately 27,591 kt to approximately 24,780 kt and 24.2% from approximately 745 kt to approximately 565 kt, respectively. For more details on the impact of different gold prices and other assumptions on Mineral Reserves estimates, please see the section headed "SRK Report — 13. Mineral Reserve estimation" in Appendix III to this prospectus.

In addition, compared to "measured" or "indicated" resources category, "inferred" resources have a greater amount of uncertainty as to their existence and as to whether they can be mined economically as such resources are inferred from geological evidence and assumed but not verified. It cannot be assumed that all or part of the "inferred resources" will ever be upgraded to a higher category.

The inclusion of Mineral Resources and Mineral Reserves estimates should not be regarded as a representation that all these amounts can be economically mined or processed, and nothing contained in this prospectus (including without limitation, the estimates of LoM) should be interpreted as assurances of the economic viability of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine or the profitability of our future operations.

Our operating costs may be higher than expected.

During the Track Record Period, our operating costs are mainly represented by the Songjiagou Open-Pit Mine. Despite open-pit mining is more cost efficient than underground mining according to Frost & Sullivan, there are approximately 95% of gold mining in China involves underground mining. If and when we acquire underground gold mines in future, our operating costs could increase primarily due to additional expenses associated with underground mining infrastructure construction and equipment purchasing. Further, the mining costs generally increase over the lifespan of a mine as pits become deeper. If our mining costs, labour costs or other operating costs increase and we cannot increase our average selling price and our production efficiency to offset any such increase, our profitability and results of operations may be adversely affected.

We rely on third-party subcontractors to conduct refining and logistics works.

We outsource substantially, all refining and logistics works to qualified Independent Third Party subcontractors as it is common in the industry. During the Track Record Period, we engaged two Independent Third Party subcontractors, namely, Shandong Guoda and Shandong Humon, to provide refining services to us. The aggregate purchases of refining services from Shandong Guoda and Shandong Humon during the Track Record Period amounted to approximately RMB5.7 million, RMB4.1 million, RMB13.7 million and RMB5.4 million, accounted for approximately 6.5%, 7.3%, 12.2% and 10.6% of our total purchases, respectively. Since 2021, we have been engaging only Shandong Guoda as our subcontractor for refining services. For details, please refer to the paragraph headed "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" in this section. In respect of the subcontractors we engaged during the Track Record Period for logistic service, they are mainly individuals. The aggregate purchases of logistics services from them during the Track Record Period amounted to approximately RMB7.2 million, RMB5.0 million, RMB9.1 million and RMB3.8 million, accounted for approximately 8.2%, 8.9%, 8.1% and 7.4% of our total purchases, respectively. For further details of the major Independent Third Party subcontractors we have engaged during the Track Record Period, please refer to the section headed "Business — Suppliers and subcontractors" of this prospectus.

As a result, our operations will be affected by the performance of these Independent Third Party subcontractors. Although we monitor the works of Independent Third Party subcontractors to ensure that they are carried out on time, on budget and in accordance with our mine plannings and specification, we may not be able to control the quality, safety and environmental standards of the works conducted by Independent Third Party subcontractors to the same extent as the works conducted by our own employees. In such event, we may become engaged in disputes with our Independent Third Party subcontractors, which could lead to additional expenses, distractions and potentially loss of production time and additional costs, any of which could materially and adversely affect our business, financial condition and results of operations.

In addition, under the relevant PRC laws and regulations, an owner of the mining licence has a statutory obligation to ensure production safety. In the event of any production safety-related accident involving a subcontractor, we may be held directly liable or liable for compensation to the extent of our faults regardless of any contractual provisions to the contrary. Any failure by the Independent Third Party subcontractors to meet our quality, safety and environmental standards may result in liabilities to us and have a material adverse effect on our business, financial condition and results of operations, and could also affect our compliance with government rules and regulations relating to mining and workers' safety.

Our business requires significant and continuous capital investment.

As a result of our overall business expansion strategy, we will require a high level of capital expenditure in the foreseeable future to fund our ongoing operations and future growth. We expect our capital expenditures for our existing mines for the two years ending 31 December 2024 and the funding for our expansion plans to, among others, further construction of mining infrastructure in accordance with our mine optimisation plan, upgrade our gold reserves to increase LoM through additional exploration activities and expand business through selective acquisition. If we fail to construct additional mining infrastructure at the expanded area to extend our boundary in the existing mined area in accordance with the mine optimisation plan and design, our gold production volume and gold sales volume will be reduced and our revenue and profitability will be adversely affected. In view of the above, we will require additional capital to continuously construct new benches in accordance with the optimisation plan and design, implement our strategy of acquiring additional mining assets and undertaking additional exploration activities in the future. We intend to fund our capital expenditures, future acquisitions and additional exploration activities out of internal sources of liquidity and/or through access to additional financing from external sources. Our ability to obtain external financing in the future at a reasonable cost is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- the condition of the global and domestic financial markets; and
- changes in the monetary policy of the PRC Government with respect to bank interest rates and lending practices.

If we require additional funds and cannot obtain them on acceptable terms when required or at a reasonable financing cost or at all, we may be unable to fulfill our working capital needs, upgrade our existing facilities or expand our business. These or other factors may also prevent us from entering into transactions that would otherwise benefit our business or implementing our future strategies. Any of these factors may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to obtain financing on favourable terms, or at all, to fund our on-going operations, existing and future capital expenditure requirements, acquisitions and investment plans and other funding requirements, and our ability to raise additional funds could be materially affected by the fluctuations in the capital market.

The exploration, mining and production activities are highly capital intensive. During the Track Record Period, we had funded part of our capital expenditures of approximately RMB120.4 million, RMB58.5 million, RMB45.7 million and RMB39.6 million, respectively, with capital contributions and borrowings from our Controlling Shareholder and bank loans. We expect to supplement such funding with cash flow from our sales of gold bullion. However, to fund our current and future operations, we expect to rely heavily on external sources. To fund our Group's ongoing operations and future growth, our Group will require capital expenditures amounting to approximately RMB8.5 million and RMB209.8 million for the two years ending 31 December 2024, respectively. For details, please refer to the section headed "Business — Business strategies" in this prospectus. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, the condition of the global and domestic financial markets, and changes in bank interest rates and lending practices and conditions.

Any disruptions, uncertainty or volatility in the capital and credit markets resulting from any global financial crisis may also limit our ability to obtain financing to meet our funding requirements. If adequate funding is not available to us on commercially acceptable terms in time, or at all, it may materially and adversely affect our ability to fund our existing operations, to develop or expand our business.

We may have difficulty in managing our future growth and any associated increased scale of our operations.

We expect to expand through both organic growth and acquisitions. Our future expansion may place a significant strain on our managerial, operational, technical and financial resources. In order to better allocate our resources to manage our growth, we must hire, recruit and manage our workforce effectively and implement adequate internal controls in a timely manner. If we are unable to effectively manage our growth and the associated increased scale of our operations, our business, financial condition and results of operations could be materially and adversely affected.

We may experience problems in executing, managing and integrating acquisitions, joint ventures and strategic collaborations for our existing and future operations.

Our existing principal subsidiary, Yantai Zhongjia, is operated through a joint venture with Dahedong of which Majestic Yantai BVI owns 75% and Dahedong owns the minority interest of 25%. We intend to adopt similar joint venture structure when we expand through future acquisitions. Yantai Zhongjia is currently jointly managed based on the joint venture agreement between Majestic Yantai BVI and Dahedong, of which Dahedong is entitled to nominate two of the five directors of Yantai Zhongjia, as well as the supervisor of Yantai Zhongjia while Majestic Yantai BVI is entitled to nominate the remaining three directors of Yantai Zhongjia and the general manager, who is responsible for day to day operations of Yantai Zhongjia. Each of Majestic Yantai BVI and Dahedong nominates one cashier and one accounting officer, respectively. Yantai Zhongjia is responsible for its own employees and liable for the employees' compensation and other benefits under the laws of the PRC. The joint venture agreement does not give Dahedong any veto rights over any corporate actions of Yantai Zhongjia.

The success of our existing and future joint ventures depends on a number of factors, including the financial resources of the other shareholders and joint venture partners, their willingness and ability to honour their commitments under the joint venture agreements, the manner in which they exercise control, veto or other governance rights in respect of the joint venture, and the extent to which they cooperate in operational and strategic decisions with respect to the relevant mine. If we become engaged in material disagreements with our joint venture partners, the operational and financial results of the underlying mines may be adversely affected.

We may not be successful in future acquisitions. Any acquisition or strategic investment that we undertake could be difficult to integrate, which may adversely affect our operations.

We may strategically pursue acquisitions, joint ventures or strategic collaborations to strengthen our industry leadership. Any such acquisition, joint venture or strategic collaboration may change the scale of our business and operations and may expose us to new geographic, geological, political, social, operating, financial, legal, regulatory and contractual risks, including but not limited to:

- significant changes in commodity prices after we have committed to complete a transaction and established a purchase price or share exchange ratio;
- mineral ore bodies that may not meet expectations;
- difficulties integrating and assimilating the operations and personnel of any acquired companies, realising anticipated synergies and maximising the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls;
- higher costs of integration than we anticipated;
- diversion of management's attention from our day-to-day business;
- inability to manage the newly acquired entities due to new operating and regulatory requirements;
- undetected liabilities which may be significant;
- disputes or breaches by our joint venture partners or strategic business partners, or the inability of our joint venture partners or strategic business partners to fulfill contractual obligations due to their businesses or financial condition; and
- difficulties in obtaining various governmental approvals.

Mineral Reserves of our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine will decline as we produce more gold. As part of our business strategies, we intend to increase our Mineral Reserve base through acquisitions. There can be no assurance that we will be successful in these acquisitions. In addition, we must obtain various regulatory approvals, licences and permits in order to develop new Mineral Reserves. There is no assurance that we could successfully acquire additional gold mines or companies with existing exploration or mining licences and additional gold mining assets or develop gold resources or obtain necessary governmental approvals, which may materially and adversely affect our business, financial condition and results of operations.

In respect of future acquisitions, we may encounter difficulties in integrating acquired operations, services, corporate culture and personnel into our existing business and operations. Further, we may discover previously unidentified liabilities or other issues that we did not discover in our pre-acquisition due diligence investigations. These activities may divert significant management attention from existing business operations, which may harm our business. In addition, acquisitions will require our management to develop expertise in new areas, manage new business relationships and attract new types of customers. There can be no assurance that any acquisition, joint venture or strategic collaboration will achieve the results intended. Any problems experienced by us in connection with an acquisition, joint venture or strategic collaboration as a result of one or more of these or other factors could have a material and adverse effect on our business, financial condition and results of operations.

For any future acquisition or strategic investment, there can be no assurance that any anticipated benefits of an acquisition or a strategic investment will be realised. Acquisitions of or strategic investments in other gold mines may result in the incurrence of debt and the impairment or amortisation of expenses related to goodwill and other intangible assets. In addition, acquisitions and strategic investments involve numerous risks, including difficulties in the assimilation of operations, corporate culture and personnel of the acquired business, diversion of management's attention from other business concerns, risks of entering into new markets and the potential loss of key employees of the acquired business. All of these factors may materially and adversely affect our business, financial condition and results of operations.

Our operations are subject to risks relating to occupational hazards and production safety.

As a gold mining and production company, we are subject to extensive laws, rules and regulations imposed by the PRC Government regarding production safety. By its nature, gold mining and production activities contain elements of significant risks and hazards. In particular, our operations involve the handling and storage of explosives and other dangerous articles. We have implemented a set of guidelines and rules regarding the handling of dangerous articles, which comply with applicable existing PRC laws, regulations and policies. However, there is no assurance that our Group's operations would not be disrupted or suspended in relation to occupational hazards and production safety.

Given the fact that the PRC Government has been strengthening the enforcement of safety regulations in relation to the mining industry, more stringent laws and regulations regarding production safety may be implemented and existing laws and regulations may be more stringently enforced in the future. There can be no assurance that accidents arising from the mishandling of dangerous articles will not occur in the future. We may not be able to comply with all existing or future laws and regulations in relation to production safety economically or at all.

Should we fail to comply with any production safety laws or regulations, we would be required to suspend our operation, rectify the non-compliance within a limited period and/or pay fines. Failure to rectify any problem could lead to suspension of our operations and fines as well. In addition, accidents may arise due to various reasons, such as the mishandling of dangerous articles in our operations. Should we fail to comply with any relevant laws, regulations or policies or should any accident occur, our business, reputation, financial condition and results of operations may be adversely affected, and we may be subject to penalties, civil liabilities or criminal liabilities.

Our operations may face risks in relation to production delays and increased production costs resulting from design defects, production safety and occurrence of accidents.

Our infrastructure and facilities may contain design defects, and the success of commissioning and trial production may not guarantee smooth formal production in the future. The breakdown or modification of the facilities may delay the production and incur significant costs. In addition, we may experience in the future increase costs of production arising from compliance with production safety laws and regulations.

Our employees and our Independent Third Party subcontractors may encounter accidents, technical difficulties, mechanical failure or breakdown during the mining and production processes, as well as manmade and natural disasters beyond our control, for details please refer to the paragraph headed "Risks relating to the business operations of our Group — We face certain risks and uncertainties beyond our control manmade and natural disasters that may negatively impact our operations" in this section. There can be no assurance that accidents will not occur in the future. The occurrence of accidents may disrupt or suspend our operations, increase production costs, result in liability to us and harm our reputation. Such incidents may also result in breaches of the conditions for our mining licences or any other approvals, licences or authorisations, which may result in fines and penalties or even possible revocation of such permits, approvals, licences and authorisations.

We cannot guarantee that safety accidents will not occur at our gold mine in the future. The occurrence of accidents may result in damage to or destruction of production facilities, personal injuries or casualties, environmental damage, business interruption, delays in production, increased production costs, monetary losses and potential legal liability to us. Such incidents may also result in breaches of the conditions for our mining licences or any other approvals, licences or authorisations, which may result in fines and penalties or even possible revocation of such permits, approvals, licences and authorisations. Should we fail to comply with any relevant laws, regulations or policies or should any accident occur, our business, reputation, financial condition and results of operations may be adversely affected, and we may be subject to penalties, civil liabilities or criminal liabilities.

Our operations are exposed to risks in relation to environmental protection and rehabilitation.

Operations of gold mines are subject to environmental risks and hazards. Our operations are subject to PRC environmental laws and regulations, such as the treatment and discharge of hazardous wastes and materials and environmental rehabilitation. These laws and regulations set a series of standards for waste substances that may be discharged into the environment, and impose fees for the discharge of such waste substances. We are required to conduct our mining operations in a manner that minimises the impact on the environment, such as through rehabilitation and re-vegetation of mined land. In the future, we may have rehabilitation obligations in respect of areas we have cleared for mining and production purposes.

Environmental hazards may occur in connection with our operations as a result of human negligence, force majeure or otherwise. As advised by our PRC Legal Advisers, we did not have any material incidents of non-compliance with PRC environmental laws and regulations at our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine that resulted in material penalties during the Track Record Period. We cannot guarantee that our operations will not have environmental risks or hazards in the future. The occurrence of any environmental hazards may delay production, increase production costs, cause personal injuries or property damage, result in liability to us and damage our reputation. Such incidents may also result in breaches of the conditions for our mining and exploration licences or other approvals, licences or authorisations, which may result in fines or penalties or even possible revocation of such permits, approvals, licences and authorisations.

We may experience increased production costs arising from compliance with environmental laws and regulations. Moreover, the development of the PRC's economy and the improvements in living standards may lead to heightened awareness of environmental protection. As a result, it is possible that more stringent environmental laws and regulations may be implemented in the future, or the existing environmental laws and regulations may be more strictly enforced. We may not always be able to comply with future laws and regulations in relation to environmental protection and rehabilitation economically or at all. Should we fail to comply with any such laws and regulations, we may be subject to penalties and liabilities under PRC laws and regulations, including but not limited to warnings, fines, suspension of production and closure of the facility that fails to comply with the relevant environmental standards.

We were previously involved in bill arrangements that were not in full compliance with the PRC Negotiable Instruments Law and we may be subject to penalties.

In 2020 and up to May 2020, our operating subsidiary, Yantai Zhongjia obtained and used bank acceptance bills without underlying trade or debt transactions, which were not in compliance with the PRC Negotiable Instruments Law. Yantai Zhongjia obtained the bank acceptance bills from the purchases of bank acceptance bills with cash for the equivalent amount. Subsequently, Yantai Zhongjia used such bank acceptance bills to settle payments for purchases from its vendors, suppliers and subcontractors in the ordinary course of business supported by underlying trade transactions, which was in compliance with the PRC Negotiable Instruments Law. The fund involved in the bill arrangements during FY2020 amounted to approximately RMB10.2 million. For details, please refer to the section headed "Business — Compliance with laws and regulations — Non-compliant bill arrangements" in this prospectus.

Yantai Zhongjia has fully settled all the relevant bank acceptance bills in May 2020 and have not entered into any further non-compliant bill arrangements since then. We have implemented certain measures to strengthen our internal controls in this respect as at the Latest Practicable Date. However, there is no assurance that these non-compliance incidents will not affect the credibility of our Group with the PRC commercial bank, nor future approvals of financing activities by such bank. We also cannot assure you that the relevant regulatory authorities will not impose penalties and/or fines on Yantai Zhongjia retrospectively for the previous non-compliant bill transactions. Any penalties and/or fines may adversely affect our business, financial conditions and results of operations.

We may not be adequately insured against losses and liabilities arising from our operations.

Mining and production activities involve numerous risks, including unexpected or unusual geological conditions, fire, floods, earthquakes, severe weather conditions, other environmental occurrences and political and social instability. These risks can result in, among other things, damage to and destruction of mining assets or production facilities, personal injury, environmental harm, financial losses and legal liability.

According to the relevant PRC laws and regulations, we are liable for losses and costs arising from accidents resulting from fault or omission on the part of us or our own employees. The relevant PRC laws and regulations do not require mining companies to obtain insurance for such liabilities except for insurance covering losses or costs resulting from work-related accidents occurring to our employees, which we have obtained for our employees. We maintain insurance for our operations in line with industry practice in the PRC. We maintain employer liability insurance for our employees, which includes work accident insurance. We maintain additional production liability insurance for our employees engaged in mining activities. We also maintain property insurance for certain of our assets including building, machines, equipment and automobiles. However, in line with industry practice in the PRC, we have elected not to maintain certain types of insurances, such as business interruption insurance or key man insurance.

Due to the nature of our business, we handle highly flammable and explosive materials and operate under perilous conditions. We may experience accidents in the course of our operations, which may cause significant property damage, personal injuries or other liabilities. Losses and liabilities incurred or payments we may be required to make, if not adequately insured against, could have a material adverse effect on our results of operations or otherwise materially disrupt our operations.

We may not be able to maintain the provision of adequate and uninterrupted supplies of electricity, water, materials and equipment at commercially acceptable prices, or at all.

Major raw materials and consumables used in our production include explosives, steel grinding balls and chemical reagents used during our ore processing operation. Electricity and water are the main utilities used in our operations. Our mining and ore processing processes require adequate and stable supply of electricity. Supplier A, being the power supply company based in Yantai city, was one of our five largest suppliers during the Track Record Period. During the Track Record Period, we did not experience any material interruptions in our operations due to power shortages or outages. However, since September 2021, our Group had to comply with the power restriction policy imposed by the PRC government aiming to improve energy consumption across China, and in Shandong province and other north-eastern provinces in the PRC. Such power restriction did not lead to any temporary suspension of our processing facilities or mines in Yantai city. We cannot assure you that we would not be subject to any power outages in the future. If we are to be subject to power outages or there is prolonged power shortage in the future or there are any possible changes in the power consumption policies adopted by the PRC government, our production will be inevitably disrupted. Our business, financial conditions and results of operation will therefore be adversely and materially affected.

In addition, our water supply mainly from our reservoirs which store recycled wastewater from our production. We also obtained an approval from the local Department of Water Resources in May 2017 to use approximately 460,000 cubic metres of water annually from Rushan River. There can be no assurance that supplies of electricity, water or raw materials will not be interrupted or that their prices will not increase in the future. In the event that our existing suppliers cease to supply us with electricity, water or raw materials at commercially acceptable prices or at all, our operations will be interrupted, and our financial condition and results of operations will be materially and adversely affected.

We may incur amortisation expenses related to our mining right and may recognise impairment losses related to our intangible assets, either of which may adversely affect our results of operations.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, we had intangible assets with net book value of approximately RMB145.2 million, RMB132.3 million, RMB125.1 million and RMB121.1 million, mainly represent our mining rights for our Songjiagou Open-Pit Mine and Songjiagou Underground Mine. We will amortise our mining right over the useful life of our mine, using the unit of production method based on actual volume mined and total estimated reserves. The process of estimating quantities of reserves is inherently uncertain and complex and requires significant judgments and decisions based on available geological, engineering and economic data. Mining rights are written off to profit or loss if the mining property is abandoned, which may have a material adverse effect on our result of operations. For further details, please see note 15 to the Accountants' report set out in Appendix I to this prospectus. According to the SRK Report, the LoM of our gold mines is 8.5 and 6.0 years for Songjiagou Open-Pit Mine and Songjiangou Underground Mine respectively based on their gold reserve estimates as at 30 June 2023. For the three years ended 31 December 2022 and the six months ended 30 June 2023, our amortisation expenses related to our mining rights amounted to approximately RMB2.5 million, RMB3.3 million, RMB8.3 million and RMB3.8 million, respectively. We intend to review the amount of the Mineral Reserves at our Songjiagou Open-Pit Mine and our Songjiagou Underground Mine on an annual basis. The carrying amount of mining rights is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy. Estimating the value in use requires us to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. Any material decrease in the amount of our Mineral Reserves for our mine or changes to our production plans may result in impairment of the carrying value of our mining rights and related assets or results in a recognition of impairment losses related to our intangible assets, which may have a material adverse effect on our business, financial condition and results of operations.

We face certain risks and uncertainties beyond our control from manmade and natural disasters that may negatively impact our operations.

Our business operations are subject to a number of operational risks and hazards, some of which are beyond our control. These operational risks and hazards mainly include:

- major catastrophic events and natural disasters, including earthquakes, fires, floods, landslides, drought, snowstorms and other hazardous weather conditions;

- geological or mining conditions such as instability of the slopes and subsidence of the working areas;
- unexpected or periodic interruptions due to inclement or hazardous weather conditions;
- disruptions or shortages of water, power or fuel supply;
- industrial or manmade accidents occurring in connection with our mining or ore processing operations; and
- critical equipment failures, malfunction and breakdowns of information management systems, or unexpected maintenance or technical problems.

Natural disasters, especially earthquakes, snowstorms, floods and landslides, may require us to evacuate personnel or curtail operations. Such risks and hazards may result in damage or loss to our mining and processing operations, and they may also require us, among other things, to evacuate personnel, delay or temporarily suspend our operations, reduce our productivity or delay delivery of our products to our customers. Periods of curtailed activity may increase the operating costs. If any of these accidents occurs, it could materially and adversely affect our business, financial condition and results of operations.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, mud-slides or other natural disasters causing instability of slopes and subsidence of working areas in our mines, power, water or fuel shortages, critical equipment failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets, reduction in our productivity and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

We and some of our lessors have not obtained title certificates for certain properties owned, used or leased by us, and we leased collectively-owned rural land for non-agricultural purposes, which could materially and adversely affect our right to use such properties.

There were a number of title defects relating to properties in the PRC that we owned, used or leased as at the Latest Practicable Date. As at the Latest Practicable Date, (i) Yantai Zhongjia had not obtained valid ownership certificates (不動產權證) for certain owned buildings; and (ii) the lessors of certain buildings leased by Yantai Zhongjia also had not obtained valid ownership certificates (不動產權證), due to their respective failure to obtain the construction works planning permits (建設工程規劃許可證), the construction works commencement permits (建築工程施工許可證) and the construction works completion inspection certificates (建設工程竣工驗收備案文件). Yantai Zhongjia may be required to dismantle or relocate from the relevant properties within a prescribed period of time. For details, please refer to the section headed "Business — Properties — Properties with defective titles" in this prospectus.

As at the Latest Practicable Date, Yantai Zhongjia leased nine parcels of collectively-owned rural land for non-agricultural purposes, comprising approximately 313,334.9 sq.m., 1,000,005 sq.m. and 707,096.9 sq.m. as its mining area for our Songjiagou Open-Pit Mine, tailing dams and rubble and waste rock dumps in breach of the Land Administration Law, which may subject us to relocation risk in the event that our occupancy of any of such land is challenged by the relevant PRC government authorities. For details, please refer to the section headed "Business — Properties — Properties with defective titles — We leased Collectively-owned Rural land for non-agricultural purposes" in this prospectus.

As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties owned, used or leased by us for which we or the relevant lessors do not hold valid title certificates. Furthermore, we may be subject to fines and penalties imposed by government authorities with respect to such properties. If any of such properties were successfully challenged, we may be forced to relocate our operations on the affected properties. Certain of our operational activities are located on the affected properties, and we may be forced to cease these activities in the event we face challenges in relation to our properties. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, or if we are subject to any material liability resulting from third-party challenges for our ownership usage or lease of properties for which we or our lessors do not hold valid titles, our business, financial condition and results of operations may be materially and adversely affected.

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

We depend on certain key qualified personnel, key senior management and other employees in our business, particularly those set out in the section headed "Directors and senior management" in this prospectus. There can be no assurance that such parties will continue to provide services to us or will honour the agreed terms and conditions of their employment contracts. Loss of any key personnel or failure to recruit and retain personnel for our future operations and development may have a material adverse effect on our business.

The market for employees with industry experience and technical skills can be highly competitive. We cannot be certain that the services of our senior management and a sufficient number of technically skilled employees in the PRC will continue to be available to us. Any senior management departures or unavailability (due to death, injury, illness or other reasons) or technically skilled worker shortages could adversely affect our operational efficiency and production levels. We may be unable to hire or retain appropriate technically skilled employees or other management personnel, or may have to pay higher levels of remuneration than we currently intend. In particular, qualified personnel may be scarce in certain regions where our mines are located. If we are unable to hire and retain appropriate management and technically skilled personnel, or if there are not sufficient succession plans in place, our business may be materially and adversely affected.

We may suffer if there is a theft of gold concentrate on our mining properties. Such activities can disrupt business and can expose us to liability.

Our Group may not be able to safely guard against illegal activities such as theft of gold concentrate stored on site. Any theft of gold concentrate from our processing plant may reduce the amount of gold that we are able to produce or recover from our operations and the amount of gold we are able to sell, which would have a material adverse effect on our business, results of operations and financial position. For details of our Group's internal control procedures in relation to gold security, please refer to the section headed "Business — Our operations — Safety monitoring facilities" of this prospectus. During the Track Record Period, we had not experienced a breach of security that had a material and adverse impact on our operations.

We are subject to risks relating to the transport of our inventory.

Our gold refining subcontractors are responsible for (i) bearing the cost for delivery of the gold concentrate to their smelters; and (ii) transporting gold bullion to the Shanghai Gold Exchange. Our gold concentrate is valuable item, and we are subject to risk of delay, damage or loss of such items, which may occur for reasons beyond our control, including labour disputes or strikes, acts of war or terrorism and natural disasters. While we seek to ensure the safety of our deliveries through installing GPS tracking systems and engaging security personnel to guard our shipments, we cannot guarantee that there will not be any safety accidents or loss of such deliveries. Moreover, we have less control over these Independent Third Party subcontractors. Any delay, damage or loss of our work-in-progress and products during the transportation process may have a material and adverse effect on our business, financial condition and results of operations.

We cannot guarantee that we will not be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may include issues of concern relating to, among others, health and safety accidents, environmental matters, breach of contract, employment or labour disputes and infringement of intellectual property rights. As at the Latest Practicable Date, we were not involved in any litigations and legal proceedings in the PRC that may materially affect our business and results of operations. However, in August 2019, we were ordered by the Beijing City Second Intermediate People's Court to be jointly and severally liable, as a co-guarantor under a loan arrangement entered into by an Independent Third Party entity, which we had provided corporate guarantee in the amount of RMB50.0 million in favour of a financial institution, for the repayment obligation under such loan arrangement. Yantai Zhongjia was fully released and discharged from all liabilities and obligations under such corporate guarantee in August 2021. Please see the section headed "Business — Litigation" in this prospectus for further details. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

Our business operations may be affected by the COVID-19 pandemic and other outbreak of diseases.

The outbreak of COVID-19 had spread across China and to over 200 countries and territories globally in 2020. The new strain of COVID-19 is considered highly contagious and may pose a serious threat to public health. In March 2020, the World Health Organization characterised the outbreak of COVID-19 as a pandemic. The accelerated spread of the virus globally has caused extreme volatility in the global financial market.

The outbreak, which may result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC. To prevent further transmission of COVID-19, the PRC Government had adopted a series of measures in the first half of 2020 nationwide, including among others, locking down certain cities, restrictions on enterprises from resuming work, traffic control, travel bans, compulsory quarantine and social distancing. To comply with the PRC government's measures to contain and mitigate the COVID-19 outbreak, we temporarily suspended our back office administrative functions in the PRC after the Chinese New Year holidays in 2020. Our subcontractors, suppliers and us may be required to quarantine some or all of their/our employees, or disinfect the community to prevent the spread of the disease if any of their/our employees were suspected of contracting or contracted an epidemic disease, which could cause material disruptions to our business activities and those of our raw materials suppliers and subcontractors, shortages of labour and delays in our production activities. The occurrence of any of the above event may adversely affect our operations and results of operations.

Furthermore, the COVID-19 pandemic has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China and other affected countries, which may have an indirect impact on the macro-economic situation, affecting consumer confidence and purchasing behaviour in the PRC and globally, causing the demand for jewellery to be reduced from the general public in the PRC and globally, and adversely affect our business operations.

We cannot predict whether COVID-19 pandemic or other outbreak of diseases in future will have long-term impact on our business operations. If we are not able to effectively and efficiently operate our business and implement our strategies as planned, we may not be able to grow our business and generate revenue from as anticipated, our business operations, financial condition and prospects may subsequently be materially and adversely affected.

We may not be able to detect and prevent fraud, bribery or other misconduct committed by our employees, customers or other third parties.

We may be exposed to fraud, bribery, or other misconduct committed by our employees, customers, or third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions or incidents of corruption or bribery in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud, bribery, and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. We cannot assure you that fraud, bribery, or other misconduct will not occur in the future. If such fraud, bribery, or other misconduct does occur, it may cause negative publicity as a result.

Our internal control and risk management systems may not fully protect us against various risks inherent in our business.

We have established internal control and risk management systems consisting of the relevant organisational framework policies, risk management policies and risk control procedures to manage our risk exposures, primarily our operational risk, legal risk and liquidity risk. For further details, please refer to the section headed "Business — Internal control and risk management" in this prospectus. However, we may not be successful in implementing our internal control and risk management systems. While we seek to continue to enhance such systems from time to time, we cannot assure you that our internal control and risk management systems are adequate or effective notwithstanding our efforts, and any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

Since our internal control and risk management systems depend on their implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. Moreover, our growth and expansion may affect our ability to implement stringent internal control and risk management policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our internal control and risk management policies and procedures, our business, financial condition and results of operations could be materially and adversely affected.

Our deferred tax assets are subject to accounting uncertainties.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. Please see Note 17 to the Accountants' report set out in Appendix I to this prospectus for further details. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying value of our deferred tax assets was approximately RMB5.4 million, RMB5.4 million, RMB5.9 million and RMB6.3 million, respectively. Based on our accounting policies, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised. The realisation of a deferred tax asset mainly depends on our management's estimate as to whether sufficient future profits will be available in the future. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred income tax assets to be recovered. If sufficient future taxable profits are not expected to be generated or are less than expected, a material reversal of deferred income tax assets may arise in future periods.

Failure to maintain appropriate inventory levels could cause us to lose sales or face excessive inventory risks and holding costs, which could have a material adverse effect on our business, financial condition and results of operations.

Demand for our products is dependent on numerous market and other factors, including gold price. Please see the paragraph headed "Risks relating to the business operations of our Group — Fluctuations in the market price of gold could materially and adversely affect our Group's profitability and cash flow" in this section above. We must maintain an appropriate level of raw materials and finished goods inventory to meet market demand. The inventories of our Group comprise (i) gold concentrate; (ii) ore stockpile; and (iii) raw materials. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the proportion of raw materials to our Group's total inventories was approximately 20.7%, 37.0%, 42.6% and 68.6%, respectively. We adjust our production schedule regularly based on anticipated changes in demand and our customers' orders so as to maintain our inventory of raw materials at an appropriate level. However, we cannot guarantee that we will be able to maintain an adequate inventory level of our products, and may cause us to lose sales and market share to our competitors. We may also be exposed to risk of holding excessive inventory, which may increase our inventory holding costs and subject us to the risk of inventory obsolescence or write-offs, which could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to additional administrative procedures and compliance costs for our gold sales and gold smelting transactions with Shandong Guoda if Shandong Guoda becomes a connected person in the future.

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).

In the event of any corporate actions of our Company such as share buy-back by our Company or further share subscription by Dongfang Gold Industry (Hong Kong) Limited which may lead to an increase in Dongfang Gold Industry (Hong Kong) Limited's shareholding in our Company to 10% or more of the total issued share capital of our Company in the future and resulting in them becoming a substantial shareholder in our Company, Shandong Guoda will become a connected person of our Company. As a result, our gold sales and gold smelting transactions with Shandong Guoda in the ordinary course of business of our Group will constitute continuing connected transactions of the Group, which may be subject to reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and hence, we will be subject to additional administrative procedures and compliance costs to comply with such requirements of the Listing Rules. In the event that the independent shareholders' approval is not obtained for the continuing connected transactions between our Group and Shandong Guoda, we will not be able to continue the gold sales and gold smelting transactions with them, and will be required to source an alternative customer with smelting capability. If we are unable to source an alternative customer with smelting capability that provides similar transaction terms as that of Shandong Guoda quickly, we will experience a deviation in our profitability which could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We face industry competition.

According to the F&S Report, there were about 30 gold producers engaged in gold mining in the Shandong Province in 2022. The top five gold producers by gold mine production volume accounted for approximately 84.7% of the total gold mine production volume in the Shandong Province while we ranked third and accounted for approximately 2.6% of total gold mine production volume in the Shandong Province. Our major competitors are leading nationwide local gold producers, regional large and medium-sized gold producers and regional small-sized gold producers. Our competitors may have certain advantages over us, including greater financial, technical and mineral resources, greater economies of scale and complete gold upstream and downstream industry chain. Industry competition may lessen our opportunities to acquire new mineral resources or other gold mining companies and ultimately may have a material adverse impact on our business, financial condition, results of operations and growth prospects.

Potential change in consumers' behaviour and the development of new commodity classes could affect the demand for gold.

According to the F&S Report, gold is mainly demanded for the purpose of jewellery fabrication, investment, technology/industry and central banks reserves, with jewellery and investment as the key drivers for gold demand. In 2022, demand from the jewellery industry, and investments in gold bars, coins and exchange traded funds accounted for approximately 46.2% and 23.3%, respectively, of the aggregate global gold demand. As the development of new commodity asset classes such as cryptocurrencies, gold-backed non-fungible tokens and other virtual commodities offer an alternative form of investment in addition to gold and other financial products such as stocks and bonds, any changes in consumers' behaviour such as switching their investments in gold to that of the new commodity asset classes may materially and adversely affect the global demand for gold, and ultimately may have a material adverse impact on our business, financial condition, results of operations and growth prospects.

Our business is subject to extensive regulations and affected by government policies in the PRC mining industry.

We are subject to extensive national, provincial and local government regulations, policies and controls in the PRC that govern many aspects of our industry, including, without limitation:

- limits on increases in ore output volume;
- grant and renewal of mining rights;
- grant and renewal of safety production permits;

- production safety and casualty ratings;
- taxes and fees;
- environmental, health and safety standards; and
- annual verification of mining licences and exploration licences.

The liabilities, costs, obligations and requirements associated with these laws and regulations may be significant and may delay or interrupt our operations. Failure to comply with the relevant laws and regulations in our mining operations may result in penalties or suspension of our operations. Additionally, we cannot assure you that the relevant government agencies will not alter these laws or regulations or impose additional or more stringent laws or regulations. Compliance with new laws or regulations may require us to incur significant costs, capital expenditures or other obligations and secure new sources of financing. More stringent laws or regulations may also restrict our business operations. The cost of compliance with regulations is and will continue to be substantial, and any increase in costs due to changes in laws or regulations or to our failure to comply may subject us to, among others, suspension of operations and penalties which could have a material adverse effect on our business, financial condition and results of operations.

In addition, the current PRC Government policies favour the acquisition and consolidation of mines by large mining companies. However, we cannot assure you that such policies will not change in the future. In the event that those policies favouring our acquisition and expansion plans change, our costs of carrying out our acquisition and expansion plans may increase substantially and our ability to effect such plans may decrease.

Our operations are exposed to risks in relation to environmental protection and rehabilitation and our business operations may be affected by current or future safety and environmental regulations.

Our operations are subject to environmental risks and hazards and we are subject to extensive and increasingly stringent safety and environmental protection laws and regulations in the PRC. These laws and regulations:

- impose environmental protection taxes;
- require the establishment of reserves for reclamation and rehabilitation;
- impose fines for serious environmental offences; and
- allow the PRC Government, at its discretion, to close down any facilities failing to comply with orders to correct or stop operations that have caused serious environmental damage.

Environmental hazards may occur in connection with our operations as a result of human negligence, force majeure or otherwise. The occurrence of any environmental hazards may delay production, increase production costs, cause personal injuries or property damage, result in liability to us and/or damage our reputation. Claims may be asserted against us arising out of our operations in the normal course of business, including claims relating to land use, safety, health and environmental matters. Some incidents may also result in a breach of conditions of our mining licences and exploration licences, or other consents, approvals or authorisations, which may result in fines or penalties or even possible revocation of our mining licences and/or exploration licence. We are not insured against environmental liabilities and there can be no assurance that environmental liabilities would not materially and adversely affect our business and results of operations.

The PRC Government is currently moving towards more rigorous enforcement of applicable laws and regulations, as well as the adoption and enforcement of more stringent environmental standards. As a result, our budgeted capital expenditures for safety and environmental regulatory compliance may be insufficient and we may need to allocate additional funds. Moreover, we cannot assure you that we can comply with all applicable safety and environmental laws and regulations that may be adopted or amended in the future. If we fail to comply with current or future safety or environmental laws and regulations, we may be required to stop production, pay penalties or fines and take corrective actions, any of which may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in the PRC's economic, political, legal and social conditions could affect our results of operations and financial condition.

Substantially all of our assets are located in the PRC and all of our revenue is expected to be generated in the PRC. Accordingly, our results of operations, financial condition and prospects are to a significant degree subject to a number of risks relating to conducting business in the PRC.

The PRC's economy differs from the economies of most developed countries in many respects, including the structure of the economy, level of government involvement, level of development, growth rate, and control of capital investment, control of foreign exchange and allocation of resources. The PRC's economy has been transitioning from a planned economy to a more market oriented economy. For the past three decades, the PRC Government has implemented economic reform measures to emphasize the utilisation of market forces in economic development. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country.

The PRC has been one of the world's fastest-growing economies as measured by GDP in recent years. However, the PRC may not be able to sustain such a growth rate. In order to maintain the sustainable growth of the economy, the PRC Government from time to time implements various macroeconomic and other policies and measures, including contractionary or expansionary policies and measures at times of, or in anticipation of, changes in the PRC's economic condition. Since 2008, there has been a slowdown in the growth of the Chinese economy primarily as a result of the global financial crisis and the deterioration in the global economy. In an effort to stimulate the growth of the Chinese economy, the PRC Government has implemented and may continue to implement various monetary and other economic measures to expand investments in infrastructure projects, increase liquidity in the credit markets and to encourage employment. However, there is no assurance that such monetary and economic measures will succeed in the future.

In the future, we may not benefit from all, or any, of the economic reform measures, or the monetary or other economic measures adopted by the PRC Government in response to the slowdown of the Chinese economy.

We may be classified as a resident enterprise for PRC enterprise income tax purposes. Such classification may result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the EIT Law, issued by the National People's Congress ("**NPC**") and EIT Regulation issued by the State Council of the PRC, enterprises established outside of the PRC whose "de facto management bodies" located in the PRC are considered "resident enterprises" for PRC enterprise income tax purposes and will generally be subject to the uniform 25% enterprise income tax rate for their global income. Under the EIT Regulation, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, on 22 April 2009, the SAT issued the "Notice of the SAT on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of "de facto management body"" (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定居民企業有關問題的通知), with retroactive effect as of 1 January 2008 and as further amended on 29 December 2017, or Circular 82, which clarified that a foreign enterprise controlled by a PRC company or a PRC company group will be considered a "resident enterprise" with its "de facto management body" located within the PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function are mainly located in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies located in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (iv) half or more of the enterprise's directors with voting rights or senior management reside in the PRC. Further, the "Administrative Measures of Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (Trial)" (境外註冊中資控股居民企業所得稅管理辦法(試行)) issued by the SAT, or, the "Measures", which has been effective since 1 September 2011 and amended respectively on 17 April 2015 and 15 June 2018, provided guidance on the administration of such Chinese-controlled offshore incorporated resident enterprises.

However, Circular 82 and the Measures only applies to offshore enterprises controlled by a PRC company or a PRC company group, not those controlled by individuals or foreign corporations like us. There is no detailed implementing regulations or other guidance determining that offshore companies controlled by individuals or foreign corporations like us are PRC resident enterprises. As of the Latest Practicable Date, the PRC local tax authorities had not assessed us as a "resident enterprise". However, we cannot assure you that we will not be considered a "resident enterprise" in the future because the SAT may take the view that the determining criteria set forth in Circular 82 and the Measures reflect general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. If we are considered as a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, our Company or our offshore subsidiaries will be subject to the uniform enterprise income tax rate of 25% as to our global income as well as tax reporting obligations. Second, although dividends paid by one PRC tax resident to another PRC tax resident should qualify as "tax-exempt income" under the PRC EIT Law, we cannot assure you that such dividends will not be subject to a 10% withholding tax, as the

PRC tax authorities, which enforce the withholding tax on dividends, and the PRC foreign exchange control authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are not controlled by any PRC enterprise or enterprise group and treated as resident enterprises for PRC enterprise income tax purposes. Finally, a 10% withholding tax will be imposed on dividends we pay to our non-PRC enterprise shareholders and gains derived by our non-PRC enterprise shareholders from transferring our Shares.

The legal protections available to you under the PRC legal system may be limited.

As all of our operations are conducted in the PRC through Yantai Zhongjia established under the PRC law, our operations are principally governed by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since late 1970s, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial laws. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, the interpretation of PRC laws and regulations still involves a significant degree of uncertainty. As a result, the legal protection available to you under the PRC legal system may be limited.

Our operations in the PRC are subject to the PRC regulations governing the PRC companies. These regulations contain provisions that are required to be included in the articles of association of the PRC companies and are intended to regulate the internal affairs of these companies. The PRC Company Law and regulations, in general, and the provisions for the protection of shareholder's rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong and other developed countries or regions. In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish between minority and controlling shareholders in terms of their rights and protections. As such, our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the Hong Kong and certain other jurisdictions.

In addition, any litigation in the PRC may be protracted and result in substantial legal costs and diversion of resources and management attention. Similarly, legal uncertainty in the PRC may limit the legal protection available to potential investors. We cannot predict the effect of future legal developments in the PRC, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national law. As a result, there is substantial uncertainty as to the legal protection available to potential investors.

Upon the listing of our Shares on the Stock Exchange, the Listing Rules will become a principal basis for the protection of the rights of holders of our Shares. The Listing Rules impose particular standards of conduct and disclosure on our Company, our Directors and our Controlling Shareholder.

Further, substantial amendments to the PRC Company Law (中華人民共和國公司法) came into effect on 26 October 2018 and latest amendments to the PRC Securities Law (中華人民共和國證券法) came into effect on 1 March 2020. As a result, the State Council and the CSRC may continuously revise existing rules and regulations and adopt new rules and regulations to implement and reflect amendments to the PRC Company Law and the PRC Securities Law. We cannot assure you that any revision of the current rules and regulations or the adoption of new rules and regulations by the State Council and the CSRC will not have an adverse effect on the rights of holders of Shares.

In addition, we may be subject to various new regulations or policies relating to accounting standards or financial reporting, which may be issued by the relevant authorities in the PRC or Hong Kong from time to time. Any changes in our accounting policies and estimates may have a significant impact on the reporting of our financial statements, including on our reported profit and shareholders' equity, and we may be required to adjust or restate our financial statements.

It may be difficult to effect service of process upon, or to enforce judgments obtained outside the PRC against us, our Directors or our senior management members who reside in the PRC.

We are incorporated in the Cayman Islands. All of our assets, our operating subsidiaries and their assets are located in the PRC. In addition, substantially all of our Directors and our officers reside within the PRC and most of the assets of our Directors and officers are also located within the PRC. As a result, it may be difficult for investors to effect service of process outside the PRC upon most of our Directors and officers, including matters arising under applicable securities laws. Moreover, a judgment of a court of another jurisdiction may only be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the Cayman Islands, Japan, the United Kingdom, the United States and most other western countries. Although Hong Kong and the PRC entered into an agreement on reciprocal recognition of judgments, enforcement of judgments is predicated on a written choice of court agreement that gives a PRC or Hong Kong court exclusive jurisdiction. As a result, it may be difficult or impossible for investors to effect service of process against our assets, management members or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

On 14 July 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administration Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), which took effect on 1 August 2008. Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. On 18 January 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New

Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the Arrangement has expressly provided for "enforceable final judgement", "specific legal relationship" and "written form". A final judgement that does not comply with the Arrangement may not be recognised and enforced in a PRC court and we cannot assure you that a final judgement that complies with the Arrangement can be recognised and enforced in a PRC court.

RISKS RELATING TO THE GLOBAL OFFERING

No assurance of liquidity and possible price and trading volume volatility of our Shares.

An active trading market for our Shares may not develop and the trading price of our Shares may fluctuate significantly. Prior to the Global Offering, there has been no public market for our Shares. The Offer Price range has been determined through negotiation between our Company and the Overall Coordinator (for itself and on behalf of the Underwriters) and the final Offer Price may not be indicative of the price at which our Shares will be traded following the completion of the Global Offering. In addition, there is no assurance that an active trading market for our Shares will develop, or, if it does develop, that it will be sustained following completion of the Global Offering, or that the trading price of the Shares will not decline below the Offer Price.

The pricing and trading volume of our Shares may be volatile. The market price of our Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- variations in our operating results;
- changes in the analysis and recommendations of securities analysts;
- announcements made by us or our competitors;
- changes in investors' perception of our Group and the investment environment generally;
- addition or departure of key management;
- developments in the PRC mining industry;
- changes in the PRC Government spending;
- changes in pricing made by us or our competitors;
- fluctuations in market prices and trading volume of our Shares;
- involvement in litigation; and

- general economic environment and other factors.

These broad market and industry fluctuations may adversely affect the market price of our Shares.

Prior dividend distributions are not an indication of our future dividend policy and we may not be able to pay any dividends on our Shares.

For FY2020, FY2021, FY2022 and 6M2023, our Group declared and paid dividends of RMB5.0 million, RMB73.9 million, approximately RMB38.9 million and nil, respectively, and all these dividends had been paid as at the Latest Practicable Date. The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. Whether dividends will be distributed and the amount of dividends to be paid will depend upon, among others, our profitability, financial conditions, business development requirements, future prospects and cash requirements. Any declaration, payment and amount of dividends is at the discretion of our Directors, and will be subject to, among others, our constitutional documents and the Cayman Companies Act.

Termination of the Underwriting Agreements.

Prospective investors should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by the Overall Coordinator (for itself and on behalf of the Underwriters) giving written notice to our Company upon the occurrence of any of the events stated in the section headed "Underwriting — Grounds for termination" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, act of terrorism, earthquake, strike or lock-out. Should the Overall Coordinator (for itself and on behalf of the Underwriters) exercises its rights and terminate the Underwriting Agreements, the Global Offering will not proceed and will lapse.

Future issues, offers or sales of Shares may adversely affect the prevailing market price of the Shares.

Future issues of Shares by our Company or the disposals of Shares by any of the Shareholders or the perception that such issues or sales may occur, may negatively impact the prevailing market price of our Shares. We cannot give any assurance that such events will not occur in the future.

Shareholders' interests may be diluted as a result of additional equity fund-raising.

We may need to raise additional funds in the future to finance our business operation, expansion and/or other funding needs. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage of ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

Investors may not enjoy the same shareholders' rights as the laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located.

Our Company is incorporated in the Cayman Islands, its affairs are governed by the Articles, the Cayman Companies Act and common law applicable in the Cayman Islands. The laws of Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minority shareholders is set out in the section headed "Summary of the constitution of our Company and Cayman Islands Company Law — Summary of Cayman Islands company law and taxation — 6. Protection of minorities" in Appendix IV to this prospectus.

The interest of our Controlling Shareholder may conflict with the interests of our Company's public shareholders.

Immediately upon the completion of the Capitalisation Issue and the Global Offering (but without taking into account of Shares that may be allotted and issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), our Controlling Shareholder will own 70.5% of our enlarged issued share capital. Therefore, our Controlling Shareholder will be able to exercise substantial control or influence over our business by directly or indirectly voting at shareholders' meetings in matters that are significant to us and our public Shareholders. For example, they may perform significant corporate actions, affect composition of the Board and affect the issue of dividends. Our Controlling Shareholder may take actions, and exercise influence that favours their interests over the interests of our Company or our public Shareholders. We cannot assure you that our Controlling Shareholder will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the best interests of our other Shareholders.

Risk of impact of granting options under the Share Option Scheme.

Our Company has conditionally adopted the Share Option Scheme although no options have been granted thereunder as at the Latest Practicable Date. Any exercise of the option to be granted under the Share Option Scheme in the future and issue of our Shares thereunder would result in the reduction in the ownership percentage of the Shareholders and may result in a dilution in the earnings per share and net asset value per Share, as a result of the increase in the number of our Shares outstanding after such issue.

Under the IFRS, the costs of the options to be granted to staff under the Share Option Scheme will be charged to our statements of comprehensive income over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

We are subject to foreign exchange risk.

Our principal place of business is in the PRC with our sales and purchases are mainly denominated in Renminbi, while the proceeds from the Global Offering will be denominated in HK dollars. Further, the presentation currency of our Group's financial statements is in RMB. During the Track Record Period, we recognised exchange gain/(loss) on translation of foreign operations of approximately

RMB1.2 million, RMB(1.3) million, RMB10.1 million and RMB1.2 million, respectively; and the foreign exchange rate of RMB to HK$ had fluctuated from RMB1.00 to HK$1.087 to RMB1.00 to HK$1.12. As such, we may be exposed to fluctuations in the exchange rate and any unfavourable fluctuation against our Group may adversely affect the underlying value of our proceeds from the Global Offering and the financial performance of our Group.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Investors should not place undue reliance on facts, statistics and data contained in this prospectus with respect to the economies and our industry.

Certain facts, statistics and data in this prospectus are derived from various sources including various official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst our Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by us, the Sole Sponsor, the Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors, affiliates or advisers. Therefore, none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Global Offering.

There had been, prior to the publication of this prospectus, and there may be, after the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any information concerning the Global Offering in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or in conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "estimate", "expect", "may", "ought to", "should" or "will" or similar terms. Those statements include, among other things, the discussion of our Group's growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. See section headed "Forward-looking statements" in this prospectus for further details.

Possible setting of the Offer Price after making a Downward Offer Price Adjustment.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK$0.495 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the requirements under Rule 11.13 of the Listing Rules will not apply.

If the final Offer Price is set at HK$0.495, the estimated net proceeds we will receive from the Global Offering will be reduced to HK$190.2 million, assuming that the Over-allotment Option is not exercised and that such reduced proceeds will be used as described in the section headed "Future plans and use of proceeds" in this prospectus.